DB Corp Limited Q1 FY15

Conference Call Transcript
July 18, 2014

Moderator Ladies and gentlemen good day and welcome to the Q1 FY15 Earnings Conference call of DB Corp. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' and then '0' on your Touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Malini Roy of CDR India. Thank you and over to you, Ms. Roy.

Malini Roy Thank you. Good afternoon welcome to the Q1 FY15 conference call of DB Corp Limited. We will be sharing key operating and financial highlights for the quarter ended June 30th, 2014. We have with us today the senior management team of DB Corp Limited Mr. Pawan Agarwal – Deputy Managing Director; Mr. P. G. Mishra – Group CFO; Mr. Rakesh Goswami – CGM, Finance & Accounts; and Mr. Prasoon Pandey – Head, Investors & Media Relations.

Before we begin I would like to say 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 has been mailed to you. I request Mr. Pawan Agarwal to share his outlook on DB Corp's performance for this quarter. Over to you, Mr. Agarwal.

Pawan Agarwal Good afternoon everybody. Welcome to DBCL's Q1 FY15 Earning Conference Call. I would like to share some key highlights of our financial and operating performance, post which we will be happy to respond to your queries. We are glad to report steady performance in the new quarter of the current fiscal on a very high base of first quarter of last year. Our extensive reach and deep connect with readers in Tier-II and III markets through a strong content oriented product continues to strengthen our position as the largest read newspaper of urban India.

Today our footprint covers close to half of India’s population and 49% of SEC A households. In this quarter we maintained our focus on strengthening our marketing and brand development efforts and innovative reader engagement initiatives by ensuring that our product quality remains foremost through customized content. Dainik Bhaskar retains its leadership position in legacy markets of Madhya Pradesh, Chhattisgarh, Chandigarh, Haryana, Punjab, Urban Rajasthan and key markets of Gujarat while also strengthening presence in emerging regions.

We continue to be excited with our progress in Bihar and Maharashtra where we have been actively strengthening the brand and engaging with readers. Our consistent strong focus to enhance an unbiased, credible and engaging editorial content with greater emphasis on coverage of local news has achieved significant impact on affluent class, SEC A and B category of readers which is the achievement of our first target and will be a significant enabler for tapping the strong earning potential of both these markets.

Our non-print segment continues to report impressive growth across digital, internet, mobile and radio businesses. Our digital strategy is centered on unique and credible contents, expansion of engaging platform supported by our ability to leverage the Bhaskar group’s huge editorial network. Having already demonstrated operational excellence in the print media business we have maintained a similar focus on the non-print segments spanning the digital and radio businesses.

These segments hold a tremendous potential, given India’s still nascent exposure to internet penetration yet being one of the largest and fastest growing digital market. An increasing percentage of our population is accessing news electronically. Dainik Bhaskar site continues to develop a loyal readership base. Our digital business has registered a total of 400 million page views and 14 million unique visitors per month during the quarter. In the radio business our vision is to be the leading and most admired FM radio network in non-metro cities and we have been on a steady growth trajectory as 85% of radio listenership originates from rest of India excluding the top four metros. The government has already allowed private FM players to broadcast news from bulletins of All India Radio where presenters will be allowed to read AIR news post Phase-three. The government has added that subsequent to this development they could consider providing further relaxations depending on the experience of this effort.

Therefore post Phase-3 DBCL stands to benefit well through content synergies where we can fully leverage our print infrastructure for relay of news content on radio leading to high cost efficiencies. Our financial performances for the quarter ended June 30th, 2014 is as follows:

Our consolidated total revenues for Q1 FY15 stand at Rs. 4,987 million registering a growth of 10% on Y-o-Y basis on a very high base of last year. Our ad revenues for the period is Rs. 3,730 million expanded by 8% Y-o-Y and consolidated EBITDA stood at Rs. 1,441 million with margins of about 29% and a growth of 5% on YOY basis.

DBCL's consolidated PAT for Q1 FY15 stood at Rs. 791 million with margins of 16%. Due to the change in accounting policies as per new Company Act 2013 the company has provided incremental depreciation of around Rs. 48 million. Our digital business revenue registered a growth of 134% Y-o-Y to Rs. 59 million from Rs. 25 million in last Fiscal. Radio business ad revenues grew by 21% to Rs. 207 million from Rs. 172 million. The EBITDA for the radio business stands at Rs. 73 million, 35% margin in Q1 FY15.

The macroeconomic environment centered on a stable government reflects positive sentiments that are expected to translate into better GDP numbers. The current environment demands an agile operating model that can capture diverse opportunities. We are confident of our operating strengths and continue to execute to plan and invest for growth while maintaining stability and profitability outlook. Thank you once again on your interest in the developments of DBCL. My colleagues and I will be now happy to respond to your questions. We look forward to continuing our interactions and please do contact our investor relations department headed by Mr. Prasoon Pandey for all further request and queries.

Moderator The first question is from the line of Shobhit Khare from Motilal Oswal Securities.

