"Jagran Prakashan Limited Q1 Financial Year 2015 Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Jagran Prakashan Limited Q1 FY 2015 Earnings Conference Call, hosted by ICICI Securities Limited. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikash Mantri from ICICI Securities. Thank you and over to you Mr. Mantri.

Vikash Mantri: Good afternoon everybody. We at ICICI Securities are pleased to host the Q1 FY 2015 Jagran Prakashan Call. With us, we have the senior management represented by Mr. Sanjay Gupta, the CEO, Mr. R. K. Aggarwal, the CFO and Mr. Amit Jaiswal, the Company Secretary with us. Over to you Sir!

R. K. Aggarwal: Good evening friends. Welcome to the Q1 FY 2015 conference call. Thank you for sparing your valuable time.

Friends, the company started the new fiscal with a satisfactory note and lot of hopes from new government at the center. Q1 witnessed growth in revenues ,operating profit and profit before tax, but then the increase of more than 12% in average newsprint prices since Q1 FY 2014 lowered the operating margin by 3.5%.

Notwithstanding increased newsprint cost, the operating profit for the quarter is very much inline with the targeted operating profit of Rs.440 Crores for the year. We expect a far better second half for overall economy as well as company.

If you look at company's performance in Q1, the positives are as follows:

1. Improved per copy realization of all the publication brands,
2. improved operating results of loss making businesses and other publication brands, stable exchange rate as against large fluctuations in the past two years,
3. continued control over cost in general and especially by Mid-Day by improving efficiency and monitoring,
4. the marked improvement in the market position of digital properties and growth in digital advertisement, which will improve further with the improved market position.

The important point to be noted in respect of company's digital properties is the fact that the company has remained cautious in investing digital properties and has made a very little investment as compared to many others including peers. It clearly shows that even if the speed is of utmost essence in this domain, one cannot achieve the desired result and progress only by making huge investments.

5.Continued robust cash generation from the business, which resulted in reduction in net debt from Rs.176 Crores to Rs.61 Crores in past one year in spite of payout of nearly Rs.147 Crores to the shareholders during the same period.If we exclude the debt of Rs.95 Crores drawn from holding company, company had a surplus cash of Rs.34 Crores. As of now, net debt is zero and excluding debt drawn from holding company, we have surplus cash of Rs.95 Crores.

As against these positives , there was a bit of disappointment as well and that was lower than expected growth in advertisement revenue. It was mainly due to much lower than expected revenues from elections and subdued commercial advertising especially retail ,besides sacrifice of some growth for prudence. Low commercial advertising during election period was not totally unexpected, but what hurt was lower revenues from elections. Since MPCG are the states in which more than 30% of the advertisement revenue comes from government, the biggest sufferer was Nai Dunia, which first suffered on account of loss of government revenue when election code of conduct was in force and then lower ad spend by political party during election. As a result, they could not reduce their losses as much as we would have wished.

In case of Mid-Day, there is apparently no growth in advertisement revenue, but if you compare the revenues adjusted for the revenue sacrificed for prudence, there was a growth of 8%.Given the fact of that Mumbai market is badly starving for growth, their performance was incredible. They also suffered on account of one-off additional wages accounted in this quarter.

In spite of all this, they reported higher operating profits due to continued control over the cost and discontinuance of discounted subscription schemes resulting in improved per copy realization for all of their brands**.** In coming quarters, their performance will improve further.

There is little doubt about achieving our targeted operating profit of Rs.440 Crores but profit before tax and profit after tax both will suffer because of change in tax laws with reference to treasury income and change in rates of depreciation under the New Company's Act.

As you know, the changes are not the company specific and will affect all the industries and business entities especially those which like your company have substantially invested in surplus. The effects of these changes are postponement of income on investments made in debt funds partly to the year 2016-2017 and partly to 2017-2018 from the current year and higher depreciation due to higher rates.

