



DB Corp Ltd

DB Corp Ltd **Q1-FY16Results Conference Call Transcript** **July 17, 2015**

Moderator Ladies and Gentlemen, good day and welcome to the DB Corp's Q1 FY16 Results Conference Call. 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: Thank you. Good afternoon everyone. Welcome to the Q1 FY16 conference call of DB Corp Limited. We will be sharing the key operating and financial highlights for the quarter ended 30th June 2015. We have with us today the senior management team of DB Corp Limited Mr. Pawan Agarwal – Deputy Managing Director, Mr. Girish Agarwal – Non-Executive Director, Mr. P.G. Mishra – Group CFO, Mr. Rakesh Goswami – CGM Finance and Accounts and Mr. Prasoon Pandey – Head, Investor and Media Relations will represent DB Corp on the call.

Before we begin, I would like to state that some of the statements made in today's discussion maybe forward-looking in nature and may involve risk and uncertainty. Documents relating to the company's financial performance have already been mailed to you. I invite Mr. Pawan Agarwal to share his outlook on the company'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 June 2015, post which we will be happy to respond to your queries.

Our financial performance for the quarter is as follows. Our consolidated total revenues for Q1 FY16 stood at Rs.4,802 million compared to Rs.4,987 million in Q1 FY15. We have registered a fair circulation revenue growth driven by yield growth due to the rate hike taken in all our legacy and new markets.

Our advertising revenues came in at Rs.3,423 million factoring base effect of election for last year as well as yield growth strategy. EBITDA for the quarter stood at Rs.1,287 million. Our mature editions EBITDA margin stands at 34%, net profit for the quarter stood at Rs.665 million as against Rs.791 million. DBCL's Radio business advertising revenue came in at Rs.215 million as against Rs.207 million in the same period last year due to base effect of election in quarter one of last year. EBITDA stands at Rs.61 million. My FM continues to cultivate strong listenership base through active audience engagement.



DBCL's non print business continues to make strong strides. Digital radio and mobile properties continue to make better reader connect based on present day, readers need to access accurate information in time. DB Digital saw a phenomenal growth as our portals attracted 565 million page views and 30 million unique visitors in June 2015.

We had undertaken some key efforts towards differentiating our product through exclusive tie-ups with leading international publications to enrich content quality and also realigning our corporate sales and marketing strategy, all of which are contributing to better client focus and monetization prospect. The environment is of course challenging but all our past strategic initiatives and our current marketing efforts to strengthen the brand are holding us in good position. Several market expansion initiatives are under way and we look forward to completing our Bihar foray within the next month. As we progress we are confident of our business strategies and our business fundamental that are directed towards enterprise growth.

Regarding our advertising strategy, I now request Mr. Girish Agarwaal to elaborate on the same.

Girish Agarwaal:

Good afternoon. Regarding advertising growth we are very clear that the large portion of this has to come from the yield improvement. Historically English newspapers commanded a better yield over Indian language newspapers and we saw some corrections happening over the period of time and we still strongly believe that there is a long way to go. Even with Indian language newspapers some languages are able to command a better yield in their respective state, in spite of the fact that the potential of one particular state is almost comparable to the other state. In fact advertiser uses are different yard stick to offer yield to newspapers from state to state and it depends largely on the potential of that state and also largely the strength and the asking power of that particular newspapers.

For last few years we have been working very hard on our product and we are very proud of the results which are evident from the growth and circulation revenues which clearly indicate that even after increasing the cover price we are able to increase the circulation also across the states. This means our readers find the premiumness in our product and are also willing to pay for it.

We have been working on the same lines for the yield improvement in our advertising also. Last one year we have been soft peddling it to create the atmosphere and most importantly to create the confidence internally in our sales team and now we are confident enough in taking that firmly with our advertiser and ad agencies also.

I am glad to share with you that in this quarter we have listed an yield improvement of around 15% sequentially over Q4 and over last year is almost 5% Y-o-Y. We did face resistance from advertisers which was very obvious as nobody wants to give a rate hike if one can get it cheap, but this time as we mentioned to you, we are very focused and determined. and it is taking time, efforts, meetings over meetings, etc like a lot of efforts being really put in to actually convince our clients and to help them appreciate our merits. And I am happy to say it is happening and also we are emphasizing this point to advertisers that they need to understand that this yield improvement to us is also beneficial for them because as an organization we are continuously investing in our product and getting them the right value proposition with more engaged audience with the positive frame of mind as their customers also. In this process we have lost volumes, in this quarter specially. But as you



know as the process of convincing the clients and advertisers is still on and it will take some more time, but we are very motivated and we are very clear and confident that this is the way forward for us as an organization and we are committed to take it ahead from here.

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

Moderator: Thank you very much sir. We have the first question from the line of Abneesh Roy from Edelweiss.

Abneesh Roy: Sir, my first question is on our Bihar strategy. Sir elections are due in a few months, so if you could elaborate that part and can we get the benefits of that elections also based on this strategy?

Girish Agarwal: As you already know we launched Patna last year and we are launching three main editions and seven district editions within a month's time. On 23rd of this month we are rolling out one edition and then around end of the month second edition and first week of August the third edition and simultaneously all the seven district editions in that belt. With this completion of the launch in Bihar, in the entire belt of Bihar and Jharkhand we would have 24 editions including the district editions. Now this is well before the elections, but our focus is not the election alone because it is just a one-time activity. The idea is to capture Bihar so that when we go to our advertiser we are able to offer them the entire package of Bihar and Jharkhand.

