



**DB Corp Limited**  
**Q1 FY14 Earnings Conference Call**  
**July 19, 2013**

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**Moderator** Ladies and gentlemen good day and welcome to the DB Corp Limited Q1 FY14 Earnings Conference Call. 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. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. 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.

**Malini Roy** Good afternoon everyone. Welcome to the Q1 FY 14 conference call of DB Corp Limited. We will be sharing the key operating and financial highlights for the first quarter ended June 30, 2013. We have with us today, the senior management team of DB Corp Limited - Mr. Pawan Agarwal, Non-executive Director; Mr. Girish Agarwaal Non-executive Director; Mr. P. G. Mishra CFO; Mr. Rakesh Goswami, DGM – Finance and Mr. Prasoon Pandey – Head, Investor & Media Relations. Before we begin, I would like to state that some of the statements made in today's discussion may be 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 now invite Mr. Pawan Agarwal to share his outlook on DB Corp's performance for this quarter.

**Pawan Agarwal** Good afternoon everybody and welcome to DBCL's Q1 FY14 earnings conference call. I would like to share some key highlights of our financial and operating performance for first quarter, following which, we will be happy to respond to your queries.

We are very glad to report a strong performance this first quarter that reinforces the success of our growth and execution strategy that has enabled us to retain our leadership position in legacy markets as well as demonstrated strong progress in emerging regions. We continue to maintain a very vigilant yet aggressive approach, constantly studying the environment to capitalise on growth opportunities. We have developed a 3-pronged expansion strategy that has served us well over the last few years, driving our growth and leadership position:

- a) Continuous product enrichment - focus on innovation to build rich editorial content
- b) Market development - expanding our readership base by growing our market share in existing markets and entering newer markets to strengthen our pan India presence
- c) High internal efficiencies - stringent cost control measures across our all markets

Once again this approach has been the key to our quarterly performance. Recently, we launched a new edition in Akola, Maharashtra that presents similar opportunities which were presented by markets like Sholapur and Jalgaon. This

widens our presence in Maharashtra which allows us to offer greater reach to our corporate partners with customised solution. Additionally, our exclusive tie-ups with leading international publications like HBR and Time Magazine that were undertaken to enrich the content quality of our product, are already showing great results making a meaningful impact in the readership base especially of SEC A & B categories.

We maintained our leadership dominance in legacy markets of Madhya Pradesh, Chhattisgarh, Chandigarh, Haryana, Punjab (JAL), urban Rajasthan and key markets of Gujarat. We have also maintained our leadership position as the largest read newspaper of urban India since last 3 years and have substantially increased our lead over the next No. 2 player.

In Jharkhand, Dainik Bhaskar continues to make excellent progress, strengthening its brand amongst readers with a significant urban reach. In major cities of Ranchi, Jamshedpur & Dhanbad where Bhaskar is a formidable second player, it has focussed its growth strategy to steadily close the leadership difference to move towards No. 1 position, with a better readership profile.

On our financial performance for the quarter, our consolidated total revenues stood at Rs. 4539 million compared to Rs. 3815 million in Q1 FY13, reflecting a growth of around 19% on YOY basis and around 12% on QoQ basis in Q1 FY14. Our advertising revenues came in at Rs. 3447 million reflecting a growth of around 21% on YOY basis against Rs. 2862 million in the previous quarter and 16% on QoQ basis. DBCL's EBITDA margin expanded to 30.3% in the quarter, and we reported EBITDA of Rs. 1374 million, thus registering a impressive YOY growth of 65.4%. The same factors our one time preoperative expenditures of Rs. 8.7 million for Maharashtra launches and Forex loss of Rs. 25.32 million.

Net Profit for the quarter increased to Rs. 761 million and Net Profit margins expanded to around 17%. The same factors, our one time preoperative expenditure of Rs. 8.7 million for Maharashtra and Forex loss of Rs. 36.64 million. Our Mature Market EBITDA margin, stands at around 36% for Q1 FY 14.

DBCL's radio business continues to report strong growth within the overall Indian radio industry. Advertising Revenue came in at Rs. 173 million as against Rs. 141 million in the same period last year depicting a growth of 22%. EBITDA margins stood at 29.4% with EBITDA of Rs. 51 million.

On a macro level, although the environment continues to be challenging, we have successfully maintained our growth rates during the quarter. Going forward, we continue to closely monitor the strength of Tier 2 & 3 towns across India focusing on the socio-economic structures, demographics, marketing trends of various categories; marketing spends of these regions and their growth prospects. We strongly believe in the potential on these untapped regions which continues to greatly excite us. We are confident of our business growth strategies and our competitive strengths, to monetize these opportunities and truly create high value by leading change and being very active socio-economic catalysts.

My colleagues and I will now be happy to respond to questions. We look forward to continuing our interactions and please do contact our investor relations department headed by Mr. Prasoon Pandey, for all further requests and queries.

**Moderator**

Ladies and gentlemen we will now begin with the question and answer session. Our first question is from Abneesh Roy of Edelweiss. Please go ahead.

