



**INVESTORS/
ANALYSTS**
conference call

2011



Jagran Prakashan

Investors/Analysts Conference Call

October 24, 2011

Moderator 

Ladies and gentlemen, good day and welcome to the Jagran Prakashan Conference Call on the Q2 FY'12 Results hosted by ICICI Securities Limited. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Vikash Mantri from ICICI Securities. Thank you, and over to you, sir.

Vikash Mantri 

Good afternoon everybody. We welcome you all to the Q2 FY'12 conference call for Jagran Prakashan Limited. We have with us the senior management of the company represented by Mr. Sanjay Gupta, the CEO and Mr. R.K. Agarwal, the CFO, over to you sir for initial remarks.

R.K. Agarwal 

Welcome to the conference call of JPL. Today on the call, our CEO Mr. Sanjay Gupta, as well as Director Marketing, Mr. Shailesh Gupta both are available. I wish on behalf of our CEO and whole of Jagran family a very, very happy and prosperous Dhanteras and Deepavali to you all. Quarter two was incredible for us for more than one reason which we will know during the discussion. Although the results do not reflect growth, my only request would be to kindly take into consideration the facts and the circumstances while looking at these financials.

Since we discussed the past quarter results on 29 July, 2011, macroeconomic conditions have worsened in terms of uncertainty putting pressure on advertising revenue and more especially national advertising. BSFI, Telecom and Service sectors continue to remain quite and Education sector too did not do as well as we had expected. Also advertisers in other sectors are currently a bit overcautious while making future commitments.

Having said that, the steps taken to accelerate growth after July 2011 really helped us to attain a growth of 21% during the period from third week of August 2011 to September 2011, which was very heartening. Similarly growth in October 2011 is pretty robust and expected to be about 25%. This high growth in second half of Q2 is mainly driven by volume, but without corresponding increase in page level, due to

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optimum utilization of inventory. This high growth in past two-and-a-half months is a good news but post festive season how it turns out to be is yet to be seen, but we are reasonably optimistic that we will benefit from UP/Punjab Elections and the growth for current financial year would be in the range of about 12% if economy does not slip further from here.

Muted spend by BSFI, Telecom, Service and Education sectors have hit most the outdoor industry because as we all know this is the first amongst all media sectors which gets hit most. However, our Jagran Engage has succeeded in maintaining its turnover and did not incur any loss even in the second quarter. As far as activation business is concerned, it has continued to do well and post profit.

Now coming to the quarterly results, please note that company's profits are after accounting for following:

- i) Sharp depreciation of rupee resulting in accounting of mark-to-market exchange fluctuation loss of over 13.50 crore as against mark-to-market exchange fluctuation gain of about Rs. 3.50 crores in Q2 of last year.

On like-to-like basis, profit after tax excluding the impact of exchange fluctuation gain or loss would have been Rs. 54.90 crore as against an amount of Rs. 53.13 crores in the quarter 2 of last year in spite of a steep increase in newsprint prices, increase in circulation, launch of new brand, Punjabi Jagran and higher depreciation during Q2 of the current financial year. Out of this loss of Rs. 13.50 crores, an amount of about 11 crores relates to long-term liability. Most of this is likely to be reversed in Q4, if not in Q3 and will get added to the bottom line.

- ii) Initial losses of Rs. 3.75 crores of Punjabi Jagran last in the middle of June 2011,
- iii) Planned increase in circulation of Dainik Jagran by 9.60% and iNext by about 30%, iv) higher depreciation of Rs. 2.74 crores.
- v) Impact of increased newsprint prices, which was 18.4%
- vi) Planned expansion of City Plus
- vii) Continued planned investment in Digital business.

Keeping in view our planned and non-planned impacts, the company's performance looks pretty satisfactory and gives us confidence that we would continue to deliver a profitable growth even under the most adverse circumstances.

We are also happy to report that the company's investment in expansion of circulation for past one year has started paying. As per IRS 2011 Q2, average issue readership of Dainik Jagran increased by about 5 lakh and iNext by about 30,000 in comparison with 2011 Q1. Growth in readership of Dainik Jagran which is expected to continue in forthcoming quarters as well is the highest amongst all the newspaper publications in the country and would augur well for sustaining high growth in medium to long term.

Another positive for the company was a huge spike in page views of jagran.com that have crossed 100 million mark and are currently 110 million. These are higher than page views recorded by ndtv.com bhaskar.com navbharattimes.com and hindustantimes.com. As per google ad planner, total page views of all internet properties of the group stand at 137 million page views at the end of September.



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As far as Mid Day is concerned investment in circulation continues and has arrested continuous decline in readership in past so many rounds of readers survey. Mid Day Gujarati continues to march ahead and once again we recorded growth of 3.3% in readership.

Newly launched editions of the Inquilab and Punjabi Jagran are progressing, but generation of revenue is likely to take some time.