As far as the income on investments made in debt fund is concerned 2014-2015 and 2015-2016 will have lower treasury income than what it used to be but years 2016-2017 and 2017-2018 will have plenty of it. This high treasury income in those years will result in improvement in EPS substantially. As for additional depreciation, the impact will keep reducing year-after-year for us as the company's method of depreciation is written down value as against a straight line adopted by the company's peers.

In their case, the adverse effect of increased rates on EPS will continue for rest of the life of the assets, but in our case EPS will keep improving due to the lower depreciations year-after-year.

The change in tax regime also poses a challenge before all cash generating businesses with regard to investment of surplus cash. In absence of attractive investment avenues, your company will prefer to reward additionally to its shareholders.

We now request you to proceed with your queries. Thank you very much.

Moderator: Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Thanks for the opportunity. My first question is on the advertising front. Sir in Q4 you had said advertising scenario in FY 2015 looks much better in terms of performance for Jagran versus FY 2014, now in Q4, Q1 behind us what is your insight for the balance three quarters?

R. K. Aggarwal: As I mentioned, Abneesh, in fact it is not only Q4 but we have attached a lot of hopes to Q3 as well and our hopes emerge from the hope that the economy will improve and accordingly the company will also give improved performance. So we continue to maintain our expectations of 12% advertisement revenue growth for whole of the year .

Abneesh Roy: Sir in opening comments you said retail was subdued and you took prudent decisions, so now retail normally was growing much faster, so why was it subdued? Second is if you see UP monsoon it is much more shortage versus the national average, so in that context do you see retail and in general the corporate advertising in UP being more subdued versus earlier expectation?

R. K. Aggarwal: UP is one of the major contributors in the total kitty, so if the advertisement revenue was subdued from the retail segment, it was subdued in UP as well but definitely amongst all , UP was far better than any other states.

Abneesh Roy: Why was the retail subdued?

R. K. Aggarwal: During elections this is something which is very, very normal .CEO can throw more light.

Sanjay Gupta: The retail was subdued basically because of the election period that extended for a good nearly two months but now retail is picking up and with the monsoon revival happening, we expect retail advertising to pick up very soon. With festive season just round the corner in about two months' time we expect it to bounce back immediately with the feel good factor going around in the country. There is no problem but main effect on retail is elections and also you have to see if you are talking specifically about UP, western UP was a big retail market for us and it had undergone riots, etc., so it also affected the retail.

Abneesh Roy: Sir you mentioned prudent decisions and your quantifying growth at 8% if you take like-to-like, so how do you able to give that number 8% because that did not come to us.

R. K. Aggarwal: This 8% is for Mid-Day and when we say for prudence we sacrificed revenue, I clearly mean the revenues from bartar, which we have discontinued .It was not there for Mid-Day in Q1 number one. Number two, in fact they used to host their anniversary in a big bang manner and we saved a lot of cost on account of that. As a result of that, we lost some revenues also which used to come through sponsorship, through additional advertisement and so and so forth. So if we adjust bartar revenue as well as the loss of the revenue which did not come on this anniversary then in that case you will see there was a growth of 8% in Mid-Day advertisement revenue as compared to Q1 Mumbai market, it is reported , had a degrowth in overall market size and therefore their performance was incredible.

Abneesh Roy: My last question is one of your peers in their concall said that in their market elections were extremely one-sided that is why the political party advertising was not there to a great extent?

R. K. Aggarwal: This holds good for MPCG and this is why Nai Dunia suffered most. It also holds good for us also.

Abneesh Roy: My question is in UP market if you see although results were extremely one sided but…?

R. K. Aggarwal: The Congress party was the second incumbent that could have advertised but realizing the route, they stopped advertising after the second round itself.

Abneesh Roy: My question is on Samajwadi Party and BSP?

R. K. Aggarwal: They were good advertisers but we lost some revenues from them also compared to the earlier elections. This time , every party realized that there was expected sweep, so they stopped their advertising . Only it was BJP that was spending on advertisement.

Moderator: Thank you. The next question is from the line of Srinivas Seshadri from CIMB. Please go ahead.