**Abneesh Roy**

My first question is on the advertising growth, How you are looking at it for the full year? Some of your key states have state elections and then there are also the general elections. So in that context, how much do you see election related and government related ads? Secondly, the RBI recently, raised short-term debt in terms of interest cost, so how does it impact the interest rate-sensitive sectors in the coming quarter?.

- Girish Agarwal** On the advertising side, we have had a growth of 21%, which has come from various segments. For example, in terms of segment-wise revenues, the automobile segment has gone up by 21%, the real estate category has grown by almost 39% and FMCG by 18%. So, there has been a good growth from all segments in all the states, including from the retail and corporate sectors. So considering that, we have all the reasons to assume that the next 2-3 quarters are going to be on the same lines, especially since you mentioned that there are elections in in some of our states like Chhattisgarh, Madhya Pradesh and Rajasthan. So, based on that there has been an increased spend by the government on various segments in the society, providing various schemes to the people among other initiatives. So, there is some benefit of the cash flow for the people who are living in these states. So, we assume that this is another reason for the consumption to go up in these markets and hence the advertiser may like to increase its spend further is what we are assuming. As for the RBI guidelines of increasing the interest on the short-term loans, there may be some impact on the automobile category but we are not sure about it.
- Abneesh Roy** In the past, you have said that the real estate activity in your markets versus what we see in Delhi and Mumbai is very different. So, I can understand the strong growth of 19% there. However, an 18% growth in the Auto sector does not really match up with the numbers that the Auto companies have reported, given their sharp volume declines. So, in your markets is Auto still doing reasonably well in terms of volume growth because only then there can be sustainability issues.?
- Girish Agarwal** The large part of the growth that has come in our segment is only from the two wheeler segments not from the four wheelers, because in our markets, large consumption is of two wheelers, as it is the first vehicle that a person buys in a family. In some segments, there is a four wheeler growth too but not that drastic.
- Abneesh Roy** So, will the bulk of your ads come from the two wheeler segment within your universe of auto ads?
- Girish Agarwal** No, it is almost 50:50 as of now. So, a large chunk of growth has come from the two wheelers and the four wheeler growth is in single digits.
- Abneesh Roy** From October, we will see the implementation of the TRAI directed 12-min cap on advertisements per clock hour for the TV channels. So, how confident are we in terms of tapping FMCG sectors post that development? Will you see a sharp movement towards print or will it be restricted more towards Internet and may be Radio too?
- Girish Agarwal** FMCG, as you would've noticed has grown by 18% and I believe that this is not only because of the TRAI guidelines of the 12 minute cap, it is because the FMCG executives have also realized that beyond a point and apart from the brand, the sales of FMCG products is largely based on the strategic reasons communicating certain benefits and that the like. So, that is well communicated through print as well. So, we feel that there is going to be a growing trend in the FMCG segment which may further help us again.
- Abneesh Roy** My last question is on the AD for equity deals. Are we scaling up on that? And my second question is on the recent deal we did with one of the jewelers. Any learnings from there and are we going to provide some provisions there because the stock has been sharply corrected from the levels where we did the deal?
- Girish Agarwal** Yes, I think based on all our learnings from the various deals, we have now taken a call to close the equity deal altogether. Yes, one of the jewelers which you just mentioned has had a large correction in its stock. But for us it does not make much of a difference from a revenue point of view. As we were at Rs. 2 crore revenue from this particular client which is the cash component that has gone up to Rs. 7 crore and the balance needs to come from the equity. So, if you notice, the absolute numbers of cash of Rs. 2 crore a year have gone up to Rs. 7 crore excluding some equity. Now we have to convert the equity in May 2014. So, we

will have to see at that time as to what is their stock price. And if something is additionally required, we will provide for that.

**Abneesh Roy** And does the deal stay as of now? Do we expect any problem on the cash component of Rs. 7 crore? ?

**Girish Agarwal** We have already got the last year's Rs. 7 crore amount in cash and the payment has been so far, on time, for us.

**Moderator** Our next question is from Vikas Mantri of ICICI Securities. Please go ahead.

**Vikas Mantri** Continuing on the ad for equity part, what was the ad for equity booked this quarter?

**Girish Agarwal** Rs. 2 crore.

**Vikas Mantri** From this what would be the proportion from Gitanjali?

**Girish Agarwal** From Gitanjali, it would not be anything more than Rs. 50 lakh to Rs. 60 lakh as the last quarter was not a peak time for them.

**Vikas Mantri** So, out of the Rs. 60 crore deal, which includes Rs. 39 crore in equity and Rs. 21 crore in cash, what has been exhausted?

**Girish Agarwal** Rs. 7 crore in cash and around Rs. 15 crore on the equity side.

**Vikas Mantri** So is the Rs. 15 crore in the equity been done with? And has this cash been received regularly from them?

**Girish Agarwal** For the last year, the payment has been totally received.

**Vikas Mantri** And do they plan to stick to their commitment of the remaining Rs. 14 crore this year and next year?

**Girish Agarwal** So far they have stuck to that and I hope they will continue to do so.

**Vikas Mantri** There is a Rs.100 crore increase in long-term loans and advances and other current assets cumulatively, from the last quarter to this quarter., So, can you explain that?