Abneesh Roy: Sir could you elaborate in Bihar and Jharkhand separately in terms of number of editions and circulations once you do these launches how you will be comparable with the number one player there, Hindustan?

Girish Agarwal: In Bihar we will have four main editions and around eight district editions and as you understand our strategy as a growth is not to focus on the smaller rural belt, our focus in this four main editions and eight district editions will be again on the high potential areas of Bihar like Patna, Bhagalpur, Gaya, Muzaffarpur and the other six-seven districts around it, similarly in Jharkhand also. So whatever circulation we are putting in these markets is all largely targeted towards large towns only, not going to the rural market. So from that perspective I really cannot compare myself with any other player in any of these two markets.

Abneesh Roy: No, but in the towns and the key cities, can it be comparable in terms of circulation once you do these launches?

Girish Agarwal: Very much. In fact as you know in Patna as per our numbers in the local market we feel, numbers say that we are number one in Patna and similarly in Bhagalpur, Gaya and Muzaffarpur the three main editions we will be number one in terms of circulation in these markets also. So our focus is very clear that whichever market we want to operate we should be very clear number one or a very strong number two formidable player in that market.

Abneesh Roy: Sir my second question is on the ad yield which you mentioned, 15% down Q-o-Q and 5% YoY, so does it mean Q4 versus Q1 last year the prices came down in Q4 versus Q1 last year?

Girish Agarwal: Yes, Q4 ad yield rates was down compared to Qtr 1 of last year.



- Abneesh Roy:** So why did that happen?
- Girish Agarwal:** Again, because we told you we have been driving the yield agenda from quite some time, so initially nobody wants to give you a yield and we had a loss of volume as well as yield also but then people have started coming around so we started getting the yield and also the volume back. Because the first reaction of an advertiser is to stop the business, especially where you want to take it up, so the first reaction to it as a normal understanding is that you want to stop the business. You stop the business for a while and then you come around and start working on it.
- Abneesh Roy:** And sir your competition in those markets, print competition I am referring to, they obviously do not seem to have taken this kind of yield hike, right?
- Girish Agarwal:** Yes, they have not.
- Abneesh Roy:** Okay. So there is no industry bodies because many other industries we see price increase is taken by the leader other players follow, in this industry we are not seeing that, right?
- Girish Agarwal:** I do not know about other industries much, in our industry the number is very huge and we are pretty fragmented. So as an industry body you cannot really go and take up a rate increase, so far we have not done it.
- Abneesh Roy:** And sir last one again, a follow-up on the advertising, the broadcasting companies are saying that because of terrestrial advertising technologies etc, they are able to target local ads in a much better way, in fact the largest listed broadcaster said that they have taken share from print and now when I see your numbers volumes are down sharply. You say that it is ad yield increase but my question is how serious is the problem from broadcasters because now if you see they can target local ads because their technology is there, so different cities different ads, different languages.
- Girish Agarwal:** See if I see my categories which are contributing to me in retail which is education, real-estate, automobile, FMCG, healthcare, local lifestyle, wherever we have seen there is a decline happening we have not seen any of those clients actually going on the digital or electronic media, so we have not come across any such cases. The volumes are down largely because of two reasons, one is that overall categories of real-estate and education is down and also since we are driving the yield agenda so there is some resistance initially for people not to accept that. But happy to share with you that now in last three four months we are seeing that people have started coming around and understanding our point of view.
- Abneesh Roy:** But sir one follow-up on this and again it is largely more on the sector level and not on jagran, if you see the largest listed broadcaster is seeing 25% ad growth, partly because of new channels. Now these new channels obviously are taking the ad pie from someone, right, the ad pie cannot keep expanding. So why is TV definitely growing faster on a consistent basis than print at least in the last few quarters, what will be your assessment in this?

Girish Agarwal: Frankly speaking, we have not done any great homework on this so I won't be able to comment on this but I will be happy to share if you have some more input on this to understand from you.

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

Vikash Mantri: Just wanted to understand what is the like-to-like change in advertising if we remove the election impact for us?

Girish Agarwal: If you see on my advertising revenue, this year in print alone we are Rs.311 crore which is 10% down compared to last year. If I take the election out, then it would be down by almost 5%, 6%.

Vikash Mantri: 5%, 6%, okay. And sir just to understand this exercise of improving yield, so have we seen an improvement from April, May to June to July, that trend is at least visible to say that the market is finally accepting that?

Girish Agarwal: Yes, in fact large number of yield growth has come in June actually.

Vikash Mantri: Okay. Sir just for the sake, could you help us what should be a fair number to build for a full year growth for you given this change that you are taking?

Girish Agarwal: See as I told you we are very convinced and clear that this is the way forward. Now it all depends how much we are able to convince our client and how faster and at the same time how does the market respond in terms of overall economy. I think what is happening, some people are saying because the markets are tight advertisers so they are willing to accept our yield. For example in the real-estate category we have been able to convince the client to accept our yield, they have accepted it but unfortunately the market is down at this point so hence they are also not advertising majorly in the volumes. So I really won't be able to comment that how much time will it take or what percentage of growth this year we will be able to achieve, but we are very committed on the yield growth.

