



DB Corp Ltd

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Conference Call Transcript May 16, 2018

Moderator Ladies and gentlemen, Good Day and welcome To the Q4 FY18 Earnings Conference Call of DB Corp. As a reminder, all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded. I now hand the conference over to Ms. Malini Roy from CDR India. Thank you and over to you Ma'am.

Malini Roy: Good evening everyone. Welcome to Q4 & FY18 Conference Call of DB Corp Limited. We will be sharing the key operating and financial highlights for the quarter and year ended 31st March, 2018. We have with us today the senior management team of DB Corp Limited Mr. Pawan Agarwal – Deputy Managing Director, Mr. Girish Agarwaal – Nonexecutive Director, Mr. P G Mishra – Group CFO and Mr. Prasoon Kumar Pandey – Head (Investor & Media Relations) who are representing DB Corp Limited on the call.

Before we begin, I would like to state that some of the statements made in today's discussion maybe forward-looking in nature and may involve risks and uncertainties. Documents relating to the Company's Financial Performance have already been emailed to you.

I invite Mr. Agarwal to share his outlook on DB Corp performance for this quarter.

Pawan Agarwal: Good evening everyone. We would like to share some key highlights of our Financial and Operating Performance for the Quarter-Ended 2018 March. Post which we will be happy to response to your queries.

Let me start off the discussion by talking about circulation expansion strategy. Post which I will discuss the key financial highlights for the Quarter and Year-Ended March 2018.

Our Circulation expansion strategy has delivered strong results during the year as reflected in our numbers. Our focused and well-executed circulation strategy has resulted in almost 18% growth in terms of number of copies sold. To put it in number terms, we had around 59.6 lakhs copies as of March end 2018 as against around 51 lakh copies in June end 2017, increase of around 9 lakh copies in mere 9 months. Growth was majorly delivered in markets of Bihar, Rajasthan and Gujarat.



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What makes this performance even more commendable is that it has been achieved on the back of higher circulation base and increased cover price. Our circulation strategy was complemented by strong editorial and product enrichment efforts along with unique and impactful reader engagement initiatives.

Over the past 5 years, Dainik Bhaskar has delivered 15% CAGR growth driven by yield in core legacy markets much above industry reported numbers.

Moving on to quarterly performance:

Consolidated total revenues stood at Rs. 5745 million as against Rs. 5222 million reported during Q4 FY17 higher by 10%. Ad revenues for the quarter stood at Rs. 3861 million as against Rs. 3567 million reported in Q4 FY17 higher by 8.2%.

Circulation revenue grew by 8.5% Y-o-Y to Rs. 1320 million as against Rs. 1217 million generated during Q4 FY17, largely an outcome of circulation expansion strategy. EBITDA for the quarter stands at Rs. 1051 million as against Rs. 1173 million reported in Q4 of last year considering FOREX loss of Rs. 9.9 million. Excluding impact of circulation expansion related one-off expenditure, EBITDA growth would have been in mid-single digit. PAT for the quarter stood at Rs. 571 million as against profit of Rs. 642 million generated in Q4 FY17 after considering FOREX loss of Rs. 16.4 million. Further, excluding circulation expansion strategy related one-off expenditure PAT would have seen double-digit growth.

Our consolidated total revenues for the fiscal stood at Rs. 23,522 million as against Rs. 22,750 million during FY17, registering a growth of 3.4% on Y-o-Y basis. Our Ad revenues for the period was Rs. 16,425 million compared with Rs. 15,973 million, higher by 3% Y-o-Y. Circulation revenue grew by 7% Y-o-Y to Rs. 5145 million as against Rs. 4814 million, largely an outcome of volume growth driven by circulation expansion strategy and without any reduction in cover prices.

Consolidated EBITDA stood at Rs. 5875 million with margins of around 25% against EBITDA of Rs. 6592 million with a margin of 29% reported during FY17. Further, excluding circulation expansion related one-off expenditure and previous year's non-recurring gains on account of private treaty business deal and music royalty reversal of radio business, our EBITDA has registered Y-o-Y growth.