**PG Mishra** There is no Rs. 100 crore increases in loan from the last quarter.

**Vikas Mantri** I'm referring to the loans and advances given by you and other current assets.

**PG Mishra** The other current assets basically include debtors, new print stock etc. because there is a 21% growth in the billing and the debtors have increased proportionally too. So, there is our stock and the other business assets

**Girish Agarwal** I think we need to divide it into three aspects, the long-term debt, the increase in the debtors as well as the increase in the stock and the advances given by us. Which segment is your concern?

**Vikas Mantri** Two segments which have seen a sharp figure, loans and long-term loans and advances given by you and the significant increase in other current assets. I am not referring to trade receivables and inventory., There are other current assets which have gone up from Rs. 10 crore to Rs. 56.5 crore and long-term loans and advances have gone from Rs. 98 crore to Rs. 146 crore?

**Ashok Sodhani** One of the components in this increase is on account of additional security deposits given to one of the related parties. We are in fact using around 22

properties from related parties on a rental basis and there is a new income tax regulation which talks about domestic transactions with related parties and is mandatory from this year onwards. Considering these new regulations, we had to make this adjustment on a fair market price basis.

- PG Mishra** Secondly, the bank deposits which have more than three months maturity are now shown as the other current assets. These were earlier somewhere at Rs. 8 crore and are now at Rs. 54 crore. It is a bank deposit with more than three months' maturity.
- Vikas Mantri** So in terms of long-term loans and advances, how much amount has been given to the related party and who is the related party here?
- Ashok Sodhani** It is Rs. 40 crore in this quarter, which will further go up in the coming quarters. We are gradually increasing it to match it with the current market price.
- Vikas Mantri** So will this always be there with the related party?
- Ashok Sodhani** Yes.
- Girish Agarwal** Till the time we use their assets to operate the premises of DB Corp in those editions.
- Vikas Mantri** So was the other option to pay higher rent?
- Girish Agarwal** Yes, that would have impacted the P&L directly.
- Vikas Mantri** These were on the bookkeeping. Now, I'd like to ask more on the trends of the advertising. While you also said in your commentary the environment is challenging, 20% is one of the best growths that we have seen in the near term, so which are the segments which did not help this quarter and what are the trends in that. You have talked about the ones which did well.
- Girish Agarwal** The government tenders and auctions segment had a major decline. Secondly, the appointment and the placement ad category saw a sharp decline. Tours and travels also had a sharp decline because last year, the tours and travels was a good segment for us. This year, maybe because of the dollar issue people did not actually take a lot of holidays. So, that segment took a beating for us. Apart from that, the consumer durable that has not performed the way we had expected it to perform.
- Vikas Mantri** But otherwise FMCG has reported an 18% growth.
- Girish Agarwal** Automobile, real estate, FMCG, classified, education have reported a decent good growth.
- Vikas Mantri** We have recently seen Times of India getting aggressive by launching many editions and more so smaller editions in your markets like Jabalpur, Is there an intention of DB Corp to get into English print just to counter this? Your thoughts on that.
- Girish Agarwal** As of now, we also told you last time that in our markets the prime languages are Hindi, Marathi, and Gujarati. In those markets, some percentage of population living in the bigger cities like Indore, Jaipur & Ahmedabad may be reading English like we have the DNA franchise model in Indore, Jaipur and Ahmedabad. Now I think with the changes in trends, may be over a next few years' time, we have to just keep monitoring. If we feel that there is some improvement happening on those numbers, we may look into it. But as of now, I really do not have anything major on the cards right now.
- Moderator** We will take our next question from Nitin Mohta of Macquarie. Please go ahead.

- Nitin Mohta** The question was more on the longer term in nature. You obviously talked about improving trends from FMCG companies. If you can share one or two categories in which you are working with currently with media planners and buyers, which currently are not a focus when it comes to print advertising? But you think there is an opportunity from a 3 to 5 years perspective, that you would be able to convince them and make them see the value in the print medium.
- Girish Agarwal** I think that holds true for most of the categories because whether it is real estate or FMCG or even classified. There is an ongoing attempt within each of the categories to explain the advertisers and the ad agencies to see how we can work better for them. So, I guess this is a constant phenomena which is working. In some cases, we get success as in FMCG, where we have been working from last almost 8 years but its only in the last three years that we see FMCG responding to it pretty well. Like education in last one year has slightly cooled down but fortunately real estate is coming back and automobile is coming back. It is a mix working on a quarter to quarter basis for every category.
- Nitin Mohta** If I could just follow up on your television comments earlier in the day regarding ad growth outlook for the rest of the year and potential margins. Now it was not very clear whether you were actually alluding toward guidance of maintaining ad growth on a year-on-year basis at the same trend as we have seen in this quarter or was that more aspirational in nature and we should not be really looking that as a firm guidance?
- Girish Agarwal** Our aspirational numbers are actually higher than this. But what I also mean to say especially with respect to the next quarter is that with the elections scheduled in three markets, there will be major changes by the government in their outflow for the people living in those markets. So with all that, I believe that these numbers should be achievable going forward. But I am not confirming that to you.
- Nitin Mohta** If I look at your prior year financials and when elections were held there earlier, we did not really see such a huge ad growth momentum at that point of time. So, what is different this time that we have been able to see a 20% growth as compared to if a 11% or 12% growth five years ago in those markets? What is the difference this time around?
- Girish Agarwal** That 11% growth was on the further earlier growth of almost 25%-30%., This 21% growth what has come as come on a very humble base of last year. So, considering that last year did not have a very large base number, we feel this year the growth numbers based on that number should be higher.
- Moderator** Our next question is from Nihar Shah of Enam Asset Management. Please go ahead.
- Nihar Shah** I just want to delve a little bit into one of the segments that an advertiser for you which is education. Education it seems has been not a great segment for the industry as a whole over the last couple of years. How has that segment performed for you in this quarter and what are the key trends that you are looking in it going forward?
- Girish Agarwal** Education has also done reasonably well, for this particular quarter. It is number one in the overall category. But earlier, it used to be disproportionately higher. That has gone down not because it is not performing, but since the other categories have started performing.
- Nihar Shah** So you haven't actually seen a decline in volumes or spend from the education sector just because of their sort of industry related factors.
- Girish Agarwal** There has been a 17% growth in the education sector too.
- Nihar Shah** And do you believe this education growth is sustainable?

