DB Corp Limited

Q4 FY17 Earning Conference Call Transcript
May 19, 2017

Moderator: Good Day, Ladies and Gentlemen and Welcome to the Q4 FY'17 Earnings Conference Call of DB Corp Limited. As a reminder, all participant 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, Ms. Roy.

Malini Roy: Good Afternoon Everyone. Welcome to Q4 FY'17 Conference Call of DB Corp Limited. We will be sharing the Key Operating and Financial Highlights for the Quarter ended 31st March, 2017. We have with us today the senior management team of DB Corp Limited, Mr. Pawan Agarwal - Deputy Managing Director, Mr. Girish Agarwaal – Non-executive Director, Mr. P.G. Mishra – Group CFO and Mr. P.K. Pandey – Head, Investor and Media Relations representing DB Corp Limited on the call.

Before we begin, I would like to state that some of the statements made today's discussion may be forward-looking in nature and may involve risks and uncertainties. Documents relating to today's financial performance have been mailed to you.

I invite Mr. Pawan Agarwal to share his Outlook on DB Corp's Performance for this Quarter. -

Pawan Agarwal: Thank you, Malini and Good Afternoon, everyone. We would like to share some Key Highlights of our Financial and Operating Performance for the quarter-ended March 2017, post which we will be happy to respond to your queries.

Before we begin, a discussion on performance today, on behalf of my other senior colleagues present here, I share with great sadness that DBCL mourns the loss of its leader and Chairman Late Shri Ramesh Chandra Agarwal -- Chairman of DB Corp Limited left for heavenly abode on April 12, 2017. Mr. Agarwal's humble yet high value creating life continues to be a source of inspiration to all who knew him and particularly to all members of the Dainik Bhaskar Group family. DBCL continues to be guided by Mr. Agarwal's vision and value system. His commitment to excellence, determination, can-do spirit and commitment to the Group will inspire and stay with us always.

I now proceed with the Fiscal and Quarter's Updates. Consolidated total revenues for the fiscal stood at Rs.22750 million as against Rs.20735 million during FY'16 registering growth of around 10% on YoY basis. Our Ad revenues for the period were Rs.15973 million compared with Rs.14812 million, higher by around 8% YoY which is in line considering most of the second half was impacted by demonetization and its impact on consumption break-down. Consolidated EBITDA stood at Rs.6592 million with margins of around 29% and growth of 18% on YoY basis. Our mature markets EBITDA margin stands at 32%. DBCL's consolidated PAT for FY'17 stood at Rs.3748 million as against Rs.2921 million, a growth of 28% impressive YoY.

Our consolidated total revenues for Q4 FY'17 stand at Rs.5222 million. We have registered a Circulation revenue growth of 7% YoY to Rs.1,217 million largely from mature markets and primarily yield driven. Our Advertising revenues came in at Rs.3,567 million. Our EBITDA stand at Rs.1,173 million for Q4. Net profit for the quarter stood at Rs.642 million.

We maintained our leadership in legacy markets of Madhya Pradesh. Chhattisgarh, Chandigarh, Punjab, Haryana, Urban Rajasthan and Urban Gujarat in the current quarter and over the last few months while other growth-led efforts continued, we achieved some key operating milestones. The two important highlights for our accomplishment of the fastest roll-out of all 13 newly acquired stations under Phase-3 from January to March 2017. We successfully took stations in Nasik, Jalgaon, Sholapur, Dhule, Bikaner and Akola. Dainik Bhaskar also successfully launched the Surat edition to address the news content needs of a throbbing cosmopolitan city and from day one, we catered to about 50% of Surat's population which is the non-Gujarati speaking readership base.

This quarter we undertook efforts to maintain a progressive momentum across Print, Radio and Digital businesses. Training was imparted to a select group of potential and talented reporters of all editions across 14 states to boost skills of the editorial team and to sharpen their ability to address the content needs of a diverse readership base across India. With the largest network of journalists, we explored ways to reach out to the last mile journalist to encourage better hyper local reporting. On the whole, our editorial strategy has been cementing greater bonds with our readers.

DBCL's non-print business continues to make steady strides through our Digital and Radio experience. Our strategies are yielding results and dainikbaskar.com continues to maintain #1 spot for Hindi news, Divyabhaskar.com continues to remain #1 Gujarati website. We continue to focus on innovation and content delivery, presentation and strengthening viewer engagement.