Vikash Mantri: Aren't just because we are taking yield hike and competition is not losing significant market share of advertising to competition?

Girish Agarwal: See, especially in the markets where operate, Gujarat, Rajasthan, Madhya Pradesh, Chhattisgarh, Haryana, we are very clear that even if advertiser decides that I will not advertise with you and go to somebody else, it could be a period of a month or two or three or five, but can he just continue in the market like that, I do not think so because please understand advertiser is not in the business of saving money, he is in the business of selling his product through advertising on my platform. So if I am able to give him response and for which he is willing and giving me the rate offers also.

Vikash Mantri: Okay. Sir we also had initiated an exercise to disintermediate the advertising agencies, what has been the update on that?

Girish Agarwal: Sorry, I am not clear on this, differentiating the advertising agency?

Vikash Mantri: Disintermediate, where we directly approach the advertiser instead of having an advertising agency.

Girish Agarwal: No, that has not been agenda at all; we welcome the advertising agency, those who are working with particular clients, we are more than happy to operate with them.

Vikash Mantri: Okay, so I must be mistaken here sir, sorry for that.

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

Naval Seth: My first question is that, did you anticipate such kind of impact like the decline of 10.3% in your ad revenues when you initiated the price hike initiative starting this year?

Girish Agarwal: To be very frank we did envisage some kind of drop, but obviously not this high because it has double impact of the elections, some percentage and also the overall market, we all were hoping that the market will improve. Had the market improved then this would have been very marginal.

Naval Seth: So sir like as you said that if market was better still there would have been some decline, so how sure are you that the 100% lost will be gained when markets improve, so not necessary all the advertiser would take your 15%, 20% yield increase when markets improve also.

Girish Agarwal: Okay, let me just give you some understanding. As of now when we speak in one particular market I already have 39% of my advertiser agreeing to my rate increase, 39%. Now the balance will fall in place going forward. Now if I am able to do this rate increase say by whatever percentage we are operating on, I may have a problem for this year but from next year onwards whatever growth will happen will happen on that increased yield and specially the volumes are going to come back to me on a higher yield, the numbers will look much-much beneficial to me. And also, see our point of view to advertiser is very simple, there are two markets, market A and market B. In market A historically he is willing to pay a higher say Rs.100, in a market B which is comparable in terms of potential of the market A he is being paying Rs.60. And because of our strategy advertiser is not to be blamed for that, it's us, those who were trying to gain the market share in those launch phase and all that, but now we feel the market has matured, we have matured enough, now you should pay us Rs.100 what you are paying to other market A. So obviously it is a process, it takes some time because potential wise advertiser is very convinced that that market is potential enough. Had I had been asking for a rate increase or a correction in the market which has no potential, then obviously the question mark but on the potential market if I am asking for a better rate, I think it is a matter of understanding of advertiser also that yes you have started asking about it.

Naval Seth: Sir then why not go by a phased manner increasing partly by 5% in each quarter or say five-six months and then gradually reaching the level what we are thinking at as far as the yields are concerned and why aggressively focus on say x% at single point in time? Macroeconomic is also not very good shape as you rightly said, so...

Girish Agarwal: On a lighter note you are talking language of my sales team, they wanted me to phase it out so that we do not have to really take on head-on the clients and all that. But please understand you cannot go back to a client every three months and saying that do a correction 3%, 4% quarter-on-quarter. If you have to start this discussion, this discussion anyway takes the time, so if you just come back 3%, 4% then you come back next year only. We have taken a call that I am happy to wait



for a quarter more, take you call but it should be done at a reasonable number between both of us and we are happy there are clients those who are understanding our point of view and it is happening now.

Naval Seth: Because why I asked this question, if you look at from three year point of view, in FY13 also we had taken yield improvement and our ad revenues had dipped to almost 6% odd in print segment. So after every couple of years there would be a washout year where you would be focusing on yield improvement and probably if I look at from three year CAGR point of view you will be still at 15% growth which would be similar to what competition would be.

Girish Agarwal: I have a slight difference of opinion over there. See what we did two years back was kind of a small scale experiment and saying that we are looking at some number, so what you suggested earlier I think we kind of followed that study at that point of time, take a smaller percentage at least, keep going, do not rock the boat. But you realize you cannot do it every second year, you have to do the rate correction once and then you get into a normal procedure, so this is not an every three year kind of exercise. So we have decided that we will do this correction once, once we are on a particular number and then every year whatever is the regular increment of rate happens it should happen. So one has to take a call, please understand and larger perspective one has to take a call once because if you keep that scare in your mind that I may get into this problem, my volumes might get dip, we must have thought thousand times before we took this call but we realized that in a medium-term and a long-term, especially in medium-term this is beneficial for company.

Naval Seth: Okay. And sir have we taken this rate hike across the newspaper or it is for only premium basis?

Girish Agarwal: Across the newspaper.

Naval Seth: And sir as you said that there would be some time for volumes to comeback, there is still sometime for volumes to come back, so what could be the intensity or weakness in 2Q then, will be another quarter of pain for you before we go back to the growth path?

Girish Agarwal: We really cannot comment, we guys are working hard, our teams are really pushing a lot of things and we are thankful to our advertisers those who are accepting and understanding our point of view. But how fast it happens with everybody, really cannot comment.

