



DB Corp Ltd

DB Corp Ltd. Q4-FY15 Conference Call Transcript May14, 2015

Moderator Ladies and gentlemen good day and welcome to the Q4 FY15 Earnings Conference Call of DB Corp. As a reminder, all participants' lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Malini Roy from CDR India.

Malini Roy: Good afternoon everyone. Welcome to the Q4 and FY15 Earnings Conference Call of DB Corp Limited. We will be sharing the key operating and financial highlights for the quarter and year ended 31st March, 2015.

Today we have with us, 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, Mr. Rakesh Goswami – CGM, Finance & Accounts; and Mr. Prasoon Pandey – Head Investor & Media Relations.

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

I now invite Mr. Pawan Agarwal to share his outlook on DB Corp's performance for the 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 and year ended March 2015, post which we will be happy to respond to your queries.

For Dainik Bhaskar, this fiscal has been a demanding one that required stronger marketing efforts and closer control of all our operational aspects with all our teams across every department putting in harder efforts. We have undertaken significant changes to the billing structure to ensure better value for advertisers as well as for ourselves. Dainik Bhaskar continues to be the largest read newspaper of Urban India and retains leadership position in legacy markets, while also strengthening it's presence in emerging regions. Audit bureau circulation result for



6 months, July to December 2014, declared Dainik Bhaskar as the “Largest Circulated National Daily” of India. We have maintained our leadership and legacy markets while in Jharkhand, Maharashtra, and Bihar, we have been progressing well, although we have undertaken a price hike backed by better editorial content for readers.

Our financial performance for the year and the quarter are as follows:

Our consolidated total revenues for the year stood at Rs.20,353 million as against Rs.18,836 million during FY14 registering a growth of more than 8% on Y-o-Y basis. Our ad revenues for the period were Rs.15,166 million compared with Rs.14,178 million higher by 7% Y-o-Y and consolidated EBITDA stood at Rs.5,879 million with margins of around 29% and a growth of 12% on Y-o-Y basis. DBCL's consolidated PAT for the year FY15 stood at Rs.3,163 million with 16% margin as against Rs.2,917 million with 15.5% margin in FY14; this excludes onetime tax impact of Rs.149 million due to demerger of digital business representing a profitability growth of 9% on a yearly basis after considering incremental depreciation of Rs.228 million.

Our consolidated total revenues for Q4 FY15, stood at Rs.4,953 million compared to Rs.4,622 million in Q4 FY14 reflecting a growth of more than 7% on Y-o-Y basis. Our advertising revenues came in at Rs.3,543 million reflecting a growth of 4.2% on Y-o-Y basis against Rs.3,400 million of Q4 of last fiscal. EBITDA margin stood at 26.1%, as reported operating profitability of Rs.1,292 million as against Rs.1,127 million generated during corresponding period last year.

Net profit for the quarter increased to Rs.640 million as against Rs.610 million, reflecting a growth of 5%. DBCL's Radio business advertising revenue came in at Rs.268 million as against Rs.215 million in the same period last year depicting a growth of 25%. EBITDA margin stood at 45% with EBITDA of Rs.120 million. MY FM continues to cultivate strong listenership base through active audience engagement. DBCL's non-print business reflects a robust growth. Digital radio and mobile properties continue to undertake aggressive customer engagement activities translating to stronger viewer traffic.

DB Digital saw a phenomenal growth in terms of unique visitors in pages per visit. DB Digital portal has reached 554 million Page Views and 27 million UB mark. In fact, last month of April, our collective Page Views have praised around 600 million and unique visitors as an impressive 33 million. Going forward, our focus on managing growth will continue to be the key to healthy financials. Over the last few months, the Government has put in process several initiatives to boost economic growth and we expect to absorb its visibility on ground impact over the coming months. Our business fundamentals continue to be strong and we are confident of business strategies that have positioned us as India's largest print media company among National dailies.

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 request and queries.

Moderator:

The first question is from the line of Abneesh Roy from Edelweiss Financial Services.

Abneesh Roy: The ad growth in this quarter is much lower than the ad growth reported by the other listed entity in the print. Why is the growth lower? The Auto, Real Estate and FMCG sectors, which had not done well in Q3, are they continuing to see muted growth? Is the growth lower for us versus the peer because of the Readership data or is it because of different markets, if you could elaborate that part?