DBCL's consolidated PAT for FY18 stood at Rs. 3240 million as against Rs. 3748 million delivered in FY17 after considering FOREX loss of Rs. 7.5 million. Further excluding circulation expansion related one-off expenditure and previous year non-recurring gains on account of private treaty business deals and music royalty reversal of radio business, our PAT has registered high single digit growth Y-o-Y.

We have maintained our leadership in legacy markets of Madhya Pradesh, Chhattisgarh, Chandigarh, Punjab, Haryana, Urban Rajasthan and Urban Gujarat. As per Indian Readership Survey Dainik Bhaskar Group has maintained its leadership position as the largest newspaper group of urban India. It continues to hold number one position as largest read newspaper of NCCS AB. It also continues to hold #1 position as largest read newspaper of NCCS A.

Our performance this quarter reflects a culmination of all efforts we have been undertaking over the last one year and implementing editorial and circulation expansion strategies which has played a strong complimentary role. We have successfully completed the entire Bihar expansion drive. We have aggressively



expanded copies in circulation reflecting over 2x growth across 38 districts covering key Tier-2 and Tier-3 cities and towns in Bihar with around 7 lakh copies. The circulation growth campaigns have been supported through impactful on ground activations and reader engagement initiatives across India.

DBCL's non-print business continuous to create stronger bonds with its digital and radio audiences through some unique activations. Dainikbhaskar.com continuous to maintain #1 spot for Hindi news website and Divyabhaskar.com continuous to remain #1 Gujarati news website. Our page views for the month of March 2018 was 1 billion while a unique visitors for the same month were 74 million.

DBCL's Radio business continuous to be the largest player in rest of Maharashtra and the #1 player in Chandigarh, Haryana, Punjab, Rajasthan, Madhya Pradesh and Chhattisgarh. Our radio advertising revenues for this quarter stood at Rs 362 million as against Rs. 330 million in the same period last year. EBITDA grew by 45% Y-o-Y basis to Rs. 116 million from Rs. 80 million.

Our Board today has considered and recommended final dividend of 10% on Rs. 10 value per share. DB Corp has always maintained an exercise the policy of not to keep cash on books beyond minimum requirement and to distribute excess cash amongst all our shareholders. Our Board will continue to maintain the same policy and will continue to evaluate different and efficient avenues for distribution of income.

My colleague and I will now be happy to respond to questions. We look forward to continuing our interactions and please contact us our Investor Relations Department headed by Mr. Prasoon Pandey for all further requests and queries.

Moderator: Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Vivekanand S from Ambit Capital. Please go ahead.

Vivekanand S: Thank you sir, I have couple of questions sir. Firstly, on the Ad growth, so you saw print media ad growth of around 9%, how much of this was driven by yield and how much by volumes? And Girish if you could discuss the key categories and the categories that grew for you and what did not do well that will be great along with a discussion on the various markets that grew faster than others And the second question is on the dividend payout so the Rs. 1 dividend per share that we are declaring, last year also there was an expectation that greater amount of dividend would be paid out and cash on books keep on accruing as our business clearly generates healthy cash flows so what is the thinking with respect to cash on the books, how much cash do you need on the books in the long-run and how do you look at returning cash to shareholders?

Girish Agarwal: Let me answer your question one by one. The first one is that we have grown by 9% out of which almost 80% growth has come because of the volumes and 20% from the yield. Second, what are the categories firing up. The categories which have been able to grow are on an yearly and quarter basis include bit of Education, bit of FMCG, Banking and Finance and smaller categories. Unfortunately, the bigger categories of Real Estate they are showing little bit of growth, but still haven't reached its historical level. Similarly, even a category of Education is growing at a single digit. So, the large growth which we are expecting double-digit growth will only happen when the categories like Real Estate, Automobile and Education start responding into a double digit growth.



Coming to your third question about Dividend. As we just made an announcement that as per our Board decision this time we have given Rs. 1, 10% dividend. I want to assure all the investors, stakeholders that as a Company we do not have any plan of any big CAPEX this year and also we are not looking at any kind of acquisition or any kind of investment in Radio business or anything else. As a policy we have been ensuring that Company does not keep much of cash with us whenever there is a cash, we would like to give it back to the investors and our stakeholders. We are in the process of finding out more efficient ways to return the money to our investors and stakeholders.