Naval Seth: Okay. And my last question is on your expenditure, as you had said a couple of quarters back that the other operating cost apart from the raw material cost would be in low single-digit growth, so are we maintaining that because this quarter we have increased...

Girish Agarwal: I am happy to share with you, in this particular quarter our consol cost has come down by 1%, our operating cost has come down by 1% and in the print alone it has gone down by 5% This is beyond newsprint QoQ and this is very important that this number is happening like this because it is very clear that we are controlling the cost in a very-very stringent manner.

Moderator: The next question is from the line of Vimal Gohil from Union KBC Asset Management.



Vimal Gohil: Sir my first question is on your circulation growth, could you just give me the breakup of the 15.5% growth that you have reported in terms of price and volumes over there?

Girish Agarwal: The entire growth has come from the increase of the realization only, if you see my yield realization has increased by 16% year-on-year and 1.5% Q-on-Q.

Vimal Gohil: Sir, could you give me the absolute number, how much have you realized per copy?

Girish Agarwal: Rs.2.28.

Vimal Gohil: Sir pardon me, I joined the call so you might have answered this question, but sir did you envisage a similar reaction to the advertiser to the increase in ad yield?

Girish Agarwal: Yes, we did envisage some kind of resistance to the whole process and we faced it, but we are happy that we have been dealing it and we are getting very-very positive response from the market, it is taking its own time but we are still very-very confident and motivated about it. And just to share with you, since you came in late that we have registered almost 15% yield growth from our trailing quarter.

Vimal Gohil: Right. And sir coming back to circulation growth do you expect the same, I mean do you expect some volume growth also to happen going forward because I am not too sure if you can just keep on increasing prices, I mean you can keep on increasing yields and continue to report circulation growth, so just wanted your views on the circulation growth.

Girish Agarwal: Yes, there has been some circulation growth also coming in, especially we will have three editions of Bihar coming in, so there will be some circulation growth coming from Bihar also. And also in certain markets of Rajasthan and Madhya Pradesh we are also increasing some copies in particular focused area.

Moderator: The next question is from the line of Ashish from Elara Capital.

Ashish Uppanlawar: Sir this yield increase exercise interacting with your IR team they had suggested that in some of the markets the difference as high as 100% may, so is this a continuous exercise which we have started and this 20% increase in yield is just an initial thing that we are doing. So your thoughts on this will be good sir.

Girish Agarwal: See, frankly speaking this exercise once we do at whatever decent number we get this time, then this will be a regular rate growth what we will be working upon. But can we take up the exercise of yield improvement of x% every year-on-year, no, that is not practical also.

Ashish Uppanlawar: Correct, and sir this is done across states, I mean all your major states, right?

Girish Agarwal: Yes. Because we realize that, see one good thing is that if you look at the markets we operate Madhya Pradesh, Gujarat, Rajasthan, Punjab, Haryana, all these markets from the growth point perspective are better off than many other states in this country and advertiser knows the fact, advertiser knows the potential of these markets and we feel that when the markets have potential we are delivering in these markets, you should pay me the real rate for these markets also, just because I was selling cheap earlier to help you understand the market, to help you



get the market and all that, there has to be a correction done after some time, so that is what we are asking for and people are appreciating this fact, though obviously there is resistance to suddenly say yes I will give you x increase, but it is happening.

Ashish Uppanlawar: Okay. A follow-up on this sir, basically which are the categories where things are coming easy on yield acceptance and where are we finding a lot of pain points and probably we might have to divulge from this or probably let them drop off actually?

Girish Agarwal: Okay. Real-estate is one category where the yield improvement came in very fast because that is one category where clients know the response amazingly because they release one full page ad and they know how many walk in, how many calls they got and how many property they sold, now that came in pretty strong. Categories like FMCG, healthcare, banking finance are taking some time.

Ashish Uppanlawar: Okay. But you are confident that this will eventually not lead to a lot of volume decline, I mean it may not look at 20% drop in volume, is it?

Girish Agarwal: No, no we are working on that..

Ashish Uppanlawar: Okay. Secondly sir, reading through your entire release on the results, you seem to be pretty excited about the way readership is going online on your website. So is it a happy situation that readership is going online or is it I mean we are preparing for something which may happen pretty fast that the physical readership of the paper may go online. So any thoughts on this?

Girish Agarwal: See we mentioned in various calls that we in the current scenario or near future we do not see any major transition happening. At the same time if my reader is reading a paper in the morning and if I am able to help him get some news during the day also and specially people those who are not in my market but of my market, a person comes from Madhya Pradesh, sitting in south or sitting in Mumbai or sitting in Dubai or in New York or wherever, if he wants to read my paper and get some news we are more happy to do that, so that's the reason number is happening. And you would appreciate that people those who are coming on to the site they also read news, they read about Bollywood, jokes, religion and everything. So I do not think, if you are asking me about any cannibalization happening now I do not think so.

Ashish Uppanlawar: Okay. But sir how do you monitor this that, physical readership is not going online.

Girish Agarwal: We monitor it in two manner, one is that if my circulation cover price has gone up and my circulation is moving up in particular markets and all that and people are paying for a higher cover price by say 15% increase, so which means they are serious about it and they are reading about it.