Shobhit Khare My question is with respect to the advertising revenue. I wanted to understand the ad rate increase that we have taken in the first quarter and also the volume growth outlook for the balance FY15? My second question is with respect to the operating costs. The operating costs excluding raw material for the first quarter is up by around 8% y-o-y. Is this the kind of number we should build in for the whole of FY15?

Pawan Agarwal The first quarter was full of elections. The months of April and May were bad and the month of June saw a little recovery. We saw a sharp decline in the government spend in the first quarter. In addition, the majority of the categories which are usually performing categories also performed very poorly in the first quarter. As a result, most of the growth that we have observed in the first quarter has come largely from the yield improvements and the volume has been largely flattish.

To answer your second question on the operating cost; operating cost has seen an expansion of about 7.2%. This includes the expansion of Bihar which was not present in the last year and also the Akola and Amravati editions. So this is inclusive of those two. There have been cost efficiency measures taken which has helped and we hope to keep our operating cost under control going forward.

Shobhit Khare Going ahead, can we expect a pickup in volume growth? What is your outlook?

Pawan Agarwal Government, automobile volumes declined, the real estate was slow and the BFSI was negative in the first quarter. Going forward we are seeing good tractions in FMCG and Health Care which had done well in the first quarter as well. We are also hoping the government revenues to bounce back as the code of conduct is over. We are also hoping on automobile as a category, BFSI on the back of IPO's as well as the financial sector to perform well this year. They should start contributing to volume. Our focus on yield continues to be there and the volumes will be a function of how the next 3 quarters perform and how the market sentiment starts to improve. But definitely the first quarter had a big drop in the volumes.

Shobhit Khare What is the current circulation versus other players and what is the initial traction you have seen in the advertising revenue in Patna?

Pawan Agarwal In every launch the initial thrust for the first six months to a year is on the circulation and readership as that brings the revenues and the yields in place. We are happy to share with you that we are maintaining a circulation of about 170,000 copies in the city of Patna which makes us the largest read and circulated newspaper in Patna. This time our editorial team has done a very good job in terms of making sure that the product is the first preference and therefore this time as usual our focus has been on how our product is preferred over anybody else in dual homes. Our entire thrust has been on that. On the advertising revenues, Patna also went through the same cycle in the first quarter and therefore experienced a slow Q1. Going forward our teams are also now working on expanding as Patna also requires an expansion of the market and not just a share of market.

Moderator The next question is from the line of Yogesh Kirve from B&K Securities.

Yogesh Kirve What would have been our ad revenue growth for the quarter if we exclude the government ad spending? What was the growth in the month of June?

Pawan Agarwal The months of April and May were flat. The month of June was better than the months of April and May. If you look at the government ad spending, it took a drop of about 30% and we lost about Rs. 13 crore on the Government revenues compared to last year same quarter. If the government revenue would not have dropped we would have registered probably a double digit growth of about 10.5% to 11%.

Yogesh Kirve The quantity of raw material consumed went up by about 4.5% compared to about 7% to 8% in the last two or three quarters. I am simply dividing the price by the raw material cost. What should be the outlook on the quantity consumed for the rest of the year?

Pawan Agarwal Newsprint cost went up overall by about 17%. The prices have gone up by 12% compared to the last year same quarter. However, we are happy to share that in the trailing quarter we have seen a decline of about 1.8% in the newsprint prices. Our outlook going forward with regards to newsprint prices is that we are seeing a softening of newsprint prices. As far as the quantity is concerned, we have added quantity in Patna, Akola, and Amravati. Those three editions came in to picture which were not there in the last year same quarter. So the quantity expansion has largely been because of those in addition to some added copies. There has been an overall 5% increase in the number of copies so far. Going forward we do not see a major expansion in copies in this year.

Yogesh K Is it safe to assume this 5% for the full year?

Pawan Agarwal Yes. You can say it anywhere between 3% to 5%.

Moderator The next question is from the line of Deepan Sankara Narayanan from IDBI Capital.

Deepan Sankara How do you see the radio and the digital businesses going ahead?

Pawan Agarwal 85% of the radio's listenership comes from outside non-metros. The radio business registered a growth of about 21% in the first quarter. It is a tight cost business and also heavily focused on retail. So our focus on retail revenue and on tightening the cost continues to be there. We are present in metros and do not wish to enter the metros in Phase-3. We want to consolidate our presence in the states we are present in and be value for money for the local, state as well as national advertisers.

Therefore, on radio we are very bullish. Most of the stations out of the 17 that we own, we have a dominance and leadership. The reason that we bid for radios in the initial stage was for news. In Phase-3, news will be allowed in some form and going forward the ministry has indicated that they would like that radio stations to play news the way the news channels play news. So we are very hopeful that this would also help us to increase the listenership of radio across and make the category actually more prominent and more impactful to our listener.

Deepan Sankara Do we have any understanding with respect to the timeline of the Phase-3 licensing which is going to happen from the new government?

Pawan Agarwal There are two processes. One is the migration of the current licenses. I have heard ministers working till late night and hopefully another three, six to nine months is the time they are indicating that they are taking for themselves. But as I said we are dependent on them but this time they are looking at it faster and have an intention to do the bidding at a timely manner.