As far as company's balance sheet is concerned , it remains healthy even if loans have increased by about 210 crores from 30th September 2010. Out of the increased amount, an amount of Rs. 95 crore is received as application money for NCD from holding company and NCD will be at a nominal rate of interest at 6.5% per annum and redeemable only after five years. Similarly, company has raised ECB of USD 12 million from Bank of Baroda at an average rate of about 3% per annum repayable in installments commencing from third year and ending in the fifth year (which is the case in case of existing ECB loan from Rabo Bank of the same amount) to meet CAPEX requirements. Besides these two new loans, increases are on account of fluctuation loss of about Rs. 11 crores as referred earlier and increase in cash credit limit on account of cheques issued, but not presented for payment, which in reality is only a book overdraft.

However, in spite of payout on account of dividend and the dividend tax of Rs. 128 crores approximately in August 2011 and investment in fixed assets to the tune of 38 crores in first six months, the company's net debt position in the books remains negative. With these remarks, I request you to proceed with your questions. Thank you very much.

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Moderator

Thank you.

R.K. Agarwal

Hello, hello?

Moderator

Yes sir.

R.K. Agarwal

Did I get disconnected?

Moderator

No sir. You are on the line.

R.K. Agarwal 

Yeah. So I completed my brief.

Moderator 

Okay sir.

R.K. Agarwal 

Yeah.

Moderator 

Thank you very much. We will now begin the question-and-answer session.. The first question is from the line of Avneesh Roy from Edelweiss. Please go ahead.

Avneesh Roy 

Thanks for the opportunity. My first question is on the subscription revenue, a surprising development this time is that circulation revenue subscription revenue has gone ahead of ad revenues. So my question is, what is the sustainable growth in subscription you are aiming for and you also mentioned that circulation is finally is being out in the last few quarters, so what's the strategy we you have in that, some sense on that?

R.K. Agarwal 

We are expecting circulation revenue to remain in that range. It can go down only when you know there is a new entrant in Bihar.

Avneesh Roy 

So anything around 10 and 11% growth is possible in the next two quarters?

R.K. Agarwal 

Yes.

Avneesh Roy 

Okay, okay. And sir in terms of advertising, we have grown a better than Q1, my question is if you see the numbers of the other listed entities, we have gone slightly lower and one of the player said that in UP their growth is even ahead of their overall growth rate, so UP is all the fastest growing market?

R.K. Agarwal 

Yes.

Avneesh Roy 

So are we losing market share in the last two three years and if we are then what are we doing and when do we expect other growth to come back to the industry levels?

R.K. Agarwal 

See first thing is whenever a new player enters into the market not only market expands, but incumbents also do lose some share. On that ,there is no doubt. However, after rolling out our plans sometime in the month of August, our growth also has been in the range of 21% till 30th September and in October also we are growing at the rate of 25% and that too on much, much higher base...



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Avneesh Roy 

Okay.

R.K. Agarwal 

As far as new entrant is concerned I know who you are referring to, if you have more and more editions coming up then of course till the time you continue launching new editions you may have higher growth than incumbent.

Avneesh Roy 

Okay sir. I will come back if there are more. Thanks for the opportunity there.

Moderator 

Thank you. The next question is from the line of Ashish Uppanlawar from Spark Capital. Please go ahead.

Ashish Uppanlawar 

Yes, hi. I just wanted to know why have we raised these loan funds, any specific purpose in mind or is it going to be like that in books?

R.K. Agarwal 

Can you speak a bit loudly?

Ashish Uppanlawar 

Yes sir. I wanted to understand why have we raised these loan funds I know that's come from the holding company and stuff, but what is the purpose of these loans?

R.K. Agarwal 

Purpose of these loans, as we mentioned when we raised the money from Blackstone was that part of money was to flow to the listed entity and this is what has happened and if you are able to get a loan at 6.5% which is repayable after five years, I think we should not mind.

Ashish Uppanlawar 

Okay.

R.K. Agarwal 

Because this money was to be used as war chest and this is what is being done.

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Ashish Urganlawar 

Okay, so for now it will be only the spread that would make on the other income rather than anything, okay. Sir there was a spike in the other income this quarter, could you just explain why was that?

R.K. Agarwal 

The spike in the income is on account of increased treasury income mainly.

Ashish Urganlawar 

Okay, fine. And sir on Mid Day could you explain us because numbers are not published, so what is happening on that front and some updates on all the three four papers....

R.K. Agarwal 

revenues have grown in the second quarter by around 13%.led by circulation revenue, because they have been increasing the circulation as for the plan.

Ashish Urganlawar 

Okay.

R.K. Agarwal 

And as far as profits are concerned what they have reported is, it is subdued mainly because there has been increase in the circulation and there is an impact of appreciation in dollar.