Girish Agarwaal : As you rightly mentioned that in the present quarter we have taken a growth of just 4.2% on the advertising, while our overall year growth is 7%. We realized that last quarter we decided that the whole yield growth program which we were running was unfortunately in the Q2 and Q3, not showing any more results. So we decided that in the Q4 of this last year, which has gone by, we went very strict on the rates and took a call to take a hit on the volumes. As a result, we have declined in a lot of categories in terms of volume and that is the reason the overall growth also came down. Having said that, I would like to mention that this is our agenda and we are very clear that the yield growth is the way forward. So this year also, we have taken a very strong call that we will continue driving the yield. That may mean that in the next couple of months, we may still not be able to show larger growth in terms of advertising growth but we are preparing ourselves for the future because if we do not do that, we will be in deep trouble as we cannot keep increasing the volume alone.

Abneesh Roy: I also wanted to understand regarding the newsprint prices which are down and the economy also not doing well. So should the price growth be targeted when the overall economy revises and when there is overall huge demand for advertising. Currently the newsprint cost is on the lower side, and so in that context, why did you go for this strategy as you have already seen 2-3 quarters of lower growth. How is this strategy better?

Girish Agarwaal: See, this is again a catch-22 situation because we started this yield driving agenda almost 2 years back and on a softer paddle, we did get some benefit out of the whole thing. But since the last 2 quarters we thought that the overall market is not doing well, so why do not we go soft on the yield and try to push volumes and we realized that even the volume are not coming in. So rather than giving in, it was better to take some more hit right now and in next couple of months when the market grows up, you can get the advantage of that. So, frankly speaking, it is a call one has to take whether this is the right time or tomorrow is the right time and we took this call now.

Abneesh Roy: Which segments have done well and when you say that the volumes were down in some categories, so where are the advertising going? Is it going to the other print media or is it not spending or is it going to non-print?

Girish Agarwaal: 63% of my revenue comes from retail, regional market and regional businesses. They do not look for other options. But in most of the cases, the client has decided to hold on to the advertising because the market is not too great for him. He was not very motivated to advertise, as we were trying to push him with better rates. We have stopped doing so we are looking for our rates. So more often than not, it is the mix reaction that he is holding on to some money or waiting for some time to improve or he is thinking 'who will blink first?'. That is also another reason. But coming to the volume growth, real estate continues to do better. There has been a growth of almost 12% in the category, which is heartening but unfortunately category like Healthcare, Education, Automobile, have taken a hit.

- Abneesh Roy:** Has the real estate sector done well because of the 110 deals which you have signed, or is it because of the buoyancy in the market? Are these paying clients in terms of cash or are these barter deals?
- Girish Agarwaal:** You are right, these are the barter deals because we have signed deals barter with the client as we realized real estate is one category, who is tight on the cash front, so we say rather than you paying cash, you can take advertising from us and give us your properties. The advantage for us is that these are the properties which are either under construction or a couple of them are ready made properties also. If cash flow saves and we have a reason; real asset is in my hand and if I am trying to reduce some discounting there, keeping in mind the prices do not go up, I still get the benefit of that property.
- Abneesh Roy:** You have done quite well in terms of the raw material; it has reduced by 9% Q-o-Q and Y-o-Y. If you could tell us in terms of pagination, circulation and newsprint price deflation. How have these 3 contributed?
- Girish Agarwaal:** My pagination has increased by 1.2% over last year, i.e from 22.20 we are at 22.47, and in terms of the total PO, we have grown by almost 1%. In terms of our average cover price, we have been able to increase the cover price by almost 11% and the net realization is at Rs.2.10 which is a growth of 13%.
- Abneesh Roy:** With respect to the pagination, has your growth happened because its volumes are ads on the lower side?
- Girish Agarwaal:** We conducted an experiment two quarters back that we want to go soft on the yield and take volumes and all of that. Also the election was also involved in this. These are the yearly numbers and not the quarterly numbers.
- Abneesh Roy:** Can you also share the quarterly data?
- Girish Agarwaal:** We can share the quarterly data as well. For example, in Q4 my pagination is down by almost 1%.
- Abneesh Roy:** What about circulation and newsprint?
- Girish Agarwaal:** Circulation is almost flat in this Q4. There is minor growth of almost 25,000 copies.
- Moderator:** We have next question from the line of Vikash Mantri from ICICI Securities.
- Vikash Mantri:** We have seen increase in the internet loss in this quarter. You have launched many properties on the internet site. Can you help us guide with what is your strategy on the digital side and what kind of numbers should we build ahead for FY16 and FY17, a broad investment that you are looking on the digital side? I appreciate the growth that you have seen in the digital business.
- Girish Agarwaal:** On the digital, we realized that we need to look at the categories which can help us getting the unique eye-balls coming to our sites. As a result, you can see from 16 million unique visitors, we almost have 33 million unique visitors in April. We are building up some micro sites, like we have done bollywood, fashion and we are now doing a real estate website as well. We have huge plans for digital this year but as I mentioned we are slightly conservative. We are not trying to create a brand unnecessarily. We are getting people who come onto our website because