- Girish Agarwal** It certainly looks like that because it used to be much higher earlier. , I believe there is a new Supreme Court order saying that the policy of one single test for the medical entrance is gone. So, all the medical colleges will now be allowed to hold separate examinations. So, this will boost the advertising in those markets furthermore.
- Moderator** Our next question is from Shobhit Khare of Motilal Oswal Securities. Please go ahead.
- Shobhit Khare** A bulk of the ad growth has come through the yield improvement. So how have you been able to push through such a big yield improvement when generally the belief is that economical environment continues to be challenging? Some light on that, please.
- Girish Agarwal** To be honest, I think, in the large job was done internally because I believe at times we internally don't understand our strength and sell ourselves cheap in the markets. The major correction was done internally by our sales team and we have been able to restructure our team and focus on each state. Because of that we were able to explain our merits to our advertisers and the agencies very strongly and based on that we got 21% growth which we have got, and 70%-75% is the yield improvement.
- Shobhit Khare** So would you say that the market has also improved or it is largely because of our own strategy that we have seen such a good growth?
- Girish Agarwal** I think it is due to both.
- Shobhit Khare** My second question is on the outlook on newsprint. There could be an impact of the rupee depreciation. We have seen a 1% increase in the cost for this quarter. What could be the further cost increase for the newsprint in the next two quarters?
- Girish Agarwal** In the current scenario with the dollar impact, we feel that the newsprint cost going forward should go beyond 5% in terms of rate. I can control the consumption which goes up by number of pages separately. For instance, on the pricing aspect of the newsprint, we are now at almost Rs.33,200 per ton average price which is up by almost some 2.8%-3% compared to the last year's quarter. So, we feel that this number may go up by another couple of percentages, going by the current scenario.
- Shobhit Khare** So you do you think you can cap the growth at around 5%-6% despite the depreciation in the rupee?
- Girish Agarwal** I have no control over the price, However, the quantity and the quality is in my control where I can decide that I can tweak a few things.
- Moderator** Our next question is from Mohammed Ali-Reda of Asiya Investments. Please go ahead.
- Mohammed Ali-Reda** If you were to estimate maintaining your readership around 14.5 million, how much could you need to spend to maintain on the print price?
- Girish Agarwal** Generally speaking we don't have to spend anything to maintain our readership because readership is an outcome of my editorial quality because number of copies are more over set. But to increase my readership or maintain it, I think is entirely the editorial play, for which I don't have to spend anything specifically. It is just to ensure that whatever I am producing I am able to connect with the readers the best and am able to give them the right kind of quality paper that they expect out of me.
- Mohammed Ali-Reda** To maintain the growth in line with the industry, how much is the expectation that you have to continue to spend on an annual basis?

**Girish Agarwal** It depends on the market to market. For example, in the Maharashtra market I'm on a growth spree. I have just launched the Akola editions. So, I'm getting more copies there, where there may be some cost involved because of the extra copies adding on. During the next month, I am launching Amravati so there will be an extra cost there. For example in Madhya Pradesh, we have increased the copies by almost 38,000 and we have taken a cover price increase too. If you see the overall market, I have taken a cover price, realization improvement of around 17% without losing any circulation and readership so that indicates that I didn't have to pay anything to maintain the number while I was able to charge more for the same copies in a competitive market as well.

**Mohammed Ali-Reda** I remember about a year ago you sold your shares. Is that something that you would do in the future?

**Girish Agarwal** We have already diluted ourselves and have complied with the SEBI guidelines. We are at 75% holding now. So, we don't have to do any further dilution at the promoter level.

**Mohammed Ali-Reda** So that is not expected for the next foreseeable future?

**Girish Agarwal** Yes.

**Moderator** Our next question is from Srinivas Seshadri of CIMB Securities. Please go ahead.

**Srinivas Seshadri** Just looking at the numbers, it has been a pleasant surprise in terms of a very strong top line as well as operating earnings growth. So, in a sense, does this increase your kind of flexibility in terms of may be accelerating some of the expansion plans which you might have earlier put on the backburner Bihar for example or maybe some of the other states where you believe that there is no potential enter into new cities or towns? So, if you can just talk about that.