Ashish Uppanlawar: Okay. But sir essentially the question as far as the newspaper is concerned that keeps coming from investors as well across that though today I mean regional newspapers are not facing the issue that has happened in the West especially, so over a longer period of time, five-six years as things improve and especially as we see in the metros people are moving towards smartphone reading of the newspaper, so incrementally it seems to be a danger kind. So anything that you can add on this will be very helpful to us.



- Girish Agarwal:** Yes, sure. Please understand, newspaper has got two element – news and paper. Paper is a kind of a vehicle, it is actually the news that people read. So tomorrow maybe after five years or 10 years people want to read the news on a app or a mobile or on internet, I should be prepare to supply that and that's what we are working upon.
- Ashish Uppanlawar:** Yes, but will people pay for that because the morning reading habit is essentially going out generation after generation maybe.
- Girish Agarwal:** As we know things are evolving, so he may pay for the news or the advertiser will be happy to pay for it and I will get a much larger platform also. So frankly speaking if we all are preparing ourselves for the future also that if any transition happens going forward when changes in the reading habits happen we should be aligned to that and that's why we are doing it.
- Ashish Uppanlawar:** Sure. Sir I would like to have a separate discussion on this with you.
- Girish Agarwal:** We will be happy to do that.
- Moderator:** The next question is from the line of Jay Doshi from Kotak Securities.
- Jay Doshi:** Would you be able to give sort of sense between national and local which area you were able to drive a higher price increase and where you face resistance?
- Girish Agarwal:** Okay, so mixed bucket in category wise. In some categories local is responding very well, some category national has responded very well. So it is a mix bucket, so I cannot say one particular state is having a cake walk and one is not, so it is a mix bucket.
- Jay Doshi:** Would it be possible to give an indicative number like you have given for overall yield like 5%, 15%, sequentially how it may help?
- Girish Agarwal:** We can but I would avoid that, you won't know for certain reasons.
- Jay Doshi:** Alright, understood. Second is, what is your yield gap between yourself and your closest competitor let's say in the top two or three markets, Madhya Pradesh, Rajasthan, and Gujarat if you could...?
- Girish Agarwal:** Depends on the market-to-market, it can range from 5% to even 50%, 70%.
- Jay Doshi:** Even in the top two or three states I am talking about, is the gap very...
- Girish Agarwal:** Not in one particular market, I command a 50% premium over my other competitor. But at the same time that's not enough because considering my strength in that market and considering a potential of that market I should be actually getting a higher rate. So I am not comparing myself with any competitor, frankly speaking, I am comparing this way that if market is x potential so are you paying me as per the potential of the market or not.
- Jay Doshi:** Understood. From a medium-term perspective, maybe if you look at last three or five years, has this gap in yields increased between yourselves and other players in stable market or even the peers have also taken a similar price increase eventually?



- Girish Agarwal:** No, it has increased in some market and some market no.
- Jay Doshi:** Okay. And how do you see, see we are aware that you have been investing a lot in content and that is also visible from the quality of paper in some of these markets versus your peers, but somehow what we are not able to understand is, is it translating into from a three year perspective, five year perspective, are you able to increase your market share in this market, are smaller players getting consolidated out and has yield also increased or your ability to increase price is also contingent on peers increasing price to maintain that gap?
- Girish Agarwal:** Okay., in local market my advertiser is a reader first, so if he is convinced about the quality of the product, if he is appreciative about your efforts on the content as a reader, so when you go to his office and discuss with him as an advertiser, he is appreciative of that fact and he is willing to look at your yield increase accordingly. So the efforts in the product does help directly onto your yield because the response also makes a difference. See when you invest in the product not only you get the right audience, you also get more engaged audience and that is more important for advertisers.
- Jay Doshi:** Understood. And do you think this could have been different if we had a proper reliable readership system in place?
- Girish Agarwal:** Actually it would help and unfortunate scenario in the last couple of years and the readership data has become issue but otherwise in last so many years readership data was really helpful for us not only from the advertiser perspective, even from our editorial perspective to understand that what kind of reader is coming in, what do they read, how am I faring compared to my competition and all that, it used to work a lot and we hope there is some robust system of readership data comes back in this industry.
- Jay Doshi:** Sir, see broadcasting industry we have seen broadcasters take that initiative and set up something, so do you think that players like yourself should probably engage more actively in work in that direction or can we expect some changes on readership front by yourself and some of the other larger players in next one or two years' time?
- Girish Agarwal:** No, what is happening there has been discussions happening on that, but unfortunately what happened with the readership, you are talking about the entire country's readership and you are talking about the readership of the rural market also, the entire size is different. So can three, four, or five publication houses join together and do this, possibly but it is quite challengeable, it is quite difficult. So idea is to not only think of something out of the box but at the same time we are talking to the existing bodies to address our issues because see nobody is against a particular body for the concept of the survey. What we want, we want the more transparent, more accurate data so it helps the advertiser rather than simply trying to put certain things under the carpet and saying that no it was our mistake but we will handle it next year, not like that. So we are working with them and we are confident that in couple of months we should get some positive result out of them.
- Moderator:** The next question is from the line of Bijal from IIFL.
- Bijal:** I have one more question on yield improvement. But we are not questioning whether is it discount or whether it should be raised or not, the only question is with respect to timing? Now there are two issues here, number one is probably in most



of the industry what we see is when market is soft people actually give discount, so how do you think of taking price hike when market is soft? That is number one. Number two, even leader takes up the price hike when his position is very strong, now I completely understand that we have denounced IRS data but as of now from an advertisers perspective there is no other data and in that relative positioning in two key market Rajasthan and MP has slightly deteriorated versus what we had. So considering these two things do you think it was an opportune time for you guys to take a price hike?