Ashish Urganlawar 

Okay. And on ad revenue front how is it performing Mid Day?

R.K. Agarwal 

They have grown about 7.5%.

Ashish Urganlawar 

Okay.

Ashish Urganlawar 

Fine. And sir on the newsprint how do you see this now because we should actually see some benefit coming out of the softening of some domestic newsprint in the coming quarters?

R.K. Agarwal 

That is right.

Ashish Urganlawar 

On the other hand the weakening of rupee, do you think that that will impact....

R.K. Agarwal 

Yes, that is what will compensate the benefit from reduction in prices of certain qualities of domestic newsprint, but my belief is appreciation in dollar is mainly on account of mismatch between the demand and supply and in the fourth quarter at least rupee should become stronger.

Ashish Urganlawar 

Okay, so....



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Ashish Uppanlawar 

So excluding the dollar impact how much would newsprint...domestic newsprint had de-grown or rather decline in price?

R.K. Agarwal 

Not much. As I said in case of certain qualities of domestic newsprint there is some softening of prices and it should be in the range of about 5 to 7%.

Ashish Uppanlawar 

Okay, fine. And any further decline that you would see on this or is it...

R.K. Agarwal 

At least we do expect.

Ashish Uppanlawar 

Okay, okay. And sir, if you could just touch upon out-of-home City Plus and iNext how these are looking like on revenues as well as your plans on these?

R.K. Agarwal 

Out-of-home advertising as I mentioned in my briefing in fact is one which gets hit in the adverse economic environment and what I am told is the whole of the outdoor has registered a de-growth in first six months, but our Jagran Engage has been able to maintain the previous years turnover and continues to remain at breakeven level.

Ashish Uppanlawar 

Okay. And City Plus how is it done, City Plus, iNext?

R.K. Agarwal 

City Plus has registered a growth as far as the standalone advertising revenue is concerned of over 40%.

Ashish Uppanlawar 

Okay, fine. And on the outlook, how are you...

Moderator 

This is the operator. Please restrict your questions to two per participant list.

Ashish Uppanlawar 

Sure, sure. I'll come back with other questions. Thanks.

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Moderator 

Thank you. The next question is from the line of Amit Kumar from Kotak Securities. Please go ahead.

Amit Kumar 

Thank you for the opportunities. I just missed this data on this new ForEx loan that you have raised, how much is the quantum?

R.K. Agarwal 

In fact I mentioned wrongly 120 million, it is 12 million.

Amit Kumar 

So there are two sets of loans there or just one set?

R.K. Agarwal 

There are two, you know 12 million has been continuing from the other bank.

Amit Kumar 

Okay.

R.K. Agarwal 

And this 12 million loan we have raised I believe in April or May.

Amit Kumar 

So maybe increase is just about 12 million that one. Okay.

R.K. Agarwal 

Yeah.

Amit Kumar 

Sir just wanted to have a sense of your, you know CapEx guidance for this year and next year has there been any change in that?

R.K. Agarwal 

So far in first six months we have spent only 38 crores although about 120 crore we had planned.

Amit Kumar 

Yes, I am here.

Moderator 

Sir give me a moment, he has just got disconnected. I will reconnect him. Give me one moment.

R.K. Agarwal 

As far as our CapEx plans are concerned, for this year we had planned 120 crores there should be some slivers or rather there could be some carryforward.

Amit Kumar 

Okay.



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R.K. Agarwal 

But the plans remain same. And if there is a carryforward it would be because of supply constraints with the supplier .

Amit Kumar 

Okay, so if I would to actually look at it on a combined basis FY'12 plus FY'13 what will be the total that you are looking at 120 was for this year?

R.K. Agarwal 

120 was for this year and for next year ...

Amit Kumar 

Yes

R.K. Agarwal 

I don't think that will be more than 75- 80 crores.

Amit Kumar 

So net total of about 200 crores over two years?

R.K. Agarwal 

That is the max.

Amit Kumar 

Sure. Thank you so much. I'll come back if I have any more questions. Hello, that's it from my side.

R.K. Agarwal 

Yes

Moderator 

Thank you. The next question is from the line of Siddharth Goenka from JM Financial. Please go ahead.

Siddharth Goenka 

Yes, good afternoon everyone and thanks for the opportunity. Sir I have this question on other income which was also put forward to you by my colleague, we had...if you just reverse your ForEx loss we had other income coming to around 18 crores for the quarter.

R.K. Agarwal 

That's right.

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Siddharth Goenka 

Cash and cash equivalents of some 350 crores.

R.K. Agarwal 

Yes

Siddharth Goenka 

Which stand as on 30th.

R.K. Agarwal 

Yes

Siddharth Goenka 

It appears certain interest of around 5% for the quarter which looks very, very high.

R.K. Agarwal 

Yes

Siddharth Goenka 

So is there any...