Srinivas Seshadri: Thanks for the opportunity. I have two, three questions. Firstly I mean just referring to your competition Hindustan, which has a very large overlap with you in most key markets. They seemed to be doing much better in terms of ad growth over the last couple of quarters at least and one of the things, which they have been highlighting is that Bihar continues to be a fairly good growth area for them while I think you commentary suggests that has been one of the weak point for Jagran, so if you can throw some light particularly on Bihar and overall in terms of the revenue share, etc., between you, Hindustan and the other major players in each of the states. Has there been any kind of shift in your opinion which is happening over the last two to four quarters?

R. K. Aggarwal: Only one point I would like to say here and rest Mr. Sanjay Gupta will clarify. As far as shift is concerned, there is none. Let me tell you very clearly.Yes, we did not entertain very low rate advertising. If that has gone to them, I cannot make a comment. Like for example from October 2013s, we discontinued certain categories of Classified which were non - remunerative, which was consuming a lot of newsprint, we stopped them. If it has gone to them I cannot comment. As far as your rest of the question is concerned, I would request our CEO to respond.

Sanjay Gupta: Let me first clarify that we are clearly focused on revenue that gives desired profit. Going forward, this focus will further increase. We are looking actively into whatever inventory , advertising department uses is resulting in a profit or not, so we can also show higher advertising growth but it may result in higher expenditure of newsprint which we really do not want to undertake. I do not know whether Hindustan shares state wise figures or not but it could be better if you were to ask them to share state wise figures. Only then, you will realize that if they are showing a robust growth in Bihar then at least they are showing a very poor growth in UP .

Srinivas Seshadri: I think that was more of a qualitative commentary from them saying that they are growing reasonably okay in Bihar.

R. K. Aggarwal: As far as we are concerned, we are more than happy with what kind of growth we have achieved in the given situation because if you talk about Jagran standalone, we did a growth of nearly 7.5% to 8% on a higher base so we are more than happy with our growth given the market condition..

Srinivas Seshadri: That is fine and secondly in the cash which you have done a very good job in terms of kind of reducing net debt, I wanted to understand whether the ESOP trust has kind of return any of the money back or this is purely…?

R. K. Aggarwal: That is after June 30 yes they have returned.

Srinivas Seshadri: How much are you expecting to get there Sir?

R. K. Aggarwal: We have already got the money and this is as of now as I say we have Rs.95 Crores cash surplus.

Srinivas Seshadri: Couple of questions on the related questions on the recent budget changes. You highlighted that you are going for some long dated FMPs or those kind of instruments, so I wanted to understand what is the likely yield on the treasury asset you would like to have in the next couple of years and also what will be the likely tax rate which will kind of come out once you kind of invested in these instruments?

R. K. Aggarwal: Clearly, so far we have been earning more than 9% to 10% tax free and if you do not get that kind of return no point in investing in that case. As I mentioned, management may decide to reward the shareholders additionally.

Srinivas Seshadri: But Sir your booking sorry to ask this thing on that follow up, but you are booking the FMP income based on maturity right, it is not an accrual basis, so I would presume that the yield which you will be reporting from a P&L perspective will be impacted to some extent over the next?

R. K. Aggarwal: Yes, you are absolutely right.

Srinivas Seshadri: So I was asking you that overall what will be the yield one should model from a P&L perspective in the next two years?

R. K. Aggarwal: From P&L perspective let us discuss that you offline because it is really very difficult. I will have to do the working in order to assess what is going to be other income for the current year, but it is going to be less than what it used to be; that is for sure in case we take a call to shift the maturity period from expiry of one year to three year.

Srinivas Seshadri: The tax rate will be around 31% to 32% or where should it end up?

R. K. Aggarwal: For the current year you can take a tax rate of 30% to 31%. In fact , what was in Q1 that is what you should model for the rest of the year. I think it was 32% if I am not mistaken, 32.5% so you can assume 32% approximately.