So I would like to assure you that this money which is currently in our balance sheet frankly speaking Company does not need much of money in the balance sheet at all there is no requirement of the money. That also takes me to another question about CAPEX. So this year we did a CAPEX of Rs.161 crore out of this Rs.161 crore the large CAPEX went to Bihar, around Rs.30 crore in Bihar as a CAPEX, another Rs.25 crore in Rajasthan for upgrading the printing machines as you know. We are doing a circulation drive in Rajasthan and the circulation is growing. So, we need to have the printing capabilities in all the markets to print those copies. Similarly, we invested around Rs.20 crore in Madhya Pradesh in upgrading the capability and around Rs.20 crore in Gujarat also.

We did spend around Rs.11 crore in the IT upgradation of the network in the various places. So, all these put together in various segments we had to spend Rs.161 crore CAPEX this year. But when you look at this year which is FY 18-19 the CAPEX requirement which is a maintenance CAPEX is in the range of around Rs. 50 crore to Rs. 60 crore. So it is clearly evident from the data required that Company does not much of cash even in the FY 2018-2019 also. We rest assured our Board is evaluating certain efficient way to return this cash to the stakeholder.

Vivekanand S:

Thanks a lot for the elaborate explanation. A quick follow-up on the Advertising growth - What was the growth rate of National advertising in your case because clearly by now you have the IRS data going back to national advertisers telling them the new readership metrics, so how did that fair vis-à-vis local categories and any comments on the key states and their growth trends?

Girsh Agarwal:

What has happened, the national and local they both have been equal percentage so far even when I look at the month of April which we just closed last 10 days-15 days back, the percentage has been the same for national and local also. So IRS did one advantage to the print industry in India because of the paucity of data in last 4 year time there were lots of underlying murmurings happening about the status of print growth in India. Lot of clients were thinking that print may not be growing in all that. So IRS data and the latest ABC release also clarifies that the print in India is growing. As per IRS also the print readership has gone up and as per ABC also it has gone up that one good thing has come out and I have interacted with dozens of clients and they all are happy about it that all that myth about print going down or stagnating has gone out of their mind.

Now the real growth based on the IRS data is going to come in the months to come, as of now we really cannot indicate. So again, we can see in couple of categories that there has been a good growth, but some of the categories are not been able to grow and this is pretty erratic behavior of various categories. Like for instance in Automobiles, we were expecting launches in the last quarter, but unfortunately we didn't see many launches during that period and because of that there was no big advertising happening in print.



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- Moderator:** The next question is from the line of Shalini Gupta from Quantum Securities. Please go ahead.
- Shalini Gupta:** Sir, in your opening remarks you mentioned that because of one-off items like private treaties and all of that were it not for that your EBITDA would have been higher and obviously your profit after tax would have been higher, so if you can just quantify this?
- Girish Agarwaal:** See as a policy we refrain from disclosing such details. Having said that there are three elements – One is the private treaty part, second thing is the Radio royalty which is anyway in the public domain around 6 crore last year and then there is a big amount which is of circulation expansion related expenses of Bihar, Gujarat, Rajasthan and the other markets also. Now to be very honest, there are two ways to look at it. One way is to justify and say if that would have not happened my EBITDA would have been higher or whatever, but frankly speaking we are in the business for expansion. If we do not invest in the market and just simply say no my EBITDA is maintaining that way or report minor growth. So we gave that justification from the perspective of telling the community that we are not going in the wrong direction. But frankly speaking we are investing in the markets, we are investing in Bihar from couple of lakhs copies today we are at 7 lakhs copies in Bihar. In Gujarat my circulation has gone up by 1.5 lakh copies. In Rajasthan I have grown by 1.5 lakh copies, and in Madhya Pradesh we have grown. All that requires investment in the market and then only you can expect the results going forward. I would request you not to go from that calculation as a justification from us to say our EBITDA has been okay, we would have not done this and all that. We have done the investment needed and we are very happy about it and it will yield result going forward to us.
- Shalini Gupta:** Okay sir. My second question is in the notes to the results , basically there has been a write-back of Rs.5.7 crore provisions that you had provided earlier so these are been just knocked-off from the cost.
- Girish Agarwaal:** Yes knocked-off from the cost.
- Shalini Gupta:** Some outlook on how the ad growth is fairing because we have Ad growth has been an issue sometime in the past, so if you could just give some sort of outlook on Ad revenue growth?
- Shalini Gupta:** Because see the whole of financial year '18 ad revenue growth has not picked up for one reason another. Earlier it was demonetization, then GST and the rest of it. Going forward are we saying that the ad revenue growth will be more or less at least 7% to 8% or I mean at least same as this year at 9%? If you can give some indication as to what you are experiencing now?
- Girish Agarwaal:** As I told you we are living day-by-day, week-by-week, and month-on-month. So, I can only say that single-digit growth which came in last quarter, we all are working hard for a double-digit growth in this quarter. To make you feel happy I can say yes, we will be growing at double-digit, but am I 100% sure of that? No, I am not for simple reason because I do not know how the market is turning, for example, Real Estate is being almost 2 years we have been thinking Real Estate will turn around much faster and all that it has not happened. It goes up for a month and then because of some issue RERA or something else suddenly market goes down. So really frankly speaking, what I can promise you is that we are not leaving any opportunity untapped. What I can promise you that our team is really working hard