DBCL's Radio business continues to be on course. This fiscal our Advertising revenue grew by 18% at Rs.1273 million as against Rs.1076 million in the same period last year consistently outperforming entire Radio business market.

EBITDA stands at Rs.478 million with high EBITDA margin of 38%, thus maintaining highest EBITDA margin amongst all radio companies which is significant after considering operational losses from new launch of radio stations.

MY FM continues to be #1 in Maharashtra, Rajasthan, Chandigarh, Punjab, Haryana, M.P. and Chhattisgarh.

On an overall basis, we continue to leverage the demographic shift in the peripheral urban areas and in new emerging urban cluster which are in the process of transforming into important consumption centers. As you know, our UNMETRO initiative is an important effort which we launched a few years ago and we are already present in about 50% of these new clusters. We are also employing all means to aggressively keep up our growth momentum and working judiciously to generate shareholder value.

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: We will now begin with the Question-and-Answer Session. The first question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: My first question is on the ad revenues. It was down during the quarter. So is there any comment regarding how it has shaped up through the quarter from Jan to March and from March onwards. Is the growth picking up and what could be the outlook for FY'18 especially the first half?

Girish Agarwaal: The month of March and April seems to be better months and if that momentum continues, then I think going forward next 11-months should look good.

Yogesh Kirve: So when we say good, is the growth in a positive trajectory?

Girish Agarwaal: Yes, high single digit.

Yogesh Kirve: Second question is regarding the GST. What we know as of now that sale of newspapers, the circulation revenue is out of tax limit and also the newsprint would now attract about 5% GST. So what will be the impact of this in initial assessment?

Girish Agarwaal: We are awaiting the fine print in terms of tax on the advertising and other products input also. Once we have more clarity on that, we should be able to circulate some internal papers to everybody.

Yogesh Kirve: On the circulation copies, what could be our strategy over the next one or two years? Over the last year or two, we have been very conservative in terms of number of copies. So should that continue or should we be looking at some growth?

Girish Agarwaal: We currently have 52 lakh copies this financial year. Based on what we ended at and looking at the projection this year I think we should be able to add couple of lakh copies going in this year itself.

Yogesh Kirve: Sir, can you also comment about the realizations with gross and net?

Girish Agarwaal: The Circulation realization if you look at, we have gross realization per copy Rs.3.96 and net cover price is Rs.2.57 for the full year.

Moderator: The next question is from the line of Dhawal Mehta from Somerset Capital Management. Please go ahead.

Dhawal Mehta: I have two questions: One is on the dividend thing. I noticed that you have not declared final dividend. I just want to understand the reason for this and obviously what are your plans on this particular issue going forward? Second is on the Advertising revenues, I understand that demonetization would have caused some disruption, but could you just give us a little bit of flavor in terms of how is the overall environment shaping up? I notice that in the first half of fiscal '17 obviously your numbers were very strong. Now the demonetization hopefully is over and done with. Are you seeing that same business momentum coming back, maybe not now, maybe a few months down the line. I just wanted to get a bit more flavor on how the overall business momentum from the Ad revenue side is?

Girish Agarwaal: First of all, thank you very much for assuring us that the demonetization impact is over. That will help us to plan ahead. But as per our understanding is concerned, we still have a mix response from the market. We will start with Real Estate which is one of our strong categories. Almost five months, the Real Estate category is in a total bad shape and especially after the RERA has come in, some states are yet to form the local adoption of RERA and do the local amendment of the State Act that is yet to happen, that will take couple of more months. So once until that happens, the real estate advertiser is not yet back in the action. So that is one concern area for us. But once that is over, I think this sector will come back in a big way. The two sectors which are still showing good growth are Automobile and Education. As per our talks with these advertisers and this category, they are very bullish. So we are very confident about the strong double-digit growth coming from these two sectors this year. Another sector, FMCG, which is right now in a kind of negative space, we are hopeful that for us, this sector will become positive this year because couple of advertisers, those who are not advertising with us in last two years' time because of our rate issue and all that, they have come on board in last 3-4 months' time. So we should be able to do well in the FMCG category this year. However, having said that we still believe that we have to wait and watch on a monthly basis. As I mentioned to you, April was a good month. March was also okay month, May till now it is a pretty lukewarm response from the market, may be because of excessive summer. So we hope that month-on-month, things should start becoming more strong on the ground and the growth is visible to all of us. Coming to your first question which is about dividend, sir, as you must have noticed, we have mentioned that management is evaluating different and efficient avenues for the distribution of income, and we shall be getting back to you soon once we have more clarity on that.