**Girish Agarwal** As you know, our expansion plan primarily depends on the potential of that particular market and how we are geared to handle that market. What you said holds true to a large extent that since now company has some robust numbers also going forward so we can look at squeezing the timelines of those markets going forward.

**Srinivas Seshadri** But can you share anything?

**Girish Agarwal** We are launching Amravati in Maharashtra during next month and we have completed the Akola launch this month itself.

**Srinivas Seshadri** And you have also mentioned that we might be looking at Bihar after a certain period. So does that also mean you might be looking at a possibly earlier than expected launch?

**Girish Agarwal** Yes.

**Srinivas Seshadri** So can you share any plans regarding the same?

**Girish Agarwal** As and when we are ready with it we will come back and share with you.

**Srinivas Seshadri** We have seen the growth accelerate from 13% to 20%. You mentioned some bit of it is because of getting better internal efficiencies in terms of yield management versus say some bit of an improvement in the industry. So is it fair to assume a larger proportion of the increase happened more because of internal efficiency getting squeezed out rather than say the market itself improving by quite significantly?

**Girish Agarwal** At this stage I can say, yes.

**Srinivas Seshadri** I believe because of the internet business restructuring you might be eligible for certain tax benefits. So, what is the quantum and when would you be eligible to kind of take those tax benefits?

**Girish Agarwal** It will be at around Rs. 14 crore in the 3<sup>rd</sup> and 4<sup>th</sup> Quarter of this year. But we have not taken the benefit as of now. We will take it once it is done.

**Moderator** Our next question is from Amit Kumar of Kotak Securities. Please go ahead.

**Amit Kumar** Why does the company tax rate continues to remain higher than even 34%? It has been fairly consistent at around 35%-36%?

**Ashok Sodhani** There are a few reasons for this. The tax rate went up in the last budget by almost 1.5% and because of that our past deferred tax liabilities were revalued in this quarter. Also, various disallowances on account of provisions made in the gratuity and on account of our consolidation of subsidiary company IMCL which continues to incur losses you are looking at a higher tax rate in consolidated account.

**Ashok Sodhani** Everything that is charged in P&L is not allowed in income tax. For example, provision on account of leave encashment or gratuity or bonuses are disallowed. Therefore, you cannot directly calculate tax rate on PBT.

**Amit Kumar** What is going to be the total security amount which is due with related parties at this point in time with respect to these properties?

**Ashok Sodhani** It is right now at Rs.80 crore, which will go up to Rs. 130 crore in the due course of time during this current year.

**Amit Kumar** Assuming that you had taken the option of paying higher rent rather than higher deposit, what would be the impact on that?

**Ashok Sodhani** We would have had to pay around Rs.14 crore in additional rent in case we hadn't paid the security deposit.

**Moderator** Our next question is from Siddharth Goenka of JM Financials. Please go ahead.

**Siddharth Goenka** My first question is on the industry. If you can give us any sense as to how has the overall Hindi and regional space grown for this quarter?

**Girish Agarwal** Are you talking about the advertising front?

**Siddharth Goenka** Yes.

**Girish Agarwal** In our markets, we have had a growth of around 21% and since we are the leaders in most of the markets and a dominant player in most of the markets, I think the larger chunk of share has been taken by us. Having said that, I also believe that there is an impetus from the market itself. Otherwise, gaining 21% just due to the internal performance doesn't happen. We feel the markets of Gujarat, Rajasthan, Madhya Pradesh, Chhattisgarh, and Maharashtra, are showing a positive trend as of now.

**Siddharth Goenka** And what will be the overall growth in the Hindi and regional space in the first quarter? If you can give us some sense that.

**Girish Agarwal** I really won't be able to comment on that until I see the results of other listed players. Then I can try to do some calculation on that.

**Siddharth Goenka** My next question is on Maharashtra and Jharkhand. When are we expecting to achieve breakeven on that front and will our emerging losses go down or probably

remain flat because we have some future edition launches planned in Maharashtra?

**Girish Agarwal** We are now a two year old organization in Maharashtra doing fantastically over there. The response is pretty encouraging and that encouraged us to launch Akola edition. We are launching Amravati next month. Jharkhand has also been doing good but not as good as Maharashtra because of their own local problems. Also, I don't think that zero emerging edition loss is a good sign for the company. That would mean that we would have stopped growing. So, we will continue expanding so some losses in the emerging editions as an investment should continue.

**Moderator** Our next question is from Yogesh Kirve of Anand Rathi. Please go ahead.

**Yogesh Kirve** On the ad revenue growth, could you share what has been the growth from the national advertising and from the local advertisers or if there is any difference between the two during the quarter?

**Girish Agarwal** Very fortunately this time the national and local were both in the strong double digits. So it is not that the growth has come from only local and not national because national was trailing behind but in this quarter, national growth also has been on the similar lines.