of Dainik Bhaskar, Divya Bhaskar, Divya Marathi and we are trying to take them only to our various sites and monetize the eyeballs from the advertising perspective and in future evaluate if there are any further conversions possible. This year our major target is to work on the mobile App download because even in our cities the smartphone numbers have increased, so we want people to use our App which helps them to come to our various sites So our focus this year will be on the App download and for this download we are going the way we did for the newspaper surveys in various cities going door to door. We have a team which goes door to door, talks to people, see their mobiles and help them download the mobile App instantly. It is a unique initiative which we had done in print and are now repeating in this field and we have got quite a success in that. Furthermore, we have expanded our teams in digital. And it's very encouraging that we are able to see the results. Not from the top line, because I am not very concerned about the top line as the top line's total number is Rs.30 crore and next year whatever number growth comes in fine but the unique visitor those who comes to our site and the number of page views is very encouraging for us and we are seeing the results of our efforts.

Vikash Mantri: As compared to your strategy on digital, I am just trying to understand what made you launch multiple websites because it is unlikely that I will remember Fashion 101, but I will remember Dainik Bhaskar.

Girish Agarwaal: When you come to my Dainik Bhaskar App, you then get the further windows to go to various things. So if you are on my Dainik Bhaskar thing, then there are 11 sub windows in that App and then you can decide which one you want to go for.

Vikash Mantri: Should they not have been there been only a single portal? Is it not a better way of doing it?

Girish Agarwaal: They are on a single portal. Please understand when you come on my App, you come through Dainik Bhaskar portal. When you come onto that or Divya Bhaskar portal, then you get these 11 windows and then it is up to you where do you want to go. You want to shop, you want to go Mantra, or Dharmik, there are various things to decide where you want to go and there are many options to take you from there.

Vikash Mantri: What is the real estate portion of digital?

Girish Agarwaal : For real estate in our markets we are trying to provide some benefit with the print. So when you are advertising with me in the print, we will give you the listing on our real estate website and help you drive the traffic from there also.

Vikash Mantri: Can you explain about the Rs.1.2 billion increase in your loans and advances?

Girish Agarwaal: Our loans and advances which were Rs.223 crore last year have increased and this year they stand at Rs. 347 crore. So, there is a growth of Rs.124 crore. It largely commands for the real estate barter which we have done for taking the advertising. Therefore, the major component comes from there. Also we have given some advances on newsprint supply to protect the rates also. Some of the portion and supplies also. We have given some capital advance for our CAPEX expansion to the tune of Rs.10 crore. It also has a security deposit of rental premises which we have at an arm's length dealing. So there is another Rs.15 crore that has gone there.



Vikash Mantri: Okay. So the Rs. 15 crore is additional for the rentals. Could you help me with the amount for the barbers?

Girish Agarwal: The barbers total amount is almost to the tune of Rs.50 crore.

Vikash Mantri: Which was 0 last year, if I remember, right?

Girish Agarwal: No it was not 0 last year.

Vikash Mantri: At least on the loans and advances that I see?

Girish Agarwal: I do not have the exact number right now with me, we can give you. I can ask our team to come back.

Moderator: We have next question from the line of Arjun Khanna from Principal PNB Capital Asset Management Co. Ltd.

Arjun Khanna: When I look at the numbers, FY14 mature editions versus FY15 quarter for mature editions, I see a revenue fall. Could you help us with which editions had an issue?