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

Vikas Mantri: First on the quarterly raw material, we have seen newsprint prices realization or cost has increased by 6.7%, whereas our raw material prices or costs have not increased by more than 1.3%. So help us understand the savings or we cut our copies, cut our pagination?

Girish Agarwaal: Our newsprint price increased by 6.7% in the quarter, while the annual average was 4.5%. In this particular quarter, the overall cost has gone up by only 1.2% because our average pagination which was 22.29 in the last year has come down to 21.89 this year. So there has been some saving on the average pagination on that particular quarter. As well as if you look at the overall quantity there is a reduction in the quantity because of the GSM difference and overall circulation remains the same because it was 52.54 lakh copies this quarter last year and where it is 52.43 lakhs this year.

Vikas Mantri: Going forward, Newsprint prices this year seems to be higher than the full year average. So this year the impact will continue to be of a higher order on the raw material cost side or we have more avenues to cut pagination?

Girish Agarwaal: No, there are no avenues to cut the pagination furthermore, but looking at the newsprint what we have booked now for the next two quarters, we believe for the next two quarters the higher impact at the most would be around 2-3% in case it goes up at the most and I am not calculating any GST impact on that as of now.

Vikas Mantri: Coming on to the overall ad strategy and ad yield strategy, now this is nearly completed two years when we initiated the ad yield improvement strategy and if I were to do some performance scorecard, we have basically over the two years seen a 2% growth in our print advertising revenues whereas if I were to look at numbers of peers like Jagran and HMVL, they have done close to 15% over the two year period. So can you help us break down the reasons for our performance vis-à-vis peers attributing it to maybe strategy, market or competition?

Girish Agarwaal: As explained to you, the yield strategy what we did, if I look at the yield number, I think we have achieved our target for the yield. But again as we mentioned to you about the real estate category, in last five months my entire yield achievement which we got on an average totally got again goofed up because of the high yield clients those who are taking the front page jackets and the full pages and all, they have gone away. The overall yield again in last four months because of demonetization has taken a beating because the clients those who are still paying smaller rates or those who are the inside page advertisers, they continued in the business but few premium categories those who are advertising on the front page and the back page, they kind of took a beating. So my yield has taken overall beating. Looking at the various markets, looking at the various comparisons going forward, we believe that if you see our first half growth and the second half growth, if I take the demonetization impact out, we are confident the way things look like now, that the growth what percentage what we are able to achieve in the first half should be easily doable this year.

Moderator: The next question is from the line of Sonali Salgaonkar from HDFC Securities. Please go ahead.

Sonali Salgaonkar: My first question is an extension of the yield strategy question which was asked before. So if I look at the Circulation revenue of 7% growth this year, approximately how much could we envisage going forward in the coming years?

Girish Agarwaal: We are looking at a single digit growth this year on the Circulation revenue.

Sonali Salgaonkar: Sir, that too also driven by our yield strategy?

Girish Agarwaal: Mix of it -- new copies and the yield in circulation.

Sonali Salgaonkar: My second question is with reference to your small businesses, that is the digital business and the emerging editions. So could you share any particular focus of strategy with us as to what trajectory we are expecting the EBITDA margin to finally come up to in these two niche businesses of yours?

Girish Agarwaal: In the Digital business, as you know, the focus is on increasing the UV & PV which is Unique Visitors and Page Views, rather than looking at any bottom line or top line there because the top line of Digital business is around Rs.56 crore, so that is around 20-some odd percent growth happening there. That is not a big number to look at. Idea is that we currently have 91 million unique visitors. How that 91 million unique visitors becomes 200 million that is our target on the Digital side. Coming on to the emerging markets bucket, as you know, emerging markets bucket in our working is the market which is either within the timeline of four years of our launch or who has turned profitable before that. So for example in this year, the emerging markets only has Bihar and a very little part of one or two editions of Maharashtra in that. So we are confident that as and when things improve and the particular editions of Bihar will get profitable, we will take them out from the emerging but at the same time we do intend to launch few more editions in various existing markets of ours, so that may get added on to that.