Girish Agarwal:

See it all depends on how do you take it, if you really keep waiting for the right time to happen, right time, wrong time, nobody can say what is the right time or wrong time because this is not a one day, one week call, it is a call which we have been working from last almost 1.5 years and once we realize that the ground work is prepared and our team is more convinced than the market is, is understanding our concept and we can command that kind of effort so we started this whole process. Now as you rightly mentioned that there are issues around the overall economy is not moving and all that, but once we have taken a call we feel and we are getting a positive response out of it, it is not that people are really not accepting across the board, we have got very positive response. Now volumes is also an issue of the market conditions these days, so we are confident the categories those who have already given us the yield improvement their volume will come back only when the overall market improves. Let me flip the whole thing other way, if we would have not taken this entire initiative of driving the yield, pushing the clients other way and following what you just suggested that market is tight so offer more discounts and all that, the entire difference would have been some 7%, it is not a do or die situation, please understand. In overall situation one has to take this call at some time because when the markets are very high then you say I am getting x% growth, I should have taken something else so I would have got a higher growth rather than holding the growth. So you have to take a call at one point of time and we have just done it.

Bijal:

Okay. And just on the yield side that you talked about yield improvement is some 15%, now just digging deep into that, is it driven by the fact that some of the yield is coming from the fact only that lower yielding advertisement are not there because those guys just withdrew and you have only higher yielding so the yield is only driven by mix or mix has remained the same and actually it is more of a price increase rather than yield?

Girish Agarwal:

If that would have happened then I would have actually suffered less because then the volume which has gone out would have been the low yield volume, then the overall impact would have not been to the extent of -8%. So it is a mix basket that some of the very low yield characters advertisers we have humbly said no to them and some of the moderate yield clients we have requested them for a higher number. So they gave the higher number but in lieu initially they said I will reduce the volume, it is a wait and watch kind of situation and then they are slowly gradually coming back.

Bijal:

Sir and last question, I mean you said that 39% of the people in one of the market has agreed, I would assume that that is the highest number in any of the market, so now if I were to think of it that still we have 60 more percent of the advertisers to convince so do you think that all the 39% have convinced so that will have a very meaningful impact on remaining smaller guys or this also will take good amount of time?



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- Girish Agarwal:** What happens see, if in a category there are 20 advertisers and if we are able to break the top five one those who are really big ones, the balance 10-15 they also see, they follow also. So the idea is to break the tough nuts first, if you are able to do that than other people are more happy to come along.
- Bijal:** Okay. So can I say that I mean 39 in terms of number maybe small but in terms of effort a good amount of effort has been already done and now rest would follow pretty quickly or in shorter time?
- Girish Agarwal:** Yes, that's what we are hoping for.
- Moderator:** The next question is from the line of Danesh Mistry from Tata Mutual Fund.
- Danesh Mistry:** Just few questions. Just one question on the yield, a lot has been said but basically you mentioned that in June that if you see the YoY is just 5% but you said in coming June the yield improvements have been better. So this yield improvement would obviously continue into Q2 as well, right?
- Girish Agarwal:** True. See what happens, if you are a client, we have been talking to you since last three-four months, you kept delaying it that no you stopped a couple of ads also, this is a normal practice, it happens, and then finally we said, listen it is already in the quarter, year has already started so you decide. So finally meetings after meeting and in the month of May they said okay, this is the final number I can offer you and we agreed on that number and the business started. So if the business started then in the coming quarter you as a client will give me that increased rate, but there are still other clients those who are yet to come along we need to handle them also accordingly.
- Danesh Mistry:** Okay. So do you think that what clients are telling you, is it a kind of pressure tactic or do you think it is basically they are inefficient to allocate more the print per se?
- Girish Agarwal:** Frankly speaking, it is a very human approach. We have not seen a single client coming back to us or single agency coming back to us and showing the calculation that this is my pan-India media plan, this is what your cost effectiveness compared to xyz and this is how you are operating, so please match that. Unfortunately, the media sales and buying in this country is really not that scientific. So it is more on an understanding that I have been paying you x amount, how come you can ask me more, it is just a psychological issue that when I was buying you for 100 bucks why should I pay you 120, that's the larger issue.
- Danesh Mistry:** Understood. And just a separate point, are there any new entrants coming into your major markets in terms of new publications or additions from some of the other players MP or Gujarat.
- Girish Agarwal:** We have not heard of anybody so far, there was some talks about one publication launching in Rajasthan from last two years but we have not really seen them coming in so far.
- Danesh Mistry:** Okay. So right now you are not seeing any new entrant activity?
- Girish Agarwal:** No.