Srinivas Seshadri: Thank you so much. I will come back if I have more questions.

Moderator: Thank you. The next question is from the line of Amit Kumar from Espirito Santo Securities. Please go ahead.

Amit Kumar: Thank you so much for the opportunities. I just wanted to have a sense of this 7% and 7.5% consolidated ad growth, could you please provide the breakup in terms of yields and volumes?

R. K. Aggarwal: Amit, for Jagran the entire growth has come from improvement in yield and as I mentioned in response to some other question we lost space mainly on account of Classifieds, mainly on account of low rate advertisements.

Amit Kumar: Sir is this yield increase also on account of the fact that typical election advertising comes in at higher rate and more importantly for the remaining nine months of the year, how do you sort of look, actually first of all I missed your growth guidance also for the full year and how do you sort of expect that to be split up upon the yields and volumes?

R. K. Aggarwal: For whole of the year again, we maintain our guidance of 12% and out of that 12% for the entire year at least 10% should come from yield improvement, and balance couple of percentage from space improvement.

Amit Kumar: Sir I have a little bit of concern on this particular aspect because the advertising markets still continues to be there is clearly an improvement in terms of sentiment post the elections and the formation of the new government, but advertising market especially on print is it strong enough to actually take 10% yield increase on a sustainable basis because I think last year was also pretty heavy in terms of yield?

R. K. Aggarwal: Yes that is absolutely right, but you must consider one more thing i.e a year before last and a year before that our yields had dipped; so that correction could not have happened only in one year that has to continue this year and may be part of the next year . Number two, I do not think we should have any worry on account of that 10% yield improvement which I am saying has already been seen in Q1.Yes, you are right to an extent that yields were improved because of elections, but then whatever increases in rates were taken (annual increases in rates were taken) they could be realized only for a month or so. So from the second quarter onwards you will see the annual increase is getting implemented for the entire quarter. So I do not expect any problem in improving the yield to the extent of 10%. Another point which you need to note -- when I say yield improvement, partly it gets improved because of improvement in rates and partly it gets improved because of optimum utilization of inventory. More and more I sell in districts at better rates that improves my overall yield.

Amit Kumar: It is more in that sense localized selling which is sort of contributing. My final point that this 7% ad growth in this particular quarter you sort of talked elections and government, etc., where in terms of pure commercial advertising you just tell us how the key sectors have sort of performed in terms of FMCG, autos, BFSI, real estate and all the top six and seven sectors?

R. K. Aggarwal: FMCG was clearly outperformer, there is no doubt about it. Education did not fare as badly as it appears , so education was okay, but did not register much of growth. Real estate for us, was again driver of growth. Automobile, yes there was a growth but less than double digit. White goods and life style too were growth drivers. Yield improvement provided growth in many categories even if there was loss of space.

Amit Kumar: Thank you so much that is it from my side.

Moderator: Thank you. The next question is from the line of Aruna Bharti from Pari Washington. Please go ahead.

Aruna Bharti: Good afternoon. I just have a couple of bookkeeping questions. One is if you can just give me the broad based number at the consolidated level?

R. K. Aggarwal: At consolidated level , gross debt number was nearly 370 Crores.

Aruna Bharti: That is helpful and if you can also give me the balance sheet number in terms of inventories and debtors?

R. K. Aggarwal: Our inventories were nearly 80 Crores as against 100 Crores as of March 31, 2014 and trade receivables were 373 Crores as against 343 Crores of March 31, 2014. In terms of number of days we have improved our debtor position on June 30, 2014 as compared to March 31, 2014 by a day or so. This is something which is exceptional otherwise what happens on March 31, 2014 always the debts are on lower side.

Aruna Bharti: I got it this is helpful. If you can just outline your capex plan for the next two years?

R. K. Aggarwal: For the current year as we indicated in the beginning of the year we do not have more than 55 Crores to 60 Crores. For the next year, we have not yet decided but I do not think this is going to be very major one.