Deepan Sankara What kind of CAPEX you would be looking for radio alone?

Pawan Agarwal The C and the D centers are the kind of centers that we are bidding for. So unlike the last Phase-where the center licenses were in crore, this time the center licenses will be in lakhs and we are only looking at C and D category centers. We will pick up centers where we do not have our studio at all; some places we will have a small studio may be just a 5x5 room. So this time this will be a very shoe string budget and the license fee for the kind of stations that we are looking for will be in lakhs not crore.

Moderator The next question is from the line of Nitin Mohta from Macquaire.

Nitin Mohta My question is with respect to the comment made in the concall earlier on volume decline. Given that everybody is optimistic about economic growth, did you have any conversations with auto, real estate or BFSI clients? Would they be willing to buy volume at an increased yield that you have priced the advertising at?

Pawan Agarwal The agenda of increased yields is not of this quarter. The agenda of increased yields has been running from the previous quarters as well. This time when the volumes have taken a dip we have not gone ahead and offered lower yields for lower volumes. We are very clear that when the volumes go up we will not reduce our yields. Our yields have to come through. Automobile is looking upbeat. I think, BFSI with the IPOs and mutual funds would probably get some more leash of life. As far as FMCG and health care are concerned I think they are doing really well. Last quarter both these sectors grew in very high double digit figures. Real estate was moderate last quarter. We are hoping that the real estate post a little bit of monsoon would also start to pick up and bring back volumes.

Moderator The next question is from the line of Srinivas Seshadri from CIMB.

Srinivas Seshadri There has been a very low monsoon so far particularly in the central and northwestern states. So typically what kind of linkages does that have in your business and in the worst case scenario where the monsoon do not pick up sustainably over the remainder of the season? What kind of impact that can have on the advertising growth for the company?

The second question is again with respect to ad revenues. There are some state elections coming up in Jharkhand, Maharashtra, and Haryana in second half of the year. In the previous year we had seen good upswing in the revenues when those elections were held while in the central elections, the experience was the opposite. If you could elaborate on what kind of expectations you have in terms of the impact on ad growth on the state election side?

Pawan Agarwal We are happy to share with you that today there have been announcements made that the monsoon is delayed and this will cover the shortfall of the rain fall that has happened over the next two months. Monsoon is related to the entire economy and we are also a part of monsoon. However the bigger concern today is also the overall economic stability and the sentiment that are prevailing in the market. I think both of them will go hand in hand. So despite a good monsoon if the economy does not improve the sentiment does not improve then the monsoon will not help alone.

With regards to your second question which is with respect to election I would like to mention that the parties did not spent enormous amounts this time in elections. BJP for most of the states knew that they had a sure win. So in states like Rajasthan, Madhya Pradesh they had sweeps. In Gujarat they had a sweep and they knew it beforehand. So the kind of money they should have put in those states they did not. They have instead put that money in markets where they thought that they are weaker. They had put in money in UP because they thought UP is weaker and they needed numbers in UP. So election was not great for us and we were sort of aware that the election will not be big for us this time. What we lost was the government revenue which anyway would have gone because of the code of conduct but that should come back in this quarter.

Srinivas Seshadri What is your outlook on the upcoming state elections. Would they have some positive effect?

Pawan Agarwal We have just two elections this year in our markets which are Haryana and Jharkhand. Also Maharashtra with seven editions in the state. We have stopped election as we have started running a no paid news campaign very aggressively in our markets now. We stopped taking all kinds of money which comes from candidates for paid ad and so on. We only communicate to the party that everything will be on rate card and on merit basis. It is usual money and when that money comes in, the entire government revenue subsides. So election is not something which we consider as additional revenue for the year and it depresses the other segments. We would rather work on the categories of Auto, BFSI, real estate and also on national advertising. I think we would be looking forward to those categories to revive. Those are going to pay us better and they will be sustainable categories.

Srinivas Seshadri We had a weak start to the year in terms of ad revenues. Assuming the second quarter would also have a slightly slower pick up and on a full year basis the growth may not be as exciting as last year. What could be the levers in terms of managing the margins within that 28% to 30% target range which we have in terms of particularly on the direct cost side in terms of control on circulation as well as in terms of pricing and mix etc i.e in terms of ad edit and those kind similar parameters?

Pawan Agarwal At DB Corp, our teams are now not on a quarterly or monthly basis monitoring but on a day-to-day and in a week-to-week basis monitoring what are the possible levers for revenue growth, add revenue growth, what are the additional categories, new categories, new set of clients that we can work on. Also the newsprint prices have softened and in the trailing quarter there has been a drop of about 1.8% in the newsprint prices. Going forward we are seeing that it will continue to soften. So there is a lot of stress plus we have a lever of cover price. Our circulation revenues have grown by about 15% Y-o-Y. 11% of this 15% growth has come from the yield which is basically the cover price. The full impact of the many things that we have done in the last year will also be seen in the quarter 2 and quarter 3.

Srinivas Seshadri With respect to the radio business it was mentioned earlier that you want to scale up to 100 cities and the individual cost parameters may be lower on a city basis. Can you provide some quantification in terms of your target market? If one were to add up all the reserve price for these stations what kind of base number in terms of CAPEX be in terms of procuring the licenses for these stations?