and we will be happy to share with you one-on-one also with all the possible things and we will be happy to learn from you guys if at all we are doing any mistake anywhere. But just to do any crystal-gazing and saying that my number will be like this would be a difficult task.

Shalini Gupta: Last question I think in your opening remarks you mentioned that your circulation revenue growth was not driven by yield increases so would that be correct?

Girish Agarwal: So what we have taken a call couple of quarter back that circulation cover prices in our markets are any way at Rs. 4 or Rs. 5 to the readers and we took a call that we do not want to increase this cover price anymore because we want the penetration to go up. So, we have taken a call that for this year we will be increasing circulation and not increasing the cover price beyond a point and hence this growth what you see right now coming in the circulation is more because of the number of copies increasing rather than the yield increase.

Shalini Gupta: Gong forward, you do not have any plans to enter new territories, circulation growth would be at best 4% to 5%?

Girish Agarwal: Not exactly because we are not looking at any new territory, but when we did this exercise almost 9, 10 months back in the state of Rajasthan and Gujarat and we entered with the same expectation as you are saying 4% to 5%, but then we promised ourselves that no we are not going to stop by that you want to really see it in a different perspective how we can grow the market. We have example of Kerala market with us a small state with a population which is half of Rajasthan, but circulation wise they are double of Rajasthan. We say why cannot we look at that market and increase the penetration. So, based on that happy to share with you in Rajasthan in a 9-month 10-month working in the market like Rajasthan we are up by almost 1.5 lakh copies. In Gujarat market we are up by almost 1.5 lakh copies so there have been a strong growth coming from these markets of almost 10%+. So, we are hoping that next year also we should be able to work upon this 6% to 10% growth of circulation in these markets based on the ground work which were already done in these markets.

Moderator: The next question is from the line of Rohan Samant from Multi-Act Equity. Please go ahead.

Rohan Samant: Sir, from the commentary that is given and said that okay the efforts that we have been making for the last one year I just wanted to get an understanding of that we would have seen some fruit of that and besides obviously the fact that you mentioned that if the core contributor such as Real Estate, Education that start contributing and we can start seeing the double-digit growth, but the efforts that we are taking when and how we are seeing that pan out? Over the next 2 to 4 quarters we can see the fruits of that besides things turning around in the environment?

Girish Agarwal: So what is happening when we evaluate ourselves from both the perspective that are all our efforts paying off in the market or not. So when we look at one few categories in few markets and we say yes, we have been able to really increase our market shares in few markets. Yes, we have been able to take a little yield up also in all that, so we feel that we are working upon in. But unfortunately, we have to mage unpredictability also. Like I will give you example this year we had tied up with couple of air conditioner client for a big volume coming up. Unfortunately, the summer got delayed this year and at the peak of summer starting raining in Northern India. So the sale of air conditioner has gone out of window and suddenly



all those contracts with those clients have again been reworked by the client because they are not selling and obviously we cannot expect them to advertise if they are not selling.