Sonali Salgaonkar: In the call you mentioned the sectors which are contributing to you for your Print Advertisement. Sir, wanted to understand how is the BFSI sector doing in terms of share in your Print Advertisement?

Girish Agarwaal: This particular category anyway was never a big advertiser, but because of demonetization we had a couple of percentage blip happening in this in two months' time but nothing major to be very honest.

Moderator: The next question is from the line of Jay Doshi from Kotak Securities. Please go ahead.

Jay Doshi: You had mentioned earlier that you are going to look at the cost structure afresh for the next year. Any update on how should we think about cost moving other than the newsprint?

Girish Agarwaal: If you see our cost structure this year, the overall cost which has gone up let me read line item wise, if you see our total operational cost has gone up by 4.2% in the entire year apart from our newsprint and the personal cost. So that indicates that the overall cost which is other operational cost is totally under control. Personal cost has gone up by around 9.5%, but that includes the new launches and the new launches of the radio and digital also, and the annualization of Bihar launch also. So considering this, I think whatever measure the company took on the cost control, we see the benefit of it in the numbers right away and maybe obviously there is some scope further going forward, for which we are trying our best.

Jay Doshi: Second question is why is it the Digital growth is at a full year level also much lower than what overall digital market is growing. So it seems that for the first one or two years maybe last year or a year before the growth was significantly higher but it has decelerated. So how we should think about growth? For the calendar year 2016, as per GroupM number, I think more than 40%, so it is still north of 35% for sure even if we look at financial year numbers. Our low base for DB Corp is 23%.

Girish Agarwaal: Yes, 24-25%. Maybe as you rightly mentioned there is some scope for us to grow furthermore in terms of percentage over there. But as I mentioned to you, our large focus is actually happening on the UV and PV because what is happening in terms of growing the number of the advertising, we are actually bothering the viewer and putting ad all over, lot of pop ups disturb the experience. We took this call two quarters back that we want to not focus on advertiser; we want to focus on the viewer experience so that we are able to increase this number to 200 million number going forward. So frankly speaking, I am willing to take some couple of percentage hit on the Ad revenue on the Digital side and get my 200 million numbers faster in terms of viewers.

Moderator: The next question is from the line of Amit Kumar from Investec. Please go ahead.

Amit Kumar: Retail and Durables if you can just help us with that, their performance in this particular quarter, how are they sort of shaping up right now?

Girish Agarwaal: Consumer Durable in this particular quarter has taken a beating but if you look at the overall year they have grown in a double digit. Retail segment again this quarter was a very bad quarter, they were in negative.

Amit Kumar: When we look at the two mass media in India, TV and the Print bit, TV definitely seems to have done better in this particular quarter. You and the HMVL are the only companies have reported, Jagran is yet to sort of come through, but is this the timing sort of difference, because now when you are sort of speaking to advertisers, they seem to be little bit more comfortable with the current situation in April-May, but you sort of seem to indicate that April was decent, but May again is not turning out to be as good. Are we sort of looking at this pressure being there for a while or just the timing sort of difference and we should sort of start seeing recovery in first half?

Girish Agarwaal: Frankly speaking, April growth and the May less growth. We are not able to understand ourselves because nothing changed on the ground in April and May, it was just the same, but April was a pretty good month, while May was not that as of now, hopefully, things will be improving, it is not at the April level. I think to be very honest to make assumption now about the next six months, eight months' time will be wrong. Better to put all the efforts in whatever best we can do and see how does the market respond to that and then start moving on to it, like for example, we are very happy about the response we have got from the Automobile category and the Education category. Education and Automobile are two different categories and they are behaving very well on the ground, so we believe other categories like FMCG and Consumer Durables; they should come back on the track faster.

Amit Kumar: Just a quick one on IRS. It has again got delayed, now it is expected to come in, I do not know late this year or early next year, If you can just clarify on that also, what essentially happened there and what is the current status, are we looking at sort of further delays in that, how is that looking, if you can just give us some color on that also please?

Girish Agarwaal: What information we have got from the IRS is that they are looking at end of this calendar year to come out with some report. Whether in December or they move on to February, January, we really do not know. But that is the timeline they have indicated to us. But good thing is that there is recently a report of audit bureau of circulation that did help us a lot as our industry where they mentioned about that last 10-years growth of the newspapers in the country in every possible language, I think that kind of report really did help us, lot of advertiser wrote to us, ad agencies wrote to us re-imposing their confidence in print.