Pawan Agarwal 100 is the number of licenses that exists in our states i.e. in our territories of Rajasthan, Madhya Pradesh, Gujarat, Punjab, and Haryana. These include stations which are below 1 lakh population, have a very poor urban class living. Our work is on to handpick stations which will add value. Two, these stations will be implemented over a period of two to two-and-half years as the government has to put up the entire infrastructure because it is the common infrastructure to transmit these stations. The government agency will come in to play to set up the towers and the entire common transmission equipment and secondly, these stations are as I said will go on shoe string budget. We have allocated a broad budget of about Rs. 30 crore for radio for expansion.

Pawan Agarwal This was in auction this time so we know till what extent we want to go.

Srinivas Seshadri Rs. 30 crore would be the overall auction budget or the entire budget?

Pawan Agarwal We feel so for the entire expansion that we would want to do.

Srinivas Seshadri Including the auction amounts?

Pawan Agarwal Yes.

Srinivas Seshadri The depreciation has picked up due to the depreciation rate changes notified. Is there any one off or we can use this as a kind of a base number to model going forward?

Pawan Agarwal This is due to the new Companies Act and this will be seen across quarters now.

Moderator The next question is from the line of Girish Raj from IFCI Financial Services.

Girish Raj Mr. Girish Agarwal's interview with Business Standard sometime in February articulated a positive tone for print media business. Lately you have shared your vision on digital business. I wanted to know whether you still maintain the growth expectation on print business?

Pawan Agarwal Yes, we do completely because our readership is growing; our circulation is growing and the agenda of building leadership in the key towns, the urban markets is also there. Of course it is going through stages where the last quarter experienced a natural phenomenon in which the sentiment goes down and people do not want to advertise and of course the country is going through a transition phase.

Girish Raj Over last six to seven years we have grown approximately 15% per annum. Assuming we want to maintain or sustain this similar growth rate, what kind of capital investment according to you would be required in the business and where do you see this investment is going?

Pawan Agarwal This year it will be largely maintenance capex.

Girish Raj Not this year sir, it would be spread over next two to three years if you want to sustain these kind of growth rates. What kind of capital investment as per your estimates will be required for the business and where do you see these flowing?

Pawan Agarwal About Rs. 20 crore to Rs. 30 crore every year is the growth capital required for the next.

Girish Raj I think on a capital employed base of Rs. 1,400 crore, Rs. 30 crore would not fetch you that growth or you will be doing a ROCE of not less than 50%, 60% by the end of fifth year. So I am not able to understand with the capital of Rs. 40 crore where will the growth come from?

Girish Raj I think last year you exited with a capital employed of Rs. 1,400 crore and with Rs. 30 crore to Rs. 40 crore, and I think that growth is not sustainable with Rs. 30 crore to Rs. 40 crore.

P G Mishra We are seeing the growth in our existing markets only.

Girish Raj Until and unless your margin go up stupendously and/or your return on capital employed goes up to 40%, 50%, 60% only then you can sustain these kind of or else this is not possible sir?

P G Mishra Our existing centers we have till last two to three years all our machines have been newly purchased and installed which will give us the run ability for next 15 years. Our major additions, the KBA and the modern equipment's are there. We just mentioned that with Rs. 20 crore to Rs. 30 crore per annum for next two to three years – so it may be Rs. 30 crore it may be Rs. 40 crore, but it will be a normal CAPEX all across the board subject to if we go for any new addition that is a different case but in existing additions. We will not be requiring more than Rs. 30 crore per annum to sustain the growth and sustain the numbers of total circulation.

Girish Raj I agree sir but when I asked you would you see print business growing at the similar rate the answer was, yes. So I do not know if I am able to put my question across? If you do not want to answer it here we can meet and to understand that.

Prasoon Pandey Of the last year FY14 if you see the CAPEX was hardly around Rs. 80 crore which was consisting of almost Rs. 30 crore buying of our Noida land. That was including the launch of Patna as well as Amravati and Akola as well.

Girish Raj If you want to sustain these kind of growth, the investment should be around Rs.130 crore odd.

Prasoon Pandey Size is not very large. If I launch spill over additions in my existing markets it take hardly around Rs. 3 crore to Rs. 5 crore for a launch of a spill over existing.

Girish Raj This would be from P&L perspective sir, but investment in to business. I will not take much of your time we can discuss when we meet.

Pawan Agarwal Investments in our business is largely around the copy expansion.

Girish Raj I completely agree sir, but if you look at your capital employed for last 5 to 6 years it is more than Rs. 100 crore?

Pawan Agarwal No, we have been expanding in the last few months.

Girish Raj Yes. So that is what my question was if you want to sustain this growth you have to expand and if you want to expand you need to invest. So what is the kind of investment that the company would have in mind so that we can build our numbers accordingly?

Pawan Agarwal We can speak to you offline on this.

Moderator The next question is from the line of Abneesh Roy from Edelweiss.