So these are the things which are part of the game. Real estate is one category which we were thinking that after RERA came in effect, it will be all hunky-dory, things will start coming back, but yet there is no free-flowing money in the market there are people are willing to invest in the real estate in the big way. So only the real user of Real Estate is buying a flat. The investors are out, people are not investing in real estate for any kind of return. So because of that it takes a beating. For example, like one category FMCG, we really worked hard, and we have been to show double-digit growth in that category or hyper market small category, but since we approach in a different manner altogether so there is almost 60% growth, but very little size of those markets. So, there are categories which we are working upon and we can say we are working on it but unfortunately the overall results are not coming so we will really come out and tell you that guys this is what we did and see the results.

Rohan Samant: Just one more thing, so if I were to say when you said that the majority obviously 80% of the growth has been volume driven so if I were to understand that would that be majority of that be because of the initiatives or how would you put that?

Girish Agarwaal: Initiatives also because what is happening the walk-in customer size has kind of reduced in the market today. We have to really go and convince the guy for various initiative to give the business.

Moderator: The next question is from the line of Vikash Mantri from ICICI Securities. Please go ahead.

Vikash Mantri: On the dividend payout front you said you are looking for other tax effective measures does it mean that we will also compensate for the low payout that we have done in 2017 by other means or we are going to see that a new policy from 2018 or FY19 onwards only?

Girish Agarwaal: See what we are going to do a partly yes to your answer, but we are going to simply say that whatever is the cash lying in the balance sheet at a particular point of time we want to really utilize it for the stakeholders giving back and that should happen in next couple of quarters.

Vikash Mantri: On the Bihar, Jharkhand market now you have gone with a expansion drive and perhaps it will show up with your readership numbers in the next survey what I wanted to ask is does it unleash a new wave of competition next time when it shows a better number by you the other players start fighting back and then we go back to a situation where now this becomes a norm where one or the other players is trying to regain market share and therefore cut cover prices and it becomes a regular phenomenon right now in Bihar & Jharkhand, then maybe UP or Punjab or MP.

Girish Agarwaal: So we have seen this kind of phenomena in last 15 years' time in all the markets. So wherever we went and we got the number competition did drop the price, but price is not the only reason for somebody to read a particular newspaper. It is more about the quality and that is the reason why when we enter at a low particular price we are able to increase the copy. We have given the example of say Rajasthan and Gujarat. Rajasthan and Gujarat we have been able to increase these 10% plus



copies on the back of the higher cover price. So there is no price benefit in Rajasthan or Gujarat to the readers, but yet we have been able to increase the copy. Similarly, in Bihar we strongly believe that once my readers they read my newspaper for number of months the loyalty factor will go up and we will be able to increase the cover price. Just to further add on recently all the competitors in Gujarat they realize that they could not stop Bhaskar from getting the subscription number of copies. So, they all finally took a call to increase their own cover price. So they all have increased the cover price anyway.

- Vikash Mantri:** What is our cover price Y-o-Y this quarter and last quarter what was that?
- Girish Agarwal:** So, our yield if I look at overall, we are at Rs. 2.63 and my gross cover price is at Rs. 4.08 paisa.
- Vikash Mantri:** Same number last year?
- Girish Agarwal:** Cover price there is no increase and there is no decline also.
- Vikash Mantri:** Our circulation has grown, revenues have grown by 6%.
- Girish Agarwal:** That all has come largely because of the number of copies growing.
- Vikash Mantri:** So, the numbers of copies have increased by 18% -19% so it would mean a decline in cover price?
- Girish Agarwal:** No, no what happen 18% - 19% has increased in last 6 months' time every month there has been a growth and we annualize that number because we are seeing a 12 months number.
- Vikash Mantri:** No sir, I am looking for this quarter only that is why?
- Girish Agarwal:** Q417 number was Rs. 2.60 paisa which has now become Rs. 2.63 paisa. This reduction has happened because the Bihar cover price is not at Rs. 4 Bihar cover price is at Rs. 3. So if I take a average that way the impact is not showing here, but if I take Bihar copies out and show the impact then it will be higher on that because Bihar cover price is Rs. 3 compared to other market cover price which is at Rs. 4 plus.
- Moderator:** The next question is from the line of Jay Doshi from Kotak Securities. Please go ahead.
- Jay Doshi:** Sir, first quick clarification did I hear it right you mentioned that circulation copy growth will be about 6% to 10% in FY2019 as well.
- Girish Agarwal:** The year - end level was at 59 lakh copies so this copies we want to grow by 6% to 10% next year also.
- Jay Doshi:** Okay. Can you give us some outlook on newsprint prices so again from this quarter average cost what kind of inflation do you expect next year on a Y-o-Y basis what kind of inflation do you expect in terms of price and cost?