Aruna Bharti: But FY 2015 is decided 55 Crores to 60 Crores?

R. K. Aggarwal: Yes.

Aruna Bharti: Thank you very much.

Moderator: Thank you. The next question is from the line of Rohit Dokania from IDFC Securities. Please go ahead.

Rohit Dokania: Good afternoon. Thank you for the opportunity. One would be your outlook on the newsprint price what you think?

R. K. Aggarwal: It is stable. In fact whatever increase in newsprint prices or impact of increase in newsprint prices we have witnessed in Q1 that is in fact increase in the prices which had taken place from July 2013 to December 2013.From January 2014 till now, the prices have remained pretty stable and this is what we expect going forward. So the impact is going to go down quarter-by-quarter.

Rohit Dokania: Coming back to the question on yields, the current yields are they higher than the previous peak or they still lower because you said two years back we saw yields falling off, so are the current yields have reduced?

R. K. Aggarwal: Yes now we have been able to correct that.

Rohit Dokania: How much would it be have than the previous peak?

R. K. Aggarwal: I have not yet clearly compared, but if you want exact comparison we can give you offline.

Rohit Dokania: Sir lastly on your target of about 440 Crores operating profit in a scenario where your ad is growing by about 12% odd and you expect newsprint to be stable for the rest of the year, which means on a year-on-year basis probably newsprint increase should be limited to 3% to 4%. So why should we have just 440 Crores operating profit should not it be slightly higher because I think subscription revenue is also growing at about double-digit odd?

R. K. Aggarwal: Let us keep our fingers crossed. That is what might be the target for us and if we do that we will be more than happy and whatever additional profit we have that will be available for all the stakeholders.

Rohit Dokania: Thanks a lot Sir and wish you all the best.

Moderator: Thank you. The next question is from the line of Himanshu Shah from HDFC Securities. Please go ahead.

Himanshu Shah: Thanks for the opportunity. Sir just one question; our other expenses have declined substantially quarter on quarter from 126 Crores to 106 in consolidated?

R. K. Aggarwal: Correct.

Himanshu Shah: Anything specific?

R. K. Aggarwal: In Q4 last year we had certain major repairs. We had higher publicity expansions and we had certain once in a year items.

Himanshu Shah: So going forward we should see this as the current runrate?

R. K. Aggarwal: Expenses are far lower than that what they should have been, so you will see some growth in those expenses going forward in the remaining quarters, but not much.

Himanshu Shah: Thanks a lot. That is it from my side.

Moderator: Thank you. The next question is from the line of Srinivas Seshadri from CIMB. Please go ahead.

Srinivas Seshadri: Thanks for the opportunity again. Firstly on the outdoor and events business you seem to have done some kind of rationalization of low margin properties, so Sir where are we in that journey are we done with that or you think there is still?

R. K. Aggarwal: That is an ongoing process, but more or less by September they will be through all those properties.

Srinivas Seshadri: I see, So exit FY 2015 like should this business be kind of flat in terms of revenues is that the way to look at it?

R. K. Aggarwal: It could be in fact even lower and this is what was the strategy decided by the management in the beginning of the year and that was the mandate to the team that even if you have to sacrifice some revenue ,do not mind, leave those properties which are not giving you the adequate returns and improve the prfitability on existing properties and go for those properties which can give you the better returns.

Srinivas Seshadri: What is the long term kind of vision for this business? It is a growth business or this is something?

R. K. Aggarwal: It is a growth business, but unfortunately what has happened is as far as outdoor is concerned or event is concerned since the time we established these businesses way back in 2006 - 2007, it suffered on account of too bad economic cycles. So this is why any business takes at least three to four years' time to get stabilized and before they could get stabilized they suffered on account of bad economic cycle i.e post Lehmann and thereafter again you got it repeated. Outdoor is a business, which suffers most whenever chips are down, so this is what has happened to outdoor business, but I hope from Q3 onwards you will see only growth .

Srinivas Seshadri: Sir the growth, are you targeting in the areas where your print operations or how?