Girish Agarwal: Editions like Punjab, some of the markets of Chhattisgarh, are the markets which have not been able to grow and if you look at the overall year growth, the numbers are almost in a couple of percentage growth around 2-2.5% overall.

Arjun Khanna: We also see the EBITDA go up, especially the margins. Is that probably the result of our de-focusing of those markets or?

Girish Agarwal: Yes, that is because of the newsprint advantage. We have a reduction in newsprint prices of 9% in last Qtr, and since most of the newsprint is consumed by the mature markets. So the major benefit has gone to them.

Arjun Khanna: Have we cut down on pagination in these loss making markets?

Girish Agarwal: Not exactly. In fact pagination is up only by 1.2%.

Arjun Khanna: With the radio business licenses around the corner, what kind of capital expenditure do we expect for this segment and what would be our overall CAPEX expectation for FY16 and FY17?

Girish Agarwal: I can share the numbers with you but we just realized that since we are just round the corner for the bidding, it may hit our business interest if we really explain the exact number.

Arjun Khanna: Fair enough. On the print side how would be FY16 and FY17 look in terms of CAPEX?

Girish Agarwal: We are expecting normal CAPEX. We are launching two additions in Bihar; one in Bhagalpur and the other in Muzaffarpur sometime in August- September. So there will be some minor CAPEX coming in there. In fact, we have already given some advance of Rs.10 crore to our machine suppliers to those markets, so nothing major happening over there.

- Moderator:** We have the next question from the line of Dhaval Shah from Siddhesh Capital Market Services Pvt. Ltd.
- Dhaval Shah:** Real Estate has done well for us this time. So going forward what is your outlook on the Real Estate market which could give us additional growth?
- Girish Agarwaal:** For the overall outlook of the business, if you look at the macro numbers, some estimations have come that the Indian GDP could grow by 7% this year. So, all of us are banking on that number. The overall number has to increase because as you know 75% of our revenue is advertising. So if the Automobile, Real Estate, Education, Lifestyle improve their sales, we will not be able to get the advertising coming out of it. Real Estate we could push it because of the barter, but that is not the only way to do business.
- Dhaval Shah:** So in Real Estate, your majority things will be out of the new construction which takes place, am I right?
- Girish Agarwaal:** Exactly.
- Dhaval Shah:** Which are your main markets which gives you this growth and are you seeing lot of these new constructions coming up in those markets or is there a slowdown and projects getting cancelled or getting postponed?
- Girish Agarwaal :** All these people, those who have started the projects, 3-4 years back, their projects are about to be completed, but they still need to push advertising to push sales. And we realized that they had problems pushing the advertising as they were not too sure of the sales coming in. They said okay we will chip in as barter here. So their properties are either half way or almost about to finish, that is why we have taken a barter way. We have kind of resisted ourselves from taking any totally 100% Greenfield project, of about to be launched projects.
- Dhaval Shah:** On the advertising side, you are a non-metro focused medium for the advertisers. So when we look at the big picture that there is the rural economy and the tier 2, 3 towns which were giving lot of growth for the past many years, has seen some sort of slowdown. One thing could be because of the fall in Agri commodity prices which is having a spiraling effect on the other people in the chain. What is the sense you get from your advertisers whilst you said few people are postponing, you had a loss on volume and advertising. So how are you trying to kind of push your volume growth and what is your future strategy because in the near term things do not look too promising to improve. For you to say, for the next 6 months-8 months to get growth, what will be your strategy and what sort of thought process you are having?
- Girish Agarwaal:** Two things; one is internal, one is external. I have no control on external issues. Government of India is trying their best and I hope things improve as we all are expecting in the near future. Internally, we have done lot of cost control. Internally we are keeping a very close watch on the pagination also. Internally we have ensured that wherever we need the circulation which can give me better yield, and better improvement, I am pushing the copies there and wherever I can cut down the circulation which I do not need, I am doing that. So I am kind of shifting copies from one market to other market depending where I can get a better yield. And we have decided internally to really focus on yield because we strongly believe all our markets; whether Gujarat, Rajasthan, Madhya Pradesh, Punjab, Haryana, all these markets are under paid from an advertising perspective. These markets



contribute huge chunks to anybody, any advertiser's sales in a true percentage but if you compare these markets with couple of other markets, we realized we are under paid. So we are asking for the correction in pricing. And that is what we are working on and we have taken a very strong decision this time, in fact, last 3, 4 months, we have declined a couple of campaigns. But we said, someone has to take a call one day and we have done that.