R.K. Agarwal 

See Siddharth it really happens in our case because we want to invest in fixed maturity plans.

Siddharth Goenka 

Okay.

R.K. Agarwal 

In case you have maturity coming in one particular quarter you will see this kind of a jump.

Siddharth Goenka 

Right.

R.K. Agarwal 

Because we recognize income only when the maturity takes place.

Siddharth Goenka 

Right, right, right. Okay so going forward we can expect the other income trend to be in the range of around 8, 9 crores?

R.K. Agarwal 

7 to 8 crores.

Siddharth Goenka 

7 to 8 crores, that was my question.

R.K. Agarwal 

Yes



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Siddharth Goenka 

Right, fine. And sir you mentioned in your opening remarks about the reversal of the ForEx loss, can you just explain that once again?

R.K. Agarwal 

Yeah, see, I have accounted for 13.50 crore as foreign exchange loss in the current quarter.

Siddharth Goenka 

Right.

R.K. Agarwal 

Out of that about 11 crore relates to the long-term liabilities.

Siddharth Goenka 

Okay.

R.K. Agarwal 

And those long-term liabilities rather 85% of those long-term liabilities are going to be due for payment only from November 2012 onwards.

Siddharth Goenka 

Okay, that is next year, right.

R.K. Agarwal 

So by then, I am pretty sure in fact by March itself we should see rupee appreciating.

Siddharth Goenka 

Yeah, but assuming that the rupee stays at some 50 rupees level again, so we might not be...we won't be able to reverse it, right?

R.K. Agarwal 

Yeah, that is of course. But I don't hold that view

Siddharth Goenka 

Yeah, of course that is a sustained.

R.K. Agarwal 

Yeah. And again in 2012 also what is falling due is just another 15% of the total long-term liabilities, 15% in November 2011, 15% in November 2012 and 15% in 2013. So if this exchange loss has to crystallize fully, there is only one way i.e rupee stays at that level you know for a

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couple of years.

Siddharth Goenka 

Right. So the long-term liability which you have mentioned is pertaining to which loans I mean...

R.K. Agarwal 

ECBs.

Siddharth Goenka 

ECB okay.

Siddharth Goenka 

Right.

Siddharth Goenka 

Right.

R.K. Agarwal 

If we were to pay, you know premium for hedging then for us there was no point in taking ECB.

Siddharth Goenka 

Got it, got it and I believe our ECB rate is at the range of around 2.5, 3%.

R.K. Agarwal 

Yes

Siddharth Goenka 

And the 95 crore of loan we have taken at 6% so average cost of debt will be in the range of maybe around 4 to 5%.

R.K. Agarwal 

Right, that's right.

Siddharth Goenka 

Right.

R.K. Agarwal 

And in fact we have been able to get reduced rate of interest even on our cash credit limits as well by not less than 1.5%.

Siddharth Goenka 

Okay.

R.K. Agarwal 

Even in these difficult circumstances.

Siddharth Goenka 

Right. Sir my next question is on our UP election, I mean what kind of incremental aspect can we



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expect from UP elections?

R.K. Agarwal 

I would request our CEO to answer this one and Director of Marketing Mr. Shailesh to follow...

Sanjay Gupta 

The incremental revenue of UP elections will entirely depend on the political parties willing to put in the money in advertising.

Siddharth Goenka 

Okay.

Sanjay Gupta 

And I am very sure that the revenue will be in line with our past performance in UP elections.

Siddharth Goenka 

So can you give us a number like maybe a 5 to 6 crore of incremental revenue we can expect I mean if you can throw us any light on that?

Sanjay Gupta 

I am not very sure on incremental revenue because UP government as such is a big contributor to advertising. So I expect that the same level because the government will stop advertising, the political parties will step in.

Siddharth Goenka 

Right.

Sanjay Gupta 

So I am expecting at least the same levels being maintained may be some incremental revenue comes in which at this moment is a little hard to predict at this stage.

Siddharth Goenka 

Right, right.

Shailesh Gupta 

And so the advertising revenue as our CEO said there are lot of parties who will like to get the position in UP and we expect that it will be better than the last time and the good part about it is that this is cash and carry advertising

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Siddharth Goenka 

Right.

Shailesh Gupta 

And there is you know all these parties BSP and BJP and Congress fighting there, they should give us more revenue than what was done previously.

Siddharth Goenka 

Right.

Sanjay 

And the best case for us is going to be election in Punjab. There we expect incremental revenue, because the base of Punjab government advertising is low and in turn political parties in Punjab will put in more money that I am very sure of.

Siddharth Goenka 

Right. And sir, I mean the guidance what you have given for some 12% y-on-y growth in advertising revenue, if you look at the second half, sorry if you look at the first half you have grown some 9% and to achieve the 12% growth, we need to grow at around 15% level. So I mean is that kind of a number achievable in the second half over y-on-y basis?