Girish Agarwaal: So Q4 the price increase was 3.7% overall, but that is not a real reflection, but if I look at this Q1 the real reflection will come in Q1 and Q2 so that could be in the range of 12% -15%.

Jay Doshi: That 12%, 15% will be on a Y-o-Y basis right? and not from Q4 levels?

Girish Agarwaal: It would be on a y-o-Y basis.

Jay Doshi: Should that be sort of you expect that to be for the full year as well Q2 rates will more or less.

Girish Agarwaal: Depends we are buying newsprint the prices are changing practically on a 15 days basis, but I think looking at the last trend, similar kind of thing happened from 15-20 years back I think this phenomena would stay for at least 2, 3 quarters. So we are hoping that by the second and third quarter, price should start cooling down.

Jay Doshi: And are you locking in for a longer period or you are not locking in price with so how are your contracts?

Girish Agarwaal: So we are doing a ranging depending on the market to market mills to mills from two quarters to three quarters.

Jay Doshi: So is there any price correction you will get the benefit immediately it is not long-term contract.

Girish Agarwaal: That is what we are trying to figure out that.

Jay Doshi: Third is can you give us some outlook on what is the sort of acceptance of IRS data in the market and whether there are any changes in the yields of pricing that are taking place on the ground based on IRS?

Girish Agarwaal: So there has been a huge acceptance of IRS data in the market and I was very happy to note that every possible client whom we met were very positive about at least the data came out because otherwise they were under myth and the print maybe going down and all that so is a good thing. I will not expect any immediate yield improvement in the advertisement because of the IRS data because I think what IRS data first thing is going to do is to make sure that the client have their confidence in print continuing and then they start investing in print on the same manner what they have been doing not taking it down and taking it up actually some notches and then maybe couple of months going down forward they might get some confidence increase the price.

Jay Doshi: Is this across the industry I mean for all players it is going to be.

Girish Agarwaal: There is a committee of MRUC and ABC those who are making presentations to various clients probably to the first time all the publishers are going to the agencies and clients and updating about the industry and we got a phenomenal response from all of them.

Jay Doshi: Final question is almost three or four quarters is absolutely no momentum on the digital side in terms of advertising revenue, so how should we think about it what is the strategy there and when do you think that revenue stream to start growing again?



- Pawan Agarwal:** So the last couple of quarters the whole social and the platforms came up giving it momentum, but the revenue side kept getting compromised so going forward what we are doing is we are building, we are putting up a new content strategy to get direct traffic to our apps and to our website. So hopefully in coming quarters we will see our focus is to get people direct to us not just through network. Of course, the whole of last year we struggle with changing algorithm of Facebook with search struggling to grow in search and Google while those challenges will remain but going forward our strategy will be to build direct traffic build loyalty to the brand. So we will hopefully next quarter we will start sharing with you the changes that we are making.
- Jay Doshi:** Should we expect any step up in investments or cost on this business?
- Pawan Agarwal:** Not significantly for now.
- Jay Doshi:** This year there were quite a few one-off-cost for the past two, three quarters related to circulation expansion and now you are likely to continue that in FY2019 as well so will there be similar level of cost in FY19 as well or it will help us to sort of get a slightly better handle of cost structure given that newsprint prices are also quite volatile and in the past couple of quarter we have also not been able to estimate the extent of one time expenditure.
- Girish Agarwal:** There are no one-off in the year FY 18-19 what we see. CAPEX is already as I indicated to you we are looking at a CAPEX of around Rs.50 - 60 crore which is largely a maintenance CAPEX and there are no launches lined up in this year I do not think there will be any one-off like that.
- Moderator:** The next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.
- Yogesh Kirve:** Sir, we have seen a bit of an increase in the receivable days could you just highlight what are key reasons and how should we expect it is going down the line?
- Girish Agarwal:** See what has happened the Government advertising percentage went up slightly in last 3-6 months' time and Government does take some extra time so because of that there has been a slight increase in that, but nothing to worry about everything is control on that.
- Yogesh Kirve:** The debtor day on commercial side is continuous to be stable.
- Girish Agarwal:** No such issue on that.
- Yogesh Kirve:** Had there been any GST related or any other kind of issues which got reflected?
- Girish Agarwal:** Fortunately, everything is functioning smoothly.
- Yogesh Kirve:** Secondly on the radio business I mean what are our expectations about the growth I mean I understand it has grown by about 10 odd percent, but this is also business which have been growing well before various disruptions and demon and GST came in and on top of that we have a new licenses as well so where do we expect this growth would head to in the coming years?