R. K. Aggarwal: Not really that are something which is the priority and that continues to be priority for two years, but in case you get properties like what we have in Goa, we do not mind getting those properties.

Srinivas Seshadri: Sir second is on the digital business, Sir you have written about in detail this time, what is the breakup of the revenues between the news portals and what comes out of that versus you have any property?

R. K. Aggarwal: As far as JPL is concerned we have only content portals, so whatever that has come to us has come through only content portals whether it is news or it is current FIR or anything of that sort.

Srinivas Seshadri: Sir there you mentioned that you are not doing too much of investment but then how are you building the business from a longer term perspective?

R. K. Aggarwal: if you have seen the press release we have clearly stated what is the position of digital properties, It is already ranked 19th by ComScore amongst all the Indian Internet Sites, you can imagine LinkedIn is 20th, Flipkart is 17th, so you can see clearly where we stand today from where we stood last year.

Srinivas Seshadri: You should also see that we are not a commerce site, so do not compare our growth with commerce sites, we are completely a content site.

R. K. Aggarwal: If you compare that then we are ranked at fourth just behind Times, Rediff and CNBC.

Srinivas Seshadri: Just couple of other questions, one is the wage hike which has happened in Mid-Day, is this more driven by the wage code pay scales or this is some kind of hiring or you are trying…

R. K. Aggarwal: That is right. That is one-off.

Srinivas Seshadri: Going forward what is the quarterly runrate of the salary?

R. K. Aggarwal: Not much, there are only a few who are affected by that because most of them had already consented, In fact, these few also had initially consented but then again they came back in the first quarter and said we want it, so still it is not final but on the conservative side we have made the provision.

Srinivas Seshadri: So to be conservative, this is the level of the quarterly wages which will continue going forward?

R. K. Aggarwal: This quarter has been hit by about 45 lakhs but going forward it could not be 45 lakh, it could be nearly about 10 lakh to 12 lakh per quarter

Srinivas Seshadri: If I may just ask one more question an earlier caller had asked about the kind of a very low SG&A cost even year-on-year it appears to have declined a little bit and you explained that you are held back on publicity and etc.?

R. K. Aggarwal: Not that we have held back, it depends on the market conditions and it depends how our brand team strategizes. We have not held back as such we never asked them to hold it back. This was something which is what was their call.

Srinivas Seshadri: On a full year basis what should be the kind of SG&A cost inflation for the company? Will it be kind of flattish?

R. K. Aggarwal: Less than inflation or around inflation, not more than 8% to 9%.

Srinivas Seshadri: SG&A cost can grow by 8% to 10% despite having declined in the first quarter on a full year basis?

R. K. Aggarwal: On a full year basis, it could be 8% or 9%.

Srinivas Seshadri: That is assuming that we are spending quite a lot on marketing activities through rest of the year?

R. K. Aggarwal: In case there is none then definitely that will saving.

Srinivas Seshadri: Thank you so much for answering my questions again.

Moderator: Thank you. The next question is from the line of Ritwik Rai from Kotak Securities. Please go ahead.

Ritwik Rai: Good evening Sir. I just had a few questions regarding the kind of expectations that we should build out of circulation, so what is your average cover price as of now Sir?

R. K. Aggarwal: We have so many brands. It would be very difficult for me to give you.

Ritwik Rai: For Daink Jagran, what would be the cover price?

R. K. Aggarwal: Again, average cover price, I do not have but per copy realization I have, which has improved as compared with previous year by about 6% to 7%.

Ritwik Rai: In terms of circulation, what kind of expectation should one have and where would you like to build it and about how much circulation growth should one be expecting?

R. K. Aggarwal: We have built in growth of 3% to 4% for Jagran for rest of the brands, different growth rates and of course in case of Nai Dunia, we have built higher growth rate.

Ritwik Rai: I just wanted to understand this issue of the revalidation of IRS data that is taken I believe longer than expected to come through, so could you give us some perspective on what is the problem and when should one expect it and what is your expectation, will things change very substantially when the data comes?