R.K. Agarwal 

The year-on-year performance gives us that confidence because in October you are going to touch a billion which means that you are registering a growth of about 25%. Definitely November remains a bit of challenge, December again becomes normal and if November and December both remain flat, again we are on the road to achieve that 12% and in any case Mr. Shailesh Gupta can throw light more on this.

Siddharth Goenka 

Right.

Shailesh Gupta 

The starting of the year was very slow, so I would say that barring April, May, June, July and half of August, we have seen good advertising. If you see the Diwali season, Diwali is a straight indicator as to how the year is looking. So Diwali has been extremely good at least for us and I agree that the same will not continue, but there would be much better performance in remaining 5 months

Siddharth Goenka 

Right. So to my understanding...

R.K. Agarwal 

And that's what the matter is. Even if our November, you know is slightly subdued because last year November captured a few days of the festive season and December remains what it was last year, we will do you know more than 15% growth in the current quarter and as our CEO and Director of Marketing have explained about the election part, our fourth quarter also should see a growth of 15% which was more subdued quarter last year.



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Siddharth Goenka 

Right, so I believe to some extent...sorry

Moderator 

Mr. Siddharth this is the operator I am sorry but you're just supposed to ask two questions.

Siddharth Goenka 

Sure. Okay, fine. I'll come back if I want more clarity. Thank you very much.

Moderator 

Thank you. Thank you. The next question is from the line of Bijal Shah from IIFL. Please go ahead.

Bijal Shah 

Yeah, hi. Thanks for the call. Just wanted to ask you in the press release, you have mentioned that impact of ForEx, foreign exchange fluctuation is around 9.12 crores, so that is you are talking about post tax impact on profits right?

R.K. Agarwal 

Sorry.

Bijal Shah 

In the press release, you have mentioned...

R.K. Agarwal 

Yes, you are absolutely right.

Bijal Shah 

Okay so that is the post tax.

R.K. Agarwal 

Post tax, it is post tax.

Bijal Shah 

And generally what is our policy with respect to payables on account of newsprint do we keep them closed or we keep them open?

R.K. Agarwal 

That also is mark-to-market.

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Bijal Shah 

So in terms of hedging policy?

R.K. Agarwal 

We don't hedge.

Bijal Shah 

Okay.

R.K. Agarwal 

Because our past experience has shown whenever we have hedged, we have lost good money.

Bijal Shah 

Okay, and last question is on, so what is the.....

R.K. Agarwal 

And in fact I have very little newsprint liability in foreign currency, because I discharged my liabilities using buyer's credit ...

R.K. Agarwal 

Right, and most of whatever buyer's credit liabilities appear in books, it relates to the last week of September or say in mid September when rupee has depreciated I have drawn the money at higher rates. So when they fall due for repayment this will be after six months from now and if the dollar rate is anything less than 49, I am going to gain out of that.

Bijal Shah 

Okay. And lastly you know what is the outstanding amount for equity investment in our balance sheet?

R.K. Agarwal 

Ad for equity, that is just negligible. We have not done that in fact there is one listed company in which we have done and the amount outstanding is 2.5 crore that is in south and there is another one there we did you know 2.5 crore...

Bijal Shah 

Okay the total..

R.K. Agarwal 

And out of that 2.5 crore we have already made provision to the extent of about 40% or so.

Bijal Shah 

Okay, so on that level it is very negligible amount.

R.K. Agarwal 

Very, very negligible. And in fact if you are talking about revenue getting accounted for in Q2, it may be not more than 30- 35 lakhs.



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Bijal Shah 

Okay, okay thanks a lot.

Moderator 

Thank you. The next question is from the line of Miten Lathia from HDFC Mutual Funds. Please go ahead.

Miten Lathia 

On the circulation front, are we sort of now at a stable level for Jagran because I believe you mentioned that we have already raised Jagran circulation by 9.6% y-o-y so far this year.

R.K. Agarwal 

Yes.

Miten Lathia 

Are we now stable or are we looking at....

R.K. Agarwal 

No Miten in fact we have drawn plan for 3 years and the increase in circulation will keep on happening, but maybe not at this pace after the current year, but it all depends on the competitive situation.

Miten Lathia 

And you know, just to help us understand this better, this is primarily to deal with Amar Ujala or you know do you think that it's becoming a much deeper competitive market?

R.K. Agarwal 

No, not because of that, wherever marketing suggests in fact Mr. Shailesh Gupta would answer that question.

Shailesh Gupta 

We are only increasing intelligent circulation where it matters to advertisers we will concentrate there and where we are just, you know a yard away from getting a #1 position, we will keep on increasing our circulation there.

R.K. Agarwal 

In fact we have already identified markets at micro level and wherever there is a revenue potential, either today or maybe you know after a year or two, we are taking the numbers up.