Abneesh Roy My first question is with respect to the cover price increase of 11%. If you could break it up in to the different markets, how it is individually? Has the competition also taken a similar price hike? With economy recovering would this cover price increase now moderate in FY16 and FY17?

Pawan Agarwal The cover price increase has been done across markets. It is not limited to one or two cities or states. The cover price increase has been taken in consideration with regards to the factors relating to the markets where we are leading and are dominant and we wanted to leverage it further. As you are aware there is a difference in cover price from market-to-market. The market which are already sitting at a Rs. 90 or a Rs. 100 , the average cover price a month moved up to a Rs. 110 a month. Markets sitting at Rs. 80 moved up to a Rs. 90. So it is a mix but it is a combination of increase across markets where we saw an opportunity. As far as competition is considered wherever we have taken a cover price increase, the competition has followed. But our decisions of cover price were largely taken considering that in homes which are buying two papers with the increase in cover price they will probably start to buy one paper which they pickup first. Also in the last 1.5 to 2 years we have been spending and putting in a lot of improvement in the editorial content. This has made us believe that there is a huge appreciation from our reader on the content or I would say relevance and appreciation both coming from our reader and that gave us the confidence to go and take that extra 10% from our readers from the cover price. Our average cover price is still about Rs. 3.09 this quarter which is still lowest amongst the peers.

Abneesh Roy Are we at a premium to our competitors in our key markets?

Pawan Agarwal In dominant markets we are at a premium compared to our competitors.

Abneesh Roy The entrant in Gujarat is claiming fairly high circulation number. Are we getting impacted in Gujarat specific market where the new player has come in terms of relative growth rates in advertising etc. Similarly, with respect to MP if you could comment on Jagran's foray? How that has scaled up at present as a fair amount of time has gone? How our market share is in the key markets of MP stand presently versus two years back?

Pawan Agarwal We are yet to see any impact of the new entrant in Gujarat. Happy to share with you that we have increased about 30,000 copies in the city of Ahmedabad. This was basically backed by the new content which we have created over the last one-and- half year in Ahmedabad. So we continue to invest in our leadership. We are already leading in Ahmedabad city, this 30,000 copy increase has helped us to expand that gap between us and the number two. And this came in after our cover price increase in Ahmedabad. So it was not done just on the old price but this increase came on a higher cover price.

In MP market we are continuously investing in the content as well as the circulation. So even Madhya Pradesh witnessed an increase in cover price and despite a cover price increase Madhya Pradesh also saw increase in circulations. As far as other players are concerned the cover price increase in our competitive market you can understand the edge that we have as far as content and circulation is concerned.

Abneesh Roy My question is on the advertising front. In the previous cycle when rainfall was in deficit our corporate advertising was impacted more or retail?

Pawan Agarwal Corporate advertising has got impacted the most in the previous quarter

Abneesh Roy I am asking about the previous cycle? When the deficit was there three, four years back?

Pawan Agarwal Even in that time it was the corporate. The retail markets hold on till the time that they see real reduction of number of people walking in to their shops, stores, schools or colleges. Corporate do a forecasting and so these are longer cycles and the ability to go and convince them is also lower unlike our retailer where our ability to convince them to continue to invest is higher. So this time national has been impacted the most and especially as category of automobile and BFSI. However, national FMCG and health care has done really well so we mentioned this earlier also that we have been successful in making FMCG understand the Tier-II, Tier-III story and shift their budgets from metros and of course from television to print to believe that print is the vehicle which will take them to the Tier-II, Tier-III in a real manner.

Abneesh Roy It can be seen that the elections of Maharashtra, Haryana and Jharkhand are also based on the current understanding that BJP could potentially win like a clean sweep. In that context do we again expect a very lukewarm advertising from elections? In Maharashtra have we become relevant in terms of election-related advertising based on current numbers?

Pawan Agarwal In Maharashtra of course we are very relevant because we are in the heart of core Marathi hinterland which is the Nashik, Jalgaon, Akola, Amravati, and Aurangabad. So we are very relevant. As far as the election advertising is concerned we are not gung-ho about election advertising coming big way in these days and as you rightly said BJP does have a good outlook of winning in these markets. We are not depended on the election advertising from these states. At the same time the government spending in Jharkhand and Maharashtra is also not very high. So these two markets will not get very impacted when the code of conduct comes in to picture.

Moderator The next question is from the line of Riken Gopani from Infina Finance.

Riken Gopani As the code of conduct is almost two months away I wanted to understand what would be the feel currently you are getting about spending? Has it improved from that end?

Pawan Agarwal The months of April and May were really low or very poor. The month of June was better than the months of April and May. July is too early to say as it has been just 15 days in the month. Also the budget happened in the month of July so we are still waiting and watching. We are watching the entire situation on a week-to-week basis and rather than looking at the overall sentiment we are working on focus categories that speak to the client in categories and bring back the sentiment. So our teams are on and our efforts are on to get people out of their election mood to the advertising mood now. Auto has shown improvement. In Auto lot of launches are lined up for the coming quarters and should improve the spend. Hopefully IPO's should start hitting the market. FMCG did well in the previous quarters. Hopefully FMCG should continue to do well. Real estate which was slower in the first quarter, should do well post monsoon as real estate cannot go big on the monsoon because they cannot arrange site visits during the monsoon. Post monsoon the real estate should bounce back during the festive season.