- Pawan Agarwal:** So the last year the new stations happy to share that the new stations just about doing breakeven which is about 15-18 months of average launch. So those stations will start adding to the EBITDA this year, achieved breakeven status in Q4 just about and it would contribute to the EBITDA this year and the biggest station we are adding new elements of new opportunities for advertising and we should be able to maintain the growth momentum going forward.
- Yogesh Kirve:** I understand there is an existing session in new station so at the existing session is there a possibility of able to have a double-digit sort of growth I mean does that kind of opportunity exist as of now?
- Pawan Agarwal:** Yes we are working towards that.
- Girish Agarwal:** It is a combination of it should actually happen why. See what has happened in last almost 6,8,9 months' time in certain stations the more frequency got rolled out when the competition suddenly comes in you lose the momentum for increasing the rates and some volume also, but now since that has been stabilized we believe going forward now the double-digit growth should actually come first in bigger centers only.
- Yogesh Kirve:** Finally, you said newsprint prices are going to increase so are there any measures specifically to counter this impact I mean anything in terms of the imported domestic mix or pagination or any other thoughts?
- Girish Agarwal:** See there are few areas which we already have worked upon like checking the pagination or right sizing of a newspaper, rationalizing on the mills their distances to our consumption centers and all that all has been taken care and couple of percentage of saving has already taken care because of that, but frankly speaking nothing substantial can be done we cannot reduce the number of pages because advertising has to be carried. I do not want readers to feel that they are reading paper only for advertising. So, there are little things which we have already done and now we all are hoping that the newsprint prices should cool down in couple of quarters and that should give us the relief.
- Yogesh Kirve:** Sir in the meanwhile you talked about this 12% to 15% increase so are we comfortable with these levels? Because some of the numbers which we have been hearing in the market are on the higher end of the spectrum.
- Girish Agarwal:** So what happens is all those higher numbers even we have, but we need to average it out because it is not that every mill has increased it is not none of the companies had a stock we have a couple of some of the stock lying with us and all that. So the price which I have told you for the next quarter is blended with our stock with our rationalization of everything and all that.
- Moderator:** The next question is from the line of Amit Kumar from Investec Capital. Please go ahead.
- Amit Kumar:** Thank you sir. Just following on to the point in terms of previous participant also this year in fact this quarter as well as this year very, very clearly Ad growth given the environment it has been driven more by volumes that has not been sort of any opportunity for yield increases. I understand I mean you are not sort of taking any yield increases now, but have you sort of go through the year are we sought of looking at the more balanced growth between yields and volumes or in FY19 also you believe going to be more volume driven.



Girish Agarwaal: So frankly speaking 70%, 80% growth should be from volume and 20%, 30% from the yield because certain yield correction anyway happens, but looking at the market scenario anything beyond 20%, 30% of the overall growth it will be difficult to come from yield.

Amit Kumar: The reason why we are little bit surprise because we have a IRS sort of coming in and that comfort on print numbers, so advertisers seem to be excited about print again, but not sort of giving you yield hikes and second question is that I mean when do we sort of corollary to that when we expect the next round of IRS to turn up?