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Miten Lathia 

Sure, that's useful. Thank you very much sir and wish you all the best.

Moderator 

Thank you. The next question is from the line of Gaurav Jalan from Avant Garde Wealth Management. Please go ahead.

Moderator 

Please go ahead. The next question is from Vinay from Religare. Please go ahead.

Vijay B 

Yes, good afternoon gentlemen, thanks for the opportunity. I wanted to know broadly, what is the trend in terms of raw material prices vis-à-vis the current quarter realized prices, what are you seeing going forward?

R.K. Agarwal 

newsprint price will go down from quarter third onwards.

Vinay B 

Okay, so the trend has declined in terms of prices and this is larger domestic right we use the earlier domestic ones.

R.K. Agarwal 

Yes.

Vinay B 

Second is broader strategic.

R.K. Agarwal 

The reason why I am saying you know the impact of increased newsprint prices will go down from quarter third because it was around quarter third or fourth only, the newsprint prices have started increasing last year.

Vinay B 

Okay.

R.K. Agarwal 

Right and after April I believe more increase in prices has happened.

Vijay B 

Okay. Got it. And sir more importantly during the call you mentioned that we have taken debt from the holding company at 6% rate of interest and that would largely suggest what just so what is this suggest for what are we trying to you know do with this money are we planning any acquisitions or planning for any acquisitions.

R.K. Agarwal 

We are looking for that because this is what had been our growth strategy. We believe that, you know, instead of going on our own, if we can have partnerships or if we can have acquisition that is always



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a better option, so we always keep looking for these opportunities.

Vinay B 

Okay and any more sir the debt which has to be raised going forward in the future or this is really based on the requirements of the company.

R.K. Agarwal 

I don't think...

Vinay B 

Okay

R.K. Agarwal 

Maybe next year you know to meet the CapEx requirements because it comes very cheap.

Vinay B 

Okay but anyways right now your free cash flows are more than sufficient to meet your CapEx requirements.

R.K. Agarwal 

Yes, but if you can raise money, you know at a rate of 2% or 3% why not...

Vijay B 

Okay.Thanks. I am through with this.

R.K. Agarwal 

There is no plan as such currently.

Vijay B 

Okay.

Moderator 

Thank you.The next question is from the line of Amit Kumar from Kotak Securities. Please go ahead.

Amit Kumar 

Thank you so much. My questions, most of my questions have been answered. Just one point this overall newsprint cost increase of about 34% could you please provide some sort of a breakup in terms of consumption and pricing on a y-o-y basis?

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R.K. Agarwal 

Yes, Amit in fact increased newsprint prices have an impact of about 18.5% and balance is on account of increased circulation.

Amit Kumar 

Great.

R.K. Agarwal 

And when I say increased circulation, it includes consumption in Punjabi Jagran which was launched in June, mid-June.

Amit Kumar 

What would be the, you know overall circulation of the company at this point of time and....

R.K. Agarwal 

The overall circulation this is very difficult question, because the reason is City Plus is a brand, this is circulated once in a week. If I exclude that then total circulation of the company as of now should be in the range of about 3.8 million plus MIDDAY Brands

Amit Kumar 

3.8 to 3.9 million and if possible could you just provide what was Dainik Jagran out of this? Hello, hello.....

Amit Kumar 

Yes, hi sir this is Amit Kumar from Kotak again.

Amit Kumar 

Okay.

R.K. Agarwal 

Yes.

Amit Kumar 

And how much of that would be Dainik Jagran.

R.K. Agarwal 

It would be about 3.3 million.

Amit Kumar 

3.3 million, okay great, thank you so much sir.

Moderator 

Thank you. The next question is from the line of Bharti Gupta from Sushil finance. Please go ahead.

Bharti Gupta 

Yes, Good afternoon sir, this is Bharti here. Could you just couple of questions, could you just...



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R.K. Agarwal 

Can you speak a bit loudly

Bharti Gupta 

Hello, Yes Sir can you just give us the indifferent cost as of Q2 and better than the Q2 of last year?

R.K. Agarwal 

Your voice is not clear.

Bharti Gupta 

Hello, Yes can you hear me now?

R.K. Agarwal 

Now I can hear you.

Bharti Gupta 

Yes, can you just give me the newsprint cost of the current quarter in comparison to last year?

R.K. Agarwal 

Newsprint cost comparable to the previous year?

Bharti Gupta 

Yes.

R.K. Agarwal 

Newsprint cost is I believe, I don't... have it readily available, but total raw material as I mentioned was I believe 107 crores.

Bharti Gupta 

107 crores.

R.K. Agarwal 

And last year it was 34% less.

Bharti Gupta 

Okay.

R.K. Agarwal 

90% component will be of newsprint

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Bharti Gupta 

Okay and going forward we expect the other relations in newsprint cost in Q2, right?