Riken Gopani But the government spending has not yet picked up? Would you put it that way?

Pawan Agarwal The government spending has started to come back.

Riken Gopani Given that in Q1, the corporate not spending mainly because of the election related issues or was there a slowdown otherwise as well?

Pawan Agarwal The auto sector was not upbeat during the first quarter. The auto and the BFSI sectors were the two categories which due to a mix of election, overall environment factors and due to non-pick up of auto sales did not do well. But the auto companies are now coming up and planning their launches. So basically the auto category is now completely depended on launches. They have put their entire launches in the subsequent quarters and that is where they want to focus their promotions mostly around the new models.

Riken Gopani So from that perspective Q2 might also be a bit subdued given that most of the launches around a festive activity or rather it would be towards say the August or September month that you will start seeing the pickup in activity?

Pawan Agarwal We are working hard. The months of August and September should basically pull this quarter. As mentioned earlier, we are working on this on a weekly basis to review which other categories can bring volumes. I am happy to share with you that there has been a yield increase of almost about 7% to 8% in the first quarter. So most of the growth that you have seen in the first quarter has confirmed yield and the yield agenda is being delivered very well by our teams. It is basically showing the real value and the merit of the product to advertiser.

Riken Gopani Could you share the volume outlook for the full year? What should be the base case according to you should happen and what would be the scenario going ahead?

Pawan Agarwal The volume was flattish in the first quarter. Usually the volumes do not go flat for a year. We are hoping that the volume spill will come back on an improved yield. So the growth should happen from yield as well as volume.

Moderator The next question is from the line of Bhautik Chauhan from Span Capital.

Bhautik Chauhan In the press release it has been mentioned that we have grown the revenue by 8% to 10% despite a high base. My question is with respect to the growth rate. For the next two to three years on the current base would we be able to sustain similar growth rate going forward?

Pawan Agarwal In the same quarter of the previous year we grew by about 20.5%. So that is why we call it a high base and this high base stuck upon us in the election quarter. Going forward we have a positive outlook. This is because there is still a huge gap between the people who can read Hindi newspaper and people who are reading the Hindi newspaper. Our endeavor is to work towards reducing this gap on continuous basis. We will increase our circulations. The print will largely grow because of the reach and the penetration that it offers. We are serious about this agenda and with a lot of focus on the content and making the print in this age of all possible mediums available the most relevant.

Bhautik Chauhan Given the number is big; would we be able to sustain the growth rate going ahead in two-three years?

Pawan Agarwal Yes. Our endeavor is to sustain the growth rate and not just sustain growth but also improve it.

Bhautik Chauhan My next question is in relation with our digital business. The digital business has managed to reduce EBITDA losses. Therefore, do we see EBITDA breakeven in coming quarters or so in Q2 or in Q3?

Pawan Agarwal Digital business is extremely small right now in terms of revenues. The entire focus on digital revenues is to increase the number of people consuming content. DB Corp believes that a person who wants to consume content in Hindi and Gujarati across the country should have his preference and his first destination on our applications and websites. So we will continue to invest in this business over the next three years. We would not want these businesses to become our EBITDA. Our focus is not to make this business EBITDA positive on a small base. Our focus is to grow the base and then look at a positive EBITDA after three or four years. Also it is a very nominal percentage right now of our business. The reduction in losses which has happened is due to the money spent on buying space from the print for this business we did in the previous year. Ever since it has been demerged and merged in, i.e the digital business has now become a part of DB Corp the print spend has shrunk and that is why the losses have come down. However, we will continue to invest in this business and not look at positive EBITDA.

Moderator The next question is from the line of Hemang Kapasi from Canara Robeco Asset Management Company.

Hemang Kapasi Cover price for the quarter had been mentioned earlier. Could you share the realization per copy and the average pagination?

Pawan Agarwal The realization per copy was about Rs. 1.97 which was an increase of about 11% over the last year same quarter. The average cover price was about Rs. 3.09. The average pages were about 22.04 which was an increase of about 1.5% over the last year same quarter.

Moderator The next question is from the line of Jai Kumar Doshi from Kotak.

Jay Kumar Dhoshi This year we have grown at an average of about 15%-16% last year for all four quarters. Without any improvement in economy do you think we can get closer to that mid-digit ad revenue growth this year or we need some clear improvement in economy and fundamentals?

Pawan Agarwal We have been working on building efficiencies on the cost and on the newsprint side we are looking at softening trends. The first quarter saw a reduction of about 1.8%. As far as the top line is concerned, it would require a stable government, government policies and an overall better sentiment which is visible and just needs to translate on the ground. There is a lot of hope that the consumers and the advertisers in our market have and this hope just needs to translate. The new government has just completed two months. So much of the work will be visible over the next few quarters in a month. We are positive about how it is moving. So far the people have been positive about it. It is just that people do not want to come out of the closet and start an agenda.