Girish Agarwaal: Obviously the reports have come and the first benefit the reports have given us to is that the confidence back in that minds of clients that it is print is not dying because couple of clients when I met them so they actually thought that okay print is now sliding in India, but when we showed them the numbers pleasantly surprised and happy. Coming to when is the next round so IRS as you know it is moving round so they are now moving average working they are fielding the next survey now sometimes in the month of June or July. So next report once they complete a quarter of working and all that I think should be out by December which will have one new quarter and the three old quarter and then they keep rolling it every quarter or six months. IRS does the 12 months field work they will do one quarter field work say for example in July, August, September and that quarter they will merge with last three quarters survey report done and then give it an annual report again sometime in December.

Moderator: The next question is from the line of Gaurav Agarwal from E&R Advisors. Please go ahead.

Gaurav Agarwal: Sir if I understand correctly you said for Q1 FY19 you are looking at 14%, 15% kind of increase in your raw material prices is that understanding correct?

Girish Agarwaal: Yes.

Gaurav Agarwal: And that includes the circulation increase which we are looking to add in Q1 FY19?

Girish Agarwaal: No, see what I said 10%, 15% the rates of the news print going up then on the circulation whatever the impact will come in they will be there only. So let me just give you for example Q4 my newsprint cost increase in Q4 is 20%, Why 20% because the price up is by 3.5 % but the main impact is with the PO around 10% has increased because of PO print order itself and there is a page has increase also and all that.

Gaurav Agarwal: You have two categories national and local advertisers, so how has this two categories done on a Y-o-Y basis, so 8% is your overall growth in Ad revenues so how have local and national performed?

Girish Agarwaal: Almost similar.

Gaurav Agarwal: Government is what percentage of revenue in Q4?

Girish Agarwaal: Around 15%.

Gaurav Agarwal: We put 15% to that in local or in nationals?



- Girish Agarwal:** Government is local and national both.
- Gaurav Agarwal:** So, split is equal I would assume.
- Girish Agarwal:** Yes national would be slightly higher.
- Moderator:** The next question is from the line of Vivekanand S from Ambit Capital. Please go ahead.
- Vivekanand S:** On the digital side I see that the unique visitors on your website at around 74 million in March they are lower than what you saw in March last year, so clearly till 2017 you were seeing a sharp jump in unique visitors on the portals on your websites, but despite many more users now embracing data I am surprised to see that the unique visitor count has gone down, is this one of the major reasons why you are unable to monetize well enough that is question one and related to this what has changed in the business to really depress the unique visitors?
- Pawan Agarwal:** So two things what we have lost are the users who are actually not loyal to the site. There were people who are not coming off into the site these are people who came through platform they came to social and they happen to changes in algorithm as I mentioned earlier so that has been a loss. Real loss in numbers is basically from the fact that the monetization has gone down. So while the same users monetization what we saw previous year those monetization has gone down which means what we are as I said we are working on to see how do we build stickiness, how do we build these users coming directly towards us than going through platforms or through social so that is the way forward strategy which is the learning from last year. The platform while they give you good spread, but they would not help you monetize and they do not give you a loyalty.
- Vivekanand S:** Just one small follow-up since you want to build direct traffic I see that the investments or the operating expenses in the digital segment that has not materially changed this year compared to last year, is there any specific reason why we are not investing more in this business I am talking of the operating expense in the digital business which is around Rs.70 odd crore similar to FY17 levels. Just trying to understand if you are trying to pursue more traffic coming directly to your website or apps would it not require you to spend more money to attract the users help us understand this?
- Pawan Agarwal:** What we have been doing in the past one year at least is that have been spending on acquiring people from platforms and not really direct. They were consuming the content, but they were not coming to the site directly. They were not exploring us they were discovering us they were building loyalty and the loyalty is built by either downloading an app or becoming an active user of an app or coming to the site directly. So what we are going to do is pivot this cost to acquiring people who have been loyalty for us that is the game plan for this year.
- Moderator:** Ladies and gentlemen that was the last question I now hand the conference over to the management for their closing comments.
- Pawan Agarwal:** Thank you for your participation and time on this Earnings Call I hope that we have had responded to your query adequately today. We will be happy to be assistance to a investor relation department heading by Prasoon Pandey for any further inquiry. Thank you and have a great day.