**Yogesh Kirve** Regarding the Maharashtra expansion, we have done Akola and Amravati launches and in terms of number of cities we would be largely through if I'm not wrong. So what sort of readership do you expect would result in a breakeven?

**Girish Agarwal** As you remember, we explained at the time of launch of Maharashtra that we're not looking at ourselves to be as a Pan-Maharashtra newspaper because Bombay, Pune, Nagpur are the markets where we're not focusing. We are focusing largely on the Central Maharashtra-Khandesh area. In all those areas whether it is a Nasik, Aurangabad, Jalgaon, Ahmednagar, Akola, Amravati, and Sholapur, we are doing pretty well and we are number one in these markets. So with the strength of these markets, the overall readership as per IRS in the next couple of years,, I think the advertising will give us the benefit of that.

**Yogesh Kirve** But is there any target readership that you would be looking at to turn around? I guess we would be around 1 million right now.

**Girish Agarwal** We are not yet at 1 million in Maharashtra but as and when the edition get fully covered in IRS, we will get into that. But as for the circulation target we are very much on track because whatever the readership multiple is for each newspaper that IRS will only reveal.

**Yogesh Kirve** Where are we versus our target circulation in order to turn around? If you can share that?

**Girish Agarwal** Currently, we are in Maharashtra at around 360,000-370,000 copies. This does not include Akola. If I include Akola, it would be almost (+4) lakh, and with Amravati coming in. it will be at another 30,000-40,000. so roughly around 4.5, so I'm largely done with the Maharashtra expansion plan albeit a couple of a thousand more copies adding later on.

**Moderator** Our next question is from Bijal Shah of IIFL. Please go ahead.

**Bijal Shah** If I look at our quarterly growth, some time there is hardly any growth or sometime we report 20% growth. So, just want to understand what is the management assessment of growth in the current GDP scenario on probably three-year basis because sometimes our growth on a quarterly basis is so much impacted by the base number of the last quarter that probably it may not be very reflective of the environment. So next three years what kind of growth you see expecting the GDP growth remains at the current level?

**Girish Agarwal** To be very honest with you, I cannot give you answers in any jargons because we don't understand all this. It is not easy for us to understand the larger economics of the country. But in the current scenario with the GDP numbers at 5%, we have been able to do this number based on some internal working and the market supported us. And we believe that is the way we need to operate in future too. That keeps focus on our market because at the same time if the overall industry grows better, I should be able to get a larger chunk out of that. But I haven't done any great analysis on the economic growth of the country and the direct impact on our industry. I don't think we have any such data available to us to be very honest with you.

**Bijal Shah** So, in that case what is the visibility we have right now, is it for 2-3 quarters or is it for much longer than that? If you can give us some idea.

**Girish Agarwal** We would have a visibility of at least 2 to 3 quarters with us.

**Bijal Shah** And that is where you see that this kind of growth would not be an issue?

**Girish Agarwal** Yes, that is what we are hoping for it and working towards.

**Bijal Shah** You had some time back said that the overall plan is to invest around 20% of EBITDA probably into new initiatives. Now at this point of time I know that we are still expanding a bit in Maharashtra but if we look at margins there is hardly any cost on account of new initiatives. So should we think that we can see an expansion in near term beyond Bihar or some other markets or anything which we are contemplating?

**Girish Agarwal** As I told last time also that 20% number was the maximum limit. It can vary from 1% to 20% wherever I see an opportunity to go because just to expand for the namesake and that I have to expand doesn't work. We need to see if we are able to get the right IRR back from that, are we able to make the market viable in the shortest possible time and if it gives me that kind of benefit. So, my expansion plan will not get driven by my EBITDA alone.

**Bijal Shah** You must be continuously assessing all the markets which are available for expansion., Probably, there is some pickup in growth also as evident so anything probably in the next 1-1.5 years' time or probably you would like to see advertising growth remaining robust for a slightly longer time before getting into a new market?

**Girish Agarwal** We are looking at it both ways - we are evaluating the markets and at the same time we are evaluating our potential and our numbers going forward, based on which we may take a call going forward.

**Moderator** Our next question is from Rishi K of India Capital Fund Research. Please go ahead.

**Rishi K** How much top-line growth you are seeing because of upcoming elections?

**Girish Agarwal** The growth which we are expecting or working towards in our market, we feel that whatever we have done this period with our internal efforts and if the market continues to support us, we should be able to continue that kind of percentage but it all depends how the market shapes up and how the things happen.

**Rishi K** Are there any changes in the advertising this suppose if I compare with the last elections and with this upcoming elections?

**Girish Agarwal** Frankly speaking the five years is a lot of time to compare the two particular markets and two particular percentage growth. So in the current scenario, we are evaluating the market on the current perspective rather looking at the last time election numbers.

**Rishi K** Is there any increase in raw material costs from last quarter or last year?

**Girish Agarwal** Yes, in terms of raw material cost, the overall newsprint price this year may go beyond 5%.

**Moderator** Our next question is from Anuj Sehgal of Manas Capital. Please go ahead.

**Anuj Sehgal** You talked about the internal improvement in your sales team which has led to this substantial growth in yield. How much of that effort has already been done and how much do you think is something that can be done to further improve the yields?