Jay Kumar Dhoshi I understand we have taken some price increase at the beginning of the year. Now with IRS results still awaited, what is the response you are getting from advertisers particularly in the markets where IRS 2013 was very different from IRS 2012?

Pawan Agarwal The advertisers in retail buy response from us. They do not buy numbers from us. When they put an ad they just are interested in knowing that how many people walked in and how many people called. A single advertiser maintains the data and even show it to us every time when our team visits them. So they do not depend on anybody. However, the national advertiser needs the currency. For them to take decisions they need us. This is because they cannot do this. The media buying companies cannot do this ground work and expect their client to do it for them. So we are hoping that the MIUC board is able to resolve and finish this entire validation. Till that time we have asked the agencies and media buying agencies to look at the IRS figure of last year and use that as a base and that is what they are doing as of now.

Jay Kumar Dhoshi We have not seen the full impact of price increase in first quarter. Will it be gradually seen in the coming quarters?

Pawan Agarwal Are you talking about circulation cover price?

Jay Kumar Dhoshi No, ad rates?

Pawan Agarwal The ad rates is actually continuous. We have not seen a full implementation in the ad rates for the corporates.. This is because the budgets are still under closure; the contracts are still under closure. We are hoping that the ad rates will see further traction and we are putting in some more systems in place for people who buy us for the first time as they do not have a base rate established since they have not bought earlier from us and should pay the price which is based on merit. Going forward yield expansion is one of our core focuses besides the volumes expansion.

Jay Kumar Dhoshi We expect the newsprint price to go down a bit further from current levels as well. What is the visibility we have on newsprint prices? When you say it can go down another 1% or 2% I wanted to understand whether you have visibility for rest of the year?

Pawan Agarwal With regards to the visibility of newsprint, we definitely see newsprint following the same trend for the remaining part of current year. 2% of what we saw in the first quarter trailing. Even in this quarter we are seeing similar number. Going forward we are seeing that this softening can range anywhere from about 3% may be 4% going forward in quarter 3 and quarter 4.

Jay Kumar Dhoshi So the 3% to 4% would be from the current level or this 3% to 4% would include the 2% that we have seen?

Pawan Agarwal The 3% to 4% would be from the current level and not from what we have already seen.

Jay Kumar Dhoshi Generally how long do you contract? You have contracts of six months or until the end of the year?

Pawan Agarwal Until the end of our consumption is now indigenous, where we do not stock more than 30 to 35 days. So there we do not do contract and they do not do contract. There is a three month contract usually for an indigenous and stock is only for 20 to 25 days.

Moderator The next question is from the line of Bijal Shah from IIFL.

Bijal Shah I understand all about the positive sentiment which may translate over a period of time in to ad spend. But at this point of time could you share some outlook on what do you think FY15 number would look like in terms of ad revenue growth?

Pawan Agarwal The newsprint prices are softening; the operating cost is under control, and as far as the top line is concerned the circulation revenues are under control. There is growth that has come on cover price which will continue to be seen over the next three quarters. There is also a lever for increasing further cover price. So what you have seen in the first quarter is an impact of what we have done compared to last year. However, there are more levers. As far as ad revenues are concerned that is where most of the work needs to do, there are some dependencies and there are some merit sales. So as far as yield is concerned, it is a function of how well a team can go and push merit in the market. Volumes; no volumes; the volume increase;

no volume increase and our agenda for yield increase are actually related to the kind of delivery and the kind of reach that we give in respective state. I am happy to share with you what we did in corporate sales in the first quarter. Now, our corporate sales team represents markets, they do not represent the geography. There are six people now going to LG or a Maruti or a Honda and do individual selling of a state. This was done largely to sell the merit of the state not sell multiple geographies. So the kind of knowledge that our teams are going with to clients to explain them the ground realities and also explain them the benefits of increasing frequencies and benefits of taking premium positions. I think they are all coming in to play now. And this change has been done effectively from the 1st of April.

Bijal Shah Let me put my question in a different way. After this Q1 numbers, can we expect double digit growth or probably early-teens kind of growth which we were probably guiding in earlier calls for the full year FY15?

Pawan Agarwal I cannot give guidance on this. However, we remain very optimistic about the fact that while we had put a tight control on the cost so we are reviewing this on a week-to-week basis. We do not want to settle with single digit growth as a company. We are working on expanding this growth on the yield as well as the volumes.

Moderator The next question is from the line of Amit Kumar from Espirito Santo.

Amit Kumar What is your total CAPEX plan for this year?

Pawan Agarwal It would be roughly between Rs. 30 crore to Rs. 40 crore. We can take it as a Rs. 40 crore on a safe side.

Amit Kumar My next question is with respect to FM radio. You will be bidding for new licenses but your older licenses will also be coming up for renewal. When do majority of those licenses essentially come up for the Phase-2 licenses that you bid for previously? When are they coming for renewal? When is that 10-year period getting over?

Pawan Agarwal See in our case we have another 2.5 to 3 years to go for the entire 10-year period to be over. However, some of the other stations are in Phase-one are up for renewal in April 2015 and hence probably everybody will be given a migration somewhere around end of March 2015. All these stations which including Phase-1, Phase-2 will be migrated together. So that activity will happen towards probably Q1 of next year or may be Q4 of next year.