R. K. Aggarwal: When the data comes things should really substantially change. That is what I think and when it is going to happen I am really not in position to comment but things are still not very, very clear.

Ritwik Rai: It could take I mean more than a couple of months, is that a possibility?

R. K. Aggarwal: It might.

Ritwik Rai: Can you give us some general idea on in Uttar Pradesh what kind of average rates does Hindustan command versus yours?

R. K. Aggarwal: I am sorry. This is something, which I will not be in a position to give.

Ritwik Rai: Maybe we can discuss this offline or something. Thanks very much.

Moderator: Thank you. The next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: Thanks for the opportunity. Our EBITDA loss from other publication stood at about Rs.7.5 Crores which is down quite materially, so what should we expect for the full year basis?

R. K. Aggarwal: you should not estimate Rs.28 Crores 7 multiplied by 4, this was something which you should not do,. Last year Q1 had higher loss but for the year it was merely 17 crores or so …

Yogesh Kirve: Considering that the third quarter we might slip into the profits as well, is it fair to assume that loss sort of 30%, 40% sort of decline in the EBITDA?

R. K. Aggarwal: Absolutely right.

Yogesh Kirve: Secondly if I look at the other publications excluding Mid-Day, so the total operating cost has been pretty much stable over the last four, five quarters at about Rs.58 Crores to Rs.60 Crores, is this sustainable given the business that are growing faster, the operating cost should increase, right?

R. K. Aggarwal: There was nothing exceptional we have done to cutdown on cost like compromising efficiency or compromising the quality. we have not done anything of that sort. What we have done is we have started looking at cost very closely, monitoring it very closely and that is what has resulted in the saving, so the saving is reflected in the cost structure which you are seeing that would continue but if the scale of operation increases the cost would also increase.

Yogesh Kirve: Regarding Mid-Day, I suppose the advertisement revenues would have declined in this quarter by about 2% odd.

R. K. Aggarwal: This is what I clarified in the opening remarks. This quarter's Mid-Day revenue is cleaner than what it used to be and also there were certain strategic decisions taken because of which we lost or rather we sacrificed some revenue because of which you are seeing couple of percentage degrowth but if you adjust the current quarter's revenue for those items which we deliberately sacrificed, in that case you would see a growth of 8% on year-on-year basis, which is incredible, if you look at the Mumbai ad market, which is reported to have shrunk or degrown.

Yogesh Kirve: Sir in the previous quarter you said that because of the exit from the ad for equities deals our revenues were impacted. I guess second and third quarter onwards the reported number ad revenue growth should be better?

R. K. Aggarwal: In case of private treaties and Barter you must understand that whatever deals had already been done they have to be honored, so from the last year we have discontinued them but some revenues had continued to get accounted for right up till December; so I would say not from Q3 or Q4 but probably from next year if you were to compare Mid-Day revenues with the current year's revenues then in that case you would see the realistic picture, but you are right absolutely to an extent that this year the private treaty and Barter revenues will be miniscule for Mid-Day as compared to the previous year.

Yogesh Kirve: Sir finally could you help us with regards to the growth which we have seen in the Mid-Day non-English part?

R. K. Aggarwal: The editions from Inquilab, which were launched in north have done fairly well, Gujarati also grew by more than even 10%

Yogesh Kirve: 10% to 11% ad revenue growth you are referring to?

R. K. Aggarwal: I am talking about ad revenue growth only, so what you want me to say is as far as Mid-Day English is concerned definitely it was flat, even after adjusting all that or maybe couple of percentage growth.

Yogesh Kirve: Thanks for this. That is all from me.

Moderator: That was the last question. I now hand the conference over to the management for your closing comments.

R. K. Aggarwal: Thank you friends once again for spending your valuable time and I hope that we will live up to you expectation in coming quarters as well. Thank you very much.

Moderator: Thank you very much members of the management. Ladies and gentlemen, on behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.