- Danesh Mistry:** Alright. Is it possible for you to share on a blended basis what would be the kind of client acceptance I know the 39% number you have mentioned in one market but anyway you can share a blended number?
- Girish Agarwal:** There is nothing called blended because it is a market-to-market, if Haryana has to take a yield increase, if Rajasthan says I have done 39% so it does not make any sense to Haryana, Haryana need to look at their number whether they are at 62 or 50 or 100.
- Danesh Mistry:** Fair enough. And if you can just touch upon on how you have been able to boost your sales team to kind of go ahead and pitch to clients more aggressively for a rate hike?
- Girish Agarwal:** I think that was a much larger process. We spoke to them, gave them that conviction that yes so that's the reason it is not a one day process, we have been working about it from almost last 1.5 years, initially we soft padded, showed the improvement on the product, made the product really talk about it, every consumer got that pride, our sales team was very happy about the kind of feedback they were getting about the product whether it is a "No Negative" campaign or the editorial innovations and everything. So that gave them confidence and finally we said now guys is the time to go to the market and take this plunge and saying that good talking to you but we need our rate now.
- Moderator:** The next question is from the line of Nikhil Garg from BNP Paribas.
- Nikhil Garg:** Sir my question is on the internet space, basically your digital properties. So you are seeing a strong revenue growth so I would like to understand what is driving that revenue growth, first. Second, I see the business going ahead at this rate would actually overtake your radio business also maybe in one to two years' time. So would the losses continue or do you think the business will become profitable or breakeven in couple of years' time?
- Pawan Agarwal:** So basically it is an investment business, so to answer your question first how has it grown? So last year same quarter the unique visitors were about 13 million, so from 13 million the UVs have moved to 30 million and that's the reason of increased revenue and that's how the revenues grow in this business is to increase traffic to your site. And going forward of course this will be dictating our investment medium because 30 million is still a small number compared to the digital economy that this country will next three to five years will have, so this will grow much larger because our territories have almost 40% of this country speaks Hindi, and that's the biggest market for us which we can address. As far as digital and radio are considered, they are independent businesses, each have their own growth plans and different markets, digital has a different market, radio has a different market, it is a city based, location-based market with different kinds of advertising, digital has absolutely different set of advertisers which come on board.
- Nikhil Garg:** So these revenues which you are getting right now, one obviously the function of unique visitors which have grown approximately 2.5x, so the revenues have not grown as much as your unique visitors. So what is the other thing which is really driving these revenues?
- Pawan Agarwal:** Revenues is actually a function of unique visitors only, when you look at the 13 million versus the 30 million, this does not come incremental every month, this happens when we do a product launch, a new initiative, a new market acquisition.



And revenues follow a little late, so when I acquire a user it takes about a month to two months to a quarter to actually monetize that user to making him consume the banners and various advertising formats.

- Nikhil Garg:** And this includes downloads in the apps or this is just people who are visiting your web pages?
- Pawan Agarwal:** 30 million is basically people who come to our site from all mediums, including downloads and apps.
- Nikhil Garg:** Okay. So if people download the apps is the revenue better, how is it like?
- Pawan Agarwal:** Yes, so on the app the revenue monetization is better than the mobile web and the website.
- Nikhil Garg:** Sure. And have we shared or would be share that number, how many downloads of apps, etc.?
- Pawan Agarwal:** Yes, we can share that, we have downloaded close to about 2.5 million to 3 million apps over the last one year.
- Nikhil Garg:** And how has that grown?
- Pawan Agarwal:** That is growing; I cannot share what is the percentage of that app growth that's very healthy growth.
- Moderator:** We have the next question from the line of Dhruv Bhatia from AUM Advisors.
- Dhruv Bhatia:** The competitor response to your price hike both from English print media as well as sort of your regional competitors?
- Girish Agarwal:** Okay. Our regional competitors they simply follow, they feel if you are doing the hard work, you are getting a better yield increase, till the time they enjoy the fruit because the client has to look for a second option, because then you are refusing they got to go to somebody. So they get some benefit for a time being, but when the client comes back to me they go back to the original position.
- Dhruv Bhatia:** So they are taking price hikes also?
- Girish Agarwal:** Not exactly.
- Dhruv Bhatia:** And you expect this higher gap between you and your competitors to continue for some time?
- Girish Agarwal:** It will improve, in fact the gap will increase because when I get a higher yield in a particular market so gap between my competitor increases.
- Dhruv Bhatia:** And the second question is for the full year in the view of price hike and the volume correction, do you expect your overall ad revenue to be flat or register a growth for FY16?

Girish Agarwal: It all depends, we are obviously we are expecting to grow but it all depends how fast, because we are facing two challenges right now – one is our issue which is a yield agenda and at the same time overall economy issue. So I do not know really how the overall economy pans out and let's see quarter-by-quarter we will be talking to you.

Dhruv Bhatia: We are 5% in to the year, do you have revenue forecast guidance for they in terms of advertising revenues?

Girish Agarwal: No, we have no forecast so far, we do not give the guidance on that.

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

Yogesh Kirve: Sir we mentioned regarding our ad rates do not adequately reflect the market potential of our market, so is there any quantitative measure of the market potential in terms of maybe the ad revenue to the GDP in our state is lower than some of the other states like West Bengal or South?