R.K. Agarwal 

First as I said you know there will be increase in the circulation. Therefore the value may also increase, but if dollar does not appreciate further and we start really getting benefit of reduced newsprint prices of domestic newsprint then in that case even after increasing the circulation it may remain stable.

Bharti Gupta 

Okay and sir the second question is on the lines of ad revenues increase, can you just...

R.K. Agarwal 

I think your voice is lost.

Bharti Gupta 

Can you just, my second question is in the line of ad revenue increase, during the current quarter we had revenue increase of hello can you hear me?

R.K. Agarwal 

Yes.

Bharti Gupta 

Yes, Ad revenue increase of around 9.52% can you just give a breakup in terms of national and in local?

R.K. Agarwal 

The breakup between local and national is 60-40.

Bharti Gupta 

Okay national is 60% and local is 40% right?

Company Representative 

The other way around.

R.K. Agarwal 

Other way around. National is 40, local is 60.

Bharti Gupta 

Okay. Fair enough. And my next question is from the interest cost like I didn't get your point on the interest, are interest during the quarter have increased (indiscernible) (0:46:16) million versus 14 million that is 103% increase....

R.K. Agarwal 

Yes, that's because of higher utilization of working capital, additional external commercial borrowing of 12 million



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Bharti Gupta 

Okay.

R.K. Agarwal 

And some increase in rate applicable to our working capital limits as compared to Q2 of 2011.

Bharti Gupta 

Okay, so that 12 million dollar increase in our loan is the bank at 3% per annum right?

R.K. Agarwal 

And now we have loan from Bank of Baroda both are around the same rate.

Bharti Gupta 

At 3%.

R.K. Agarwal 

Yes.

Bharti Gupta 

Okay.

R.K. Agarwal 

It is linked to the LIBOR so I cannot tell you the exact figure, but it is around 3%

Bharti Gupta 

Okay, close to that. Okay. And then the other thing is, like your other income shows a decline of 53.46% during the quarter to 39.52 million so any color on that?

R.K. Agarwal 

If you adjust it by exchange fluctuation loss, you will see a jump from 8 crores to 17 crores.

Bharti Gupta 

Okay. And so your view on the taxation rate for the full year.

R.K. Agarwal

Sorry

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Bharti Gupta 

Your taxation rate, effective tax rate?

R.K. Agarwal 

Effective tax rate has been for us you know around 32%, but this quarter it is slightly lower because other income has a component of about 11 crore which is almost tax free.

Bharti Gupta 

Okay, okay. And our CapEx trends for the years would be around 120 crores as guided previously.

R.K. Agarwal 

What we had in the beginning of the year, but there could be some slipover or carry forward to the next year.

Bharti Gupta 

Okay, that's all. Thank you.

Moderator 

Thank you. The next question is from the line of Mitul Patel from Laburnum Capital. Please go ahead.

Mitul Patel 

Sir thank you for taking my call. I want to just get some industry level questions in terms of the advertising, you know local advertising at 16% you know what are...what kind of options do local advertiser, local you know local advertisers have apart from Jagran offering to media, what sort of other opportunities do they have?

R.K. Agarwal 

In terms of what? I mean other media.

Mitul Patel 

Yes, if a local business wants to advertise with Jagran, or in the print space, what other options does it have?

R.K. Agarwal 

What do you mean by the other options?

Mitul Patel 

Yeah, other media category?

R.K. Agarwal 

Other media categories....whatever you have in Mumbai. You have radio, you have outdoor, other newspapers, local TV channels.

Mitul Patel 

Alright, okay. And when was the last ad rate hike that you guys have taken?

R.K. Agarwal 

We took it in the month of April.



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Mitul Patel 

In the month of April and do you see any possibilities in the next couple of quarters?

Shailesh 

The next increase will only happen the next April 2012...

Mitul Patel 

Okay and how much can you keep increasing volumes in the future?

R.K. Agarwal 

As far as the increase in volume is concerned ,if we have registered a growth of 9.52% in the current quarter 80% of it has been driven by the volume only.

Mitul Patel 

Okay, okay. And my last question is, any new launches expected in the next...over the next two years?

R.K. Agarwal 

Our CEO will respond to that question.

Mitul Patel 

Yeah.

Sanjay Gupta 

At this moment I cannot predict any new launch for Dainik Jagran apart from the strengthening of maybe a few print centers coming up in our existing 11 states. So that cannot be ruled out because that we strategically keep on planning to augment the printing capacity and distribution capacity and to penetrate deeper in the market. So additional print centers will always come.

Mitul Patel 

Okay. All right, that's all I had. Thank you. Thank you for taking my question.

Company Representative 

Hello.

Mitul Patel 

Thank you that's...I am done.