**Girish Agarwal** We feel that there are still a lot of improvements possible on the yield front and we are working towards it. The first phase was most important to set the team internally along with the mindset. We deserve to get that kind of benefit in the yield. So, I'm very thankful that the job is done and now the advantage from the market is also being seen. So, we feel that this phenomena should continue.

**Anuj Sehgal** You have seen EBITDA margins improved sharply to 30% plus levels. If further yield improvements are possible and there is more room to improve their plus if the 20% kind of level the growth that you are expecting continues, is there more upside to margins here?

**Girish Agarwal** Yes, it looks like that.

**Anuj Sehgal** You talked about the cover price increasing by 17%. So is that to say that in terms of circulation numbers copies have been flat?

**Girish Agarwal** Yes, copies have been flat largely.

**Anuj Sehgal** So do you have some sense as to how this circulation volume will look like over the next several quarters while you mentioned that you have been able to maintain circulation copies without any impact? Do you think that is sustainable?

**Girish Agarwal** Yes, very much because if you see in some markets in spite of taking a growth there has been a growth too. While in some markets, we took a deliberate call of reducing the copies. In certain rural markets we took the call to reduce the number of copies. For example, in Jharkhand interior we took a call to reduce the number of copies in the rural belt of Jharkhand and increase the copies in Madhya Pradesh and other markets as such. So we feel going forward now that we have launched the Akola addition and Amravati so there will be a growth coming from those new editions. Also in the markets of Madhya Pradesh, Rajasthan, and Gujarat, we are planning to increase some copies. But this time, the copy increase are largely focused on the main cities rather than the rural markets.

**Anuj Sehgal** But is it fair to say that larger part of increase in circulation revenue will come from increase in cover price rather than dramatic increase in circulation?

**Girish Agarwal** Yes.

**Moderator** Our next question is the follow-up question from Amit Kumar of Kotak Securities. Please go ahead.

**Amit Kumar** Given the fact that we have elections and we are seeing an increased activity from the Government side, what is the incremental growth that is being contributed by that particular category? Can you quantify?

**Girish Agarwal** Frankly speaking, if you talk about the category directly, there has been hardly any growth in that category as such because if certain ads of the Government have gone up then the auction ad has gone down too. When the government gives various schemes in the market. For example, in a particular market, Government has decided to give the ration almost free at Rs.1 or Rs. 2 kgs. In certain markets,

the medical and the medicine have become free for the election campaign. So, when these benefits go in the market, then sudden consumption goes up for the other things. So, that helps me to grow in my automobile category or my real estate category and other categories as such. For example in one particular state, government has given the benefits that they will pay for the repair of the houses of a particular level of people, so now that person gets some money from the government, he goes and buy something to repair his house, that particular category advertiser will improve the advertising.

- Amit Kumar** In terms of direct relations advertising has that begun yet?
- Girish Agarwal** Not yet but that is not a big piece at all. We are not banking on that piece in any greater sense.
- Amit Kumar** My second point was with respect to Bihar. The launch happens when it happens but given the fact that we sort of went into Maharashtra in between for two years and now again looking at Bihar, does the broader thought process when we are looking at Bihar two and half-three years back and today in terms of market opportunity and our ability to do innovation in the market has that remained the same?
- Girish Agarwal** I can only say that as an organization we are very clear that when we launch in a particular market we do a lot of reviews of those markets, a lot of understanding of those markets and then we arrive at a call. We do not take a call because we had decided earlier that we had to do this, so there is no compulsion in the organization that we have to make any investment or any launch out of that sheer compulsion or mindset. So, if we feel that a particular market stays relevant, I can still participate in that market, to create some numbers for me and make that edition viable.
- Amit Kumar** So that was exactly my point. Does the Bihar market stays relevant based on whatever reviews that you have done?
- Girish Agarwal** You will appreciate that this information could not be shared because of the competitive environment around., That's the reason I may not be able to answer this particular question.
- Moderator** The next question is from Mohan Lal of Elara Capital. Please go ahead.
- Mohan Lal** I wanted to ask about the yield improvement. Did this start only in this quarter or did it start from the earlier quarter?
- Girish Agarwal** It actually started since the quarter of June 2012,. There has been some percentage improvement on it. We had to first of all understand the problem, then identify the problem, then identify the solutions, so it has been a result of last four quarters working there we have been able to show these changes.
- Mohan Lal** And should we expect this process to continue in the coming quarters as well?
- Girish Agarwal** Very much. We feel that it is an ongoing process.
- Mohan Lal** The other OPEX is at about Rs. 100 crore, only up 1% on a YoY basis against a 21% growth in ad and about 17% in circulation.
- Girish Agarwal** When the circulation price goes up or the advertising yield improves, there is nothing to spend more to take care of that except that people need to work more smartly and effectively.
- Mohan Lal** So that is a run rate one can safely take for the coming quarter?
- Girish Agarwal** Around almost same whatever improvement will happen in the salary in all that will happen which has already been taken care of. If at all, I need to increase the

pagination for a higher number of volume and all that then there will be some impact on the production cost.