Moderator: The next question is from the line of Naval Seth from Emkay Global. Please go ahead.

Naval Seth: Which all markets you would have seen better uptick post demonetization in terms of ad spend?

Girish Agarwaal: I can talk about two markets that are not up to the expectation; one is Punjab market like the ads, and two, little bit of I would say Jharkhand.

Naval Seth: Rest others have started to see improvement?

Girish Agarwaal: Yes.

Naval Seth: Second on other operating income. This year we have seen there is a substantial increase. So is it sustainable? What kind of run rate we should assume for next year because in 3QFY17.There were some adjustments pertaining to one-time sale of investment in Gitanjali. So how we should expect for '18?

Girish Agarwaal: No-no, this is all because of that only. If we exclude the impact of fair valuation and the increase, it is only 23%, almost equal.

Naval Seth: So it would be stable going forward as well?

Girish Agarwaal: Yes.

Naval Seth: On the yield, as you stated that Real Estate has been the key dragger on the yield improvement what you have seen pre-demonetization. So, what is the level of yields now as compared to pre-demonetization – we are 80% lower?

Girish Agarwaal: No-no, we are almost the same in terms of overall, but the couple of percentages growth because in the overall kitty real estate contributes almost 6-7% overall and it is a bigger size more impact advertising front page, back page, third page type. So because of that there is some impact on the yield in few markets. I am saying that a couple of percentage growth which was shown in last month by us because if I take average out, it goes away, but if I take the Real Estate apple-to-apple comparison, we are still okay.

Naval Seth: As you stated that ad growth for FY'18 can be achieved similar to what was seen in H1'17, so that was 14%. Despite May being weaker, April being high single digit, so do you assume that things would improve substantially and with real estate still being under pressure, is that achievable?

Girish Agarwaal: I would be confident about that because the last five months of the fiscal which was a washout, this year will not be a washout, I have a high growth coming in those five months. Also, if I take the overall average, the base of those five months is anyway lower base, we should be able to do that.

Naval Seth: Yes, because till now your retail portion is still not growing which is almost 55-60%-odd. So that isn't it optimistic or achievable?

Girish Agarwaal: I would say in between.

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

Ritwik Rai: On the breakup between advertising volume growth and yield growth for this quarter and the full year?

Girish Agarwaal: There is hardly any volume growth actually; volume is slightly on a flattish or a lower side in this quarter.

Ritwik Rai: For the full year what would be the number for volume growth and yield growth?

Girish Agarwaal: Around I would say 60:40; 60% volumes has come up and 40% yield has come up.

Moderator: The next question is from the line of Ronak Shah from SJC Advisors. Please go ahead.

Ronak Shah: My question was more on the Digital side of the business. If you could maybe help us understand the investments going in there, whether you have a separate tech team for it or whether the tech is outsourced and then where the editorial team sits as well as for digital compared to the print version?

Pawan Agarwal: Digital was created about 8-9-years ago which has a separate tech team as well as the content team, the content team picks whatever content is available from print which is relevant to them. So the entire organization is independent actually, they just draw on the strengths of the parent company, but they do not necessarily take anything which they have to take it forward for the print. So they work like as an independent organization and that has been the key strength because it caters to a different audience as well which is not necessarily reading our newspaper at this point, and also caters to a lot of people who do not belong to our print territories, people in the metros, people in rest of the country, in markets where we do not have print and also overseas.

Ronak Shah: Do you have any information or any stats on where your digital users are coming from, what is the degree of overlap versus print, versus as you said coming from markets completely different?

Pawan Agarwal: You will understand that this cannot be put on a data, because the print and digital data do not converse in any giving point of time but we look at territory, we see more than half of the users coming from territories where we do not have a newspaper which is global, the metros and the markets like UP, Uttarakhand even the metros in South, Bengaluru, Chennai, Hyderabad, Mumbai, Delhi and overseas.

Ronak Shah: How are you doing customer acquisition for your Digital app or your Digital website… how do you acquire users?

Pawan Agarwal: We are just improving the user experience, working on a content, making it more relevant, improving the speed of mobile site for example is the fastest right now in the entire country amongst the publishers. So those are the things that we make to get people and retain them.

Ronak Shah: So you are not doing any advertising to acquire the customer?

Pawan Agarwal: Very little, insignificant.