Amit Kumar You do not have any Phase-1 licenses?

Pawan Agarwal Yes. We do not have any Phase-1 licenses. So our licenses are up for renewal only 2.5 years from now.

Amit Kumar In that sense the renewal license fee will also will be payable at that time period or will it be payable on April 2015?

Pawan Agarwal No. The Government is considering to pre-pone this entire activity and do it together for Phase-1 and Phase-3 together. In that case what will happen is they will give me discount for that remaining 2.5-year-period when I would go for a renewal for 15 years. So I would not have to pay the entire money for 15 years I will have to pay for say 12.5 years at that point of time not for the entire 15-year-period.

Amit Kumar My next question is with respect to advertising. It seems very clear from the discussion that you are not so much worried and too concerned in terms of volumes. The focus is instead clearly on yield?

Pawan Agarwal I am very concerned on volumes. I cannot grow only on the yield. I need to have a good yield; I need to have yield which has to come on merit on the kind of audience the kind of reach and the kind of dominance that we deliver. We also need volume. So I think it is not just a yield business. We have been waiting for the new government to form. We have been waiting for the past two years. The volumes have been under pressure. So this year and the subsequent years we feel that the volume should come back. Also the agenda of the yield of course gets a lot of attention.

Amit Kumar But does yield seem to have bit of a primacy over volumes at this point of time?

Pawan Agarwal Well, that is what I can do at this point of time. I have to make sure that I do not drop my yields on our dropping volume.

Amit Kumar The only point which I am trying to understand is when we look at the broader market, I think except for television I do not think that any other category has been able to increase yields at a double digit pace for an extended period of time. Certainly not seen happening in radio. Digital has grown fast but almost entirely on account of volumes and similar is the case with outdoor and cinema advertising as well. It is almost entirely been driven by volumes. Even in TV, the growth in yields has happened largely given the fact that now there is an ad cap in place. So they do not have in that sense an option to increase volumes at all. The first part of my question essentially relates to is that is there is a bit of a risk. I know you have done a lot of work in terms of benchmarking yourself to other print players in the market but is there a risk again that print sort of and the kind of continuous double digit rate hikes that you are taking every year the business sort of becomes quite expensive from an advertiser perspective? The second part which I wanted to understand is that I am sure you would have looked at this new model which is coming up on Hindi GECs and Hindi movie channels where they are offering local advertising to advertisers so Star has launched its program this month itself. What is your sense I mean is that sort of model a threat given the fact that more than or around 60% of your advertising essentially comes from local advertising and have you again done some sort of benchmarking to the kind of packages and the kind of rates that have been offered there?

Pawan Agarwal So let me answer the first question on the yield. I would blame myself for the fact that as an industry they always had the option to go back and increase the number of pages, to increase our inventory and accommodate the additional inventory, the volume that came in. And on the back of that volume the advertiser demanded to keep the rates same and therefore the rates were same for several years because there was an expansion of volume year-on-year and we were able to also increase. TV benefited from the fact that they realized that they cannot play 30 minutes of advertising in an hour. Whereas, newspapers can go from a 16 to 20 to a 25 pager as the volume increases. We took very serious call last year by looking at that and then we put our thinking caps on. For example, on a front page the inventory in Bhaskar has been reduced from two ads on a front page to may be a small ad and a large ad on front page. The inventory on premium pages has been reduced and in effect this is helping us to drive that agenda very aggressively. In addition the agenda of breaking the national sales in to state sales market-to-market has also helped the team because the larger job in mid realization was not about how much rate I want to increase. the idea was what the benchmark rate that I should get.

So they now have a clear vision that I ideally need to reach an X rate and they now have a clear vision that to reach that X rate I will require another two to three years because the client will not certainly revise his rate by 50% in a single year. But now the team has a clear agenda that how do we reach to that ideal rate over the period of next two to three years hence taking a clear yield agenda every single year and not just take it one single year.

To answer your second question on the channel, when I say retail when you look at locals the local is city limits in print. The beauty of print is an advertiser is calculating number of kilometers that his customer has to come to him. So he says I want 60, 70, 50, 40 square kilometer limit where my customers are coming from. So I do not see any issues on the local at all and as far as national advertisers buying these state level slots. As I had mentioned earlier, the categories on national are FMCG and Auto are anyways looking at print in a big way because for them print is now driving that attention and not the television and they have realize that. It is also about unobstructed views. When I read a newspaper I do not read five newspapers in the morning. So that need they have identified that there are opportunities for each corporate brand. They need to go as a single impression and single view in front of their clients' eyes in the morning. So we have not this we have been watching that very closely and we have not seen any cases where there is any concern. But however, we are watching that very closely.

Moderator Ladies and gentlemen, I now hand the conference over to the management for their 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 today and we will be happy to be of all assistance through our Investor Relations Department headed by Mr. Prasoon Pandey for further enquiries. Thank you and have a nice day.

Moderator Thank you. Ladies and gentleman, on behalf of DB Corp that concludes this conference.