**Mohan Lal** No, my question was on the other operating expenditure of Rs. 100 crore?

**Girish Agarwal** That is going to stay as it is. There is hardly anything in that.

**Mohan Lal** And is the circulation growth on a quarter-on-quarter basis of 5% the result of the price hikes again, considering that the number of copies were the same?

**Girish Agarwal** There has been a 17% growth in our average realization prices.

**Mohan Lal** From this quarter to next again, one can expect some momentum or will it be at Rs. 77 crore odd?

**Girish Agarwal** It should be around the same number.

**Mohan Lal** In the emerging market and mature market breakup that you gave, now this time around there is about a 17% fall in the revenues that are coming from the emerging markets now in the notes it is said that some editions like the Jammu addition have been taken out of it?

**Girish Agarwal** It cannot be compared as an apple-to-apple because certain editions that become mature, qualify from that market and get graduated.

**Mohan Lal** Now that we are over a year or so old in Jharkhand, how is the top-line over there moving on the YoY basis? ?

**Girish Agarwal** Jharkhand, frankly speaking is doing okay. In the last three or four quarters, there has been a substantial jump in the numbers in Jharkhand. But having said that, the last three years have not been very encouraging because of the local political and economic scenario in that market. So, we feel that Jharkhand market deserves much more in terms of the potential of that market. So, I hope the new government which has come in Jharkhand will do some corrective action because we feel that Jharkhand has a long way to go if you compare it to states like Chhattisgarh.

**Moderator** Our next question is from Miten Lathia from of HDFC Mutual Fund. Please go ahead.

**Miten Lathia** What would be the blended average cover price today?

**Girish Agarwal** At Rs. 2.80.

**Miten Lathia** And do we see headroom to take the average up?

**Girish Agarwal** **The** realization is Rs. 1.78 and the cover price is Rs. 2.80, so we feel that there is some headroom in the realization price and also in the cover price because we are still at the lowest. At Rs. 2.80 in our market compared to our other peers in the industry, we are much much lower. But again I must put this on record, that our focus is not on the cover price improvement because we feel there is scope in the market to increase the advertising. I would be happy doing that rather than increasing the cover price.

**Moderator** Our next question from Kalpesh Makwana of Quant Capital. Please go ahead.

**Kalpesh Makwana** Now for past 8 quarters we are seeing the circulation revenue growth pretty close to 16% to 17%. I am just trying to figure out how is going to pan out going forward, as I understand 17% is the realization increase that we are witnessing and on flat volumes. So how do we see that going forward?

**Girish Agarwal** My cover price average in the last year first quarter, was Rs. 2.53 paisa which has this year has become Rs. 2.80 paisa. So, there has been a growth of 11% on my cover price. But in certain markets, my commission to the middleman is already fixed in paisa. So, based on that my average realization price went up from Rs. 1.52 to Rs. 1.78. So, there has been a 66% delta which I have got on the cover price increment to the realization point. So, in whichever market we can still increase the cover price or improve the realization we would do that.

**Kalpesh Makwana** Can we expect that numbers to be closer to 10% possibly?

**Girish Agarwal** I really cannot comment on this. It depends upon the market because it is a pretty dynamic market. So we have to take our call every quarter depending on the market.

**Moderator** We will take our last question is from Mohammed Ali-Reda of Asiya Investments. Please go ahead.

**Mohammed Ali-Reda** I just wanted to touch on the digital business and I just want your thoughts there on when you would see that business breaking even and possibly seeing lets say 5% to 10% of revenue coming from that business?

**Girish Agarwal** In the digital our page views are improving. There have been certain improvements and we're almost at 339 million page views now. The good thing is that our top line there has been a growth of around almost top 20%. Having said that, I believe a lot of work has to be done on the digital ecosystem in our country wherein we are able to get some sizeable revenue coming from digital. So, I do not know as to when it will happen but we're working on it. Since, we have the consumer with us right now, I am sure sooner or later the advertiser will start paying for it.

**Mohammed Ali-Reda** What are you doing specifically in the next year or two? What is the plan to grow that business?

**Girish Agarwal** As you know this business is all about the page views and the page views we need to see how we are able to attract the consumer who is consuming news or anything else from my area in my site to come on to this. So, we are trying to further see that as in the news coverage for Uttarakhand, we tried our best and I think we succeeded a lot in running the news first. Any incident happening anywhere we were able to report it faster that too with the pictures etc., We're also expanding the genre in terms of not only news, can we also give certain views, can we can talk about more of Bollywood or spiritual and that the like. So, that when a customer comes on to the website he spends more time and browses through more number of pages. So, that is what we are working on and as in past we have seen the results have been positive for that.

**Moderator** I would now like to hand the floor back to Mr. Pawan Agarwal for closing comments.

**Pawan Agarwal** Thank you. On behalf of the management I thank you for your participation and time on this earnings call. I hope that we have been able to respond to your queries adequately and we will be happy to be of all assistance through our investor relations department headed by Mr. Prasoon Pandey for further enquiries.

**Moderator** Thank you very much members of the management. Ladies and gentlemen on behalf of DB Corp Ltd that concludes this conference.