Ronak Shah: In terms of the ad revenue that you reported for Digital, what kind of ads are these – are these kind of embedded within the article have you done and some activations as well or is it mostly sort of the pop up ads that you see on lot of the apps around?

Pawan Agarwal: So we have removed most of the pop ups that used to exist on our apps or mobile sites, most of these ads are banners, place it at the bottom of the article, once you finish reading the article, you will see an ad, it will be relevant and chances are you will want to see that product or that service and most of these ads are a mix of network sales as well as our direct team contact with these advertisers and most of these advertisers who are present online only because they wanted to …

Ronak Shah: The sales team is different as well between the two Print and Digital properties?

Pawan Agarwal: That is correct.

Ronak Shah: This is kind of I guess related to both Print and Digital. Globally the experience has been that while newspapers have held on to some part of the advertising revenue what they completely lost in the classified revenue, and that has moved almost entirely online whether you look at Europe or whether you look at US. How do you kind of think about that risk of cannibalization over the next 3-4-5-years?

Pawan Agarwal: Good question. More sort of west had more than 40-45% of their revenues coming from Classified… Classified was a huge chunk in the US newspapers. In India, the Classified is a low double digit, has always been a low double digit especially for us, and those categories are a mix of obituary, walk-in ads, for hiring sales executives and so on. Those are the ones who are not digital businesses actually. The businesses have moved to digital in India, whatever was actually never ours.

Ronak Shah: Just in the last 4-5-years, what is the trend been – has that seen a sharp kind of decrease, you are saying it is low double digits right now, was it higher…?

Pawan Agarwal: It was always a low double digit.

Girish Agarwaal: The so-called classified category went away from the newspaper almost some 10-years back. So we do not have appointment as the big category, we do not have real classified as a category. What we call classified or response category includes obituary, local, corrigendum's, local conciliatory ads, political ads, all that. So out of this category, we have actually seen a strong single digit growth only in last couple of years. So this category is nothing left to be moved on to Digital to be very honest.

Moderator: The next question is from the line of Alankar Garude from Macquarie. Please go ahead.

Alankar Garude: If I look at the inventory days starting from FY'15 coming on to FY'17, there has been a significant increase. So in FY'15, they were at 79-days, going up to 99-days in FY'16 and again 110-days in FY'17. So any particular reason for the same – is it because we have started increasing the contribution of imported newsprint?

Girish Agarwaal: No, frankly speaking, this is on the particular day. So overall if you look at our overall number, there has not been any major change in that. At times some rate increase happens, the value goes up and all that. So if you want, we can give you some more details offline on this but there is nothing to be concerned about.

Alankar Garude: How many days of inventory do we have right now?

Girish Agarwaal: 110 days on an average.

Alankar Garude: Sir, the split between domestic and imported?

Girish Agarwaal: 15-20-days for the Indian and imported is slightly higher, 4-months.

Alankar Garude: Would it be fair to say that the contribution of imported has increased significantly in the last few years?

Girish Agarwaal: Yes, because of the rate disparity and also the quality because in most of our papers we have upgraded the printing machines quality and over there we are using the imported newsprint.

Moderator: The next question is from the line of Amit Kumar from Investec. Please go ahead.

Amit Kumar: On the FM Radio side, just about 11% growth in Advertising, just wanted to understand what is the like-to-like legacy station growth and how much are the new stations contributing overall?

Girish Agarwaal: On the Radio side, this entire number what we have given to you is 11% for the quarter; this includes both the new launches and all that. Actually new launches happened over a period of time, so there is hardly 2-3% number has come because of that.

Amit Kumar: On account of this yield strategy, you have sort of refrained from signings for a long-term or annual deals also which some of your peers are doing that is quite common with large advertisers on the TV side, so any sort of change in thinking on that side? Second is how is sort of Patanjali shaping up because Patanjali was not there in print but I understand they have sort of started to advertise on the print side as well. So if you could just help me with these two elements please?

Girish Agarwaal: Patanjali have been advertising with us from last almost 2.5-years. Obviously, their spend has gone up considerably in the last 8-months with us. . On your first point, we are open to signing long-term contracts wherever we feel that is really worthwhile contract and a win-win situation for both of us. So we have signed long-term contracts with a couple of large FMCG companies, with automobile companies, educational institute also.