Girish Agarwal: Yes, you have raised a very appropriate question. There is various data point to compare the potential of one state to other, for example when I go to a client I not only show them the GDP of one state compared to other, I show them their sales number that if they are selling 100 vehicles in one state and they are selling 99 vehicles or 90 vehicles in my state then accordingly while they are paying some 50% higher yield to other state then why not on this state. So we show them all these data and that's the reason they are appreciating it also.

Yogesh Kirve: Sir can you talk in terms of the ad revenue to GDP if you have that data offhand?

Girish Agarwal: Unfortunately ad revenue to GDP data for state wise is not available, we have data available compared to India, to Philippines, to Indonesia, China and all, within India is not available.

Yogesh Kirve: Right. Sir secondly regarding our newsprint cost was down by about 10% but overall raw material cost were down by about 13%, so is there a volume dip of about 3% so what can this be attributed to?

Girish Agarwal: What we have done, since the volume of the advertising has gone down so accordingly we have reduced the paginations also.

Moderator: Our next question is from the line of Ishpreet Batra from Karma Capital.

Ishpreet Batra: Taking my lead from my previous question, how as the pagination decreased Y-o-Y or quarter-on-quarter?

Girish Agarwal: We have reduced pagination by 4% on quarter-on-quarter.

Ishpreet Batra: YoY it is?

Girish Agarwal: 2%,

Ishpreet Batra: Decrease?

Girish Agarwal: Yes.

Ishpreet Batra: And what would be our investment in the radio business this year?

Girish Agarwal: See we are waiting for this round of auctions to happen, as soon as the government gets the overall clearances and all and we have decided to bid in other markets where we have to look at we are not looking in any metro markets and we indicated that this will be within our range only.

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

Ritwik Rai: Again once on the ad revenue growth and yields, just wanted to understand two things – in terms of what has been the kind of distribution in various regions of your ad revenue growth and yield growth acceptance, as in has it been the case that x state is reporting exceptionally high growth relative to the others or something like that?

Girish Agarwal: See the yield agenda, the number what you are talking about, every state has their own target and every state is working up on it. So as I told you there is a mix basket so far, within a state some categories have performed better, some have not and all that. So I think to answer your question straight, if any state is not showing any improvement at all, no there is no such state.

Ritwik Rai: Okay. In terms of yields broadly all states are showing improvement?

Girish Agarwal: Yes.

Ritwik Rai: And I just wanted to understand one more thing that in terms of the extent of rate hikes that you have asked different stats to do, what is the range sir quarter-on-quarter?

Girish Agarwal: If you would appreciate I will not be able to give this number to you.

Ritwik Rai: Okay, fine sir. So then another question that it must be fairly steep considering the kind of yield growth you have seen quarter-on-quarter. Now I just wanted to understand, you have answered a question before in terms of why you had to take a fairly large yield because you know you cannot have sales people going every quarter, but you can have sales people going every year for example. So what is the kind of urgency that has made you push such a large hike at this time, why could it not be done in two steps at least year one and year two?

Girish Agarwal: I think we have been doing it, last year also we pushed it, and we got some percentage last year. We got some percentage this year but I thought one is a percentage increment you do it and the correction, in fact I would say it is not a yield improvement, we are talking about correction. So correction can be only done once, so I think let's do the correction and then every year we can talk about improvement.

Ritwik Rai: No sir, I mean you have identified that there is a problem in advertiser behavior and allocation of expenses, that is fine, but why cannot you not correct that over two period instead of one? There seems to be a lot of urgency in the matter of doing it within this year and I am just trying to understand why?

Girish Agarwal: No I do not think there is any such urgency, we have been talking about this from last 1-1.5 year that it is a continuous process and it is some basic work initially and we say now time has come that we should take this correction now.

Ritwik Rai: Okay. Sir suppose two quarters hence you continue to see these kind of numbers, would you step back a little or would you press ahead and see how far this goes?

Girish Agarwal: There is no question of stepping back.

Ritwik Rai: Would you kind of reduce expectations a little bit in terms of price growth?

Girish Agarwal: Our expectation is very moderate and very reasonable so I think it has been moderate and we are seeing the result on that.

Ritwik Rai: Okay. Sir because 15% quarter-on-quarter is pretty steep I would think in this economic environment, so I mean if this is the number you are getting and your expectation must be higher, so that is why I said that.

Girish Agarwal: But you missed out one point, we have lost out our volume, there are set of clients those who did not advertise with us in this quarter, so they need to come back to us with a yield increase. So my yield increment percentage may remain same but then the volume which I have lost out has to come back to me with a yield improvement.

Ritwik Rai: Okay. Sir just one last thing, in Bihar what is the number of copies that you would be adding this year, what is the broad expectation?

Girish Agarwal: Can we disclose this to you in the first week of August when the launch has already happened?

Ritwik Rai: No problem sir.

Moderator: The next question is from the line of Vinay from Religare Invesco Mutual Fund.

Vinay Paharia: I just wanted to know broadly if you can share the monthly trends in volumes, is it improving as a trend or is it deteriorating?

Girish Agarwal: I would love to share this data with all of you but unfortunately as you know certain information may not be really beneficial to me because of my competitor taking advantage out of it, so I would request you to understand our situation.

Moderator: Thank you. Ladies and Gentlemen, that was our last question. I now hand the conference over to the management for their closing comments.

Pawan Agarwal: I thank you all 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 relation department headed by Mr. Prason Pandey for any further inquiries. Thank you.