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Moderator 

Thank you. Anyone who has a question may press “*” and “1” on your touchtone telephone. The next question is from Laskhmi Narayan from Catamaran Capital. Please go ahead.

Laskhmi Narayan 

Hey, hi. I just wanted to check with you on the employee cost escalation due to the potential wage board coming up soon because I read the statement by the Union Labor Minister way back in September that the decision on wage board would come soon, had I see that the wage employee cost around 13% of your annual turnover on a consolidated basis which was around 13% of your revenue, so do you see any increase specifically that you mentioned that the wage board increase would be effective from July 1st, 2010?

R.K. Agarwal 

Yes there is absolute uncertainty on wage front . let us see what happens In fact , I did not work out the real impact on account of that, but my sense is that since Jagran has already been paying very high wages and salaries , it maybe in the range of about 8 to 10 crore rupees per annum

Laskhmi Narayan 

Okay, that's it sir. Thank you.

Moderator 

Thank you. The next question is from the line of Swati from IDFC Securities. Kindly go ahead.

Swati Nangalia 

Hi, thank you for taking my question. I just had one question related to the industry in general, you know if you look at the among the listed players Jagran seems to be the most vulnerable to competition and thereby we then foresee a highest threat to profitability and I understand that could be possibly because of our leadership status currently, but going forward how we looking to address this issue, do we...

R.K. Agarwal 

Would you please explain what gives you an impression that Jagran is most vulnerable to the competition, because you must not forget that Jagran has been maintaining the numero –uno position despite all these competitions since 2003 without any break .I mean there is only one brand which has maintained #1 position in spite of so many new launches by competitors across our areas of operation In fact Jagran is the only brand which has survived through competition and a stiff competition and competition from all the big and small media houses you know. So if you can clarify that question, then I would be able to answer as well.

Swati Nangalia 

Yes, I was coming from the point that we had seen competition in our markets for UP and another competitor getting into Bihar now which will be some key markets for us and I understand that in legacy we have been able to dominate in spite of competition, but going forward do we think that the market itself will expand to an extent where any potential market share loss will be compensated or we looking in moving into other regions possibly a national or English market as an option?



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R.K. Agarwal 

As far as market share is concerned, it is a race we are not running because every one knows that no one is really a winner and it is poor investor who suffers, expecting and expecting that one day he will get return. At least, in media where owners do not have unlimited money, we believe this is most unprofitable way to do business. Take example of MARUTI when it came in 1985 or shortly thereafter commanded 80%-90% share. When more cars came, they started losing the share but it doesn't mean that they have lost the leadership position. So, whenever there will be more than one player operating there will be some loss of market share, but the most important point is leadership position.

Swati Nangalia 

Yes, that exactly the point I was trying to make that, I understand there with competition you know there is bound to be market share loss....

R.K. Agarwal 

Yes.

Swati Nangalia 

And it wouldn't be the key point, but do you foresee the market itself expanding to...

R.K. Agarwal 

Yes market has been expanding and this is why Jagran has been growing at more than 20% CAGR right from 2005 till 2011. Yes, in the current year there was some pressure on advertisement revenue, but that was a taken call. It was not because revenue was not coming to us. We took the call that we will not reduce our rate to a level where it would become difficult in future you know to pickup. So this was absolutely on account of strategic call that our growth remained subdued in the first quarter and until middle of August, but then after adopting certain innovative strategies we have registered growth exceeding 21% on much higher base.

Swati Nangalia 

Okay, fair enough.

R.K. Agarwal 

And as it is if you have seen IRS Q2 report, you have seen the highest growth in readership recorded by any publication in the country as compared to Q1.

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Swati Nangalia 🗨

Right, fair enough. You know thanks Mr. Agarwal....

R.K. Agarwal 🗨

And in fact this one was our strategic call taken by the management way back in 2005- '06 that we wanted to first monetize whatever numbers we have. Otherwise we would never ever have been able to give the return on capital what we have been giving. Our strategy is clearly to remain focused on profit and a profitable growth, because if you keep chasing market share there is no end to it,

Swati Nangalia 🗨

Yeah, fair enough Mr. Agarwal. Just one more point, talking about possible acquisition you know which are the markets or any particular are being restrict journo which we are looking at right now in terms of acquiring?

R.K. Agarwal 🗨

We are considering a couple of proposals Let us see whether they materialize or they don't materialize. We have certain guidelines and within that only we evaluate the proposals. So currently it is very difficult you know to comment where and which opportunity.

Swati Nangalia 🗨

Okay, fine. Thanks. Thanks so much and best of luck.

Moderator 🗨

Thank you very much. I would now like to hand the floor over to the management for closing comments.

R.K. Agarwal 🗨

Thank you very much all of you and wishing once again a very happy Deepavali on behalf of our CEO and Director Marketing and also whole of Jagran family.

Company Representative 🗨

Thank you.

Moderator 🗨

On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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