Amit Kumar: One of the reasons why the TV Advertising is so much of smoother compared to Print is because of these long-term contracts, could you sort of also help us share of the total sort of advertising that you generate during the course of the year, how much is sort of come from these annual long-term contracts or how much is more spot because the kind of volatility that we see on print is definitely higher than what we see with TV companies?

Girish Agarwaal: There is a basic conceptual difference when you buy a television and a print. You buy television as a reminder and as a built up media over the years which means you never released one or two ads in television, you release a spot for a period of say two months or three months and you achieve a particular TRP over a period of time, while in Print, it is largely an informative message which you do one, two, three campaigns a year and you do single insertion or maybe multiple insertion. So it does not happen a client signs me up for some 50-ads in a year. So whatever deals we have been signing with the clients, either they are the value based deals, where we agree, I will give you x amount of money or x number of pages. So whenever these such kind of offer comes to us we are more than happy to take it up. But as you compared us with television, I think there is a difference the way television is used and bought by the advertisers and agencies. So we really cannot compare these two mediums that way.

Moderator: The next question is from the line of Anish Jobalia from Jeetay Investments. Please go ahead.

Anish Jobalia: Just would like to know, that now we had an entire full year of your yield strategy. Do you think that it has worked out as per your expectations?

Girsh Agarwaal: Yes and no. Yes, if I take out all those irritants which happened during the year. No, if I include the total number which is in front of you. So everybody contributed in terms of demonetization, market going up, market going down and all that.

Anish Jobalia: But obviously demonetization and all, they are all external impacts but as per your ability to keep the advertiser with you in spite of increase in the prices and your ability to even attract more sectors, etc., so has that worked out, internally whatever targets that you have had?

Girish Agarwaal: Our first half of the year that all seems to have worked out. What happened in the second half if you are an advertiser and because of the external impact, your sales have gone to zero, and you must have signed a deal with me for x amount and you said I do not want to advertise, I come to you say that, no, you must have ties in this kind of market and he says my customer will not be half in the market. So what do we do? We say fine, we take a call with you that on this particular campaign, we will not charge you a premium because I know you will get fewer customers because the market is bad. So my entire yield which I did last year went for a toss in last three months' time.

Anish Jobalia: The Print market during the bad times the leader actually starts gaining volume. So is it working out in your favor in your core markets where you are the leader?

Girish Agarwaal: I think you made a very right observation. If you see most of our markets, our market share has gone up in last 4-months' time though the overall market has gone down; if the market was doing 100,000 sq.cm., it may have gone down to say 78,000 or 85,000 sq.cm., but my market share went up. That perspective is good to see the number. But the overall bottom line and top line did not increase where we wanted it. So I think we will have to wait and watch a bit more.

Anish Jobalia: So basically right now just the external environment is not in your favor. Is that the right way to understand?

Girish Agarwaal: Yes, unfortunately from last two years.

Anish Jobalia: One good thing that has happened is your bottom line has grown faster than your sales and your margins have expanded. You had done 29% even in FY'15; again you have come back to 29%. So do you think that because your ad yield strategy working out and this year you are expecting to be at least better than last year of the second half, like the first half do you think it will perform for this year, so let us say that your Advertising growth is as you mentioned in the high single digit say 8-9-10% whatever. So your profitability will in fact grow faster than that in this year?

Girish Agarwaal: I think sir you answered the question yourself. We only need to work on it.

Anish Jobalia: Should I consider that as a positive?

Girish Agarwaal: Certainly yes.

Anish Jobalia: Because one point our newsprint price increasing. So considering that impact still your margins can grow, right?

Girish Agarwaal: Certainly yes.

Moderator: The next question is from the line of Neeta Khilnani from B&K Securities. Please go ahead.

Neeta Khilnani: Just wanted to get some more sense on your Radio Advertisement revenue growth. Could you split that between yield and volume for the full year?

Pawan Agarwal: It has been 50:50 growths from yield to volume growth.

Neeta Khilnani: For the current year because I was reading an article which stated that MY FM has increased the rates by about 15-25% across its network. Is that correct sir?

Pawan Agarwal: Correct, rate card we have taken to the market and we are in the process of realizing those growth.

Neeta Khilnani: What is the advertisement minutes on average on your network on an average that you clock?

Pawan Agarwal: 14 minutes per hour.

Moderator: Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments.

Pawan Agarwal: Hi, thank you for your participation and time on this earnings call. I hope that we have responded 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 great day.

Moderator: On behalf of DB Corp Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.