Dhaval Shah: When business is not doing well, so the advertiser in order to get more business, would he not want to spend more on advertising or is it the other way round?

Girish Agarwaal: Having spent 25 years in the sales, I realized that every time as an advertiser, as a buyer, I have a different excuse. When the market is on a high, I have a different excuse to ask for a lower rate, when the market is down; I have a different excuse to ask the lower rate. So nobody runs out of excuse, I have not seen an advertiser think that they will say, now I am growing by 30%, I want to give you 30% hike.

Dhaval Shah: Not in value- as I am saying, you said you had loss of volume, so that means someone who was advertising has backed out. He is not advertising anymore.

Girish Agarwaal: Exactly because we say we want our rates.

Dhaval Shah: Is the National advertiser also is cutting any budget? So for example, a 2-wheeler guy, who is not seeing good growth in sales, so is he also cutting in terms of his advertising pagination in terms of volume?

Girish Agarwaal: We have not seen such a cut but in fact, for a National Advertiser to accept our rate is much easier. We are seeing a larger acceptance in the National Market. Because somebody who is sitting on a plan of Rs.20 crore, somebody coming and asking for Rs.30 lakhs hike, is not a major number for him. But for a retailer who spent Rs.2 lakhs and you say now I want Rs.30,000 more, he is slightly tied. But it is the matter of time.

Dhaval Shah: You have a good growth on circulation side of 17%. Has this come out of entry into any newer markets?

Girish Agarwaal: It includes both; there is an increase of 13% on the cover price realization and also in circulation growth.

Dhaval Shah: So 4% was due to actual volume.

Girish Agarwaal: Yes.

Moderator: Next question is from the line of Pritesh Chheda from Emkay Global.

Pritesh Chheda: Sir, just bit of understanding from your comment, you said that Education and Healthcare also saw a little bit slower spends and thereby impacted the Ad growth. Is it not surprising for these 2 sectors actually?

Girish Agarwaal: No. Let me explain it to you. Last year or before that we have had lot of deals with small healthcare clients i.e those who release half page or full pages regarding the capsules etc. because of rates. We decided to go slightly strong on the rates and that is the reason there has been a decline in that particular area. In absolute numbers, education has no decline and there is a slight growth. But I think, overall



there has been some changes in the patterns of the examinations, some States have taken some calls, some quota seats have been taken out, so I guess there is some impact of the Education because of that.

Pritesh Chheda: What would be your fair assessment for ad growth in the coming couple of years and if it has to accelerate from here, in your opinion what are the essential requirements for it to accelerate?

Girish Agarwal: With my limited knowledge, what I could understand is that we are totally linked with the overall growth of the various industries. If an Automobile company, 2 – wheelers, 4-wheelers or the Real Estate market or any other categories show a growth in double digit to their sales, then I can grow in double digit very happily. But if those guys are under stress, obviously my advertising will be under stress. With respect to the couple of year's growth and all of that, we hope that the number should fall in place the way we all are expecting it to be.

Pritesh Chheda: For customers for the ad; is there any tilt or any dependence on any certain sector?

Girish Agarwal: No, the percentage has remained almost like that. The Government stays around 10%- 11%, automobile also stays at around 12%, classifieds and what we call response category also a percent or two here and there. Nothing major up and down.

Pritesh Chheda: No sector which has a lop-sided exposure or anything?

Girish Agarwal: Nothing to be seen that way.

Moderator: Next question is from the line of Rohit Dokania from IDFC Securities.

Rohit Dokania: Is there an impact of election relation advertising in the base as well in our reported numbers for the print division?

Girish Agarwal: To be very honest, not much because last year we had the State elections and this year we had the Lok Sabha elections. So largely speaking, there is not much of a difference and it maybe a percent here and two.

Rohit Dokania: No, I am talking from the quarterly perspective rather than the annual perspective.

Girish Agarwal: On the quarterly perspective, there could be some change because this quarter we had no pre-election advertising while in the last year quarter there was a pre-election advertising by the Central Government and couple of states also.

Rohit Dokania: Would you want to quantify that?

Girish Agarwal: I have not done the exact detailing on that so far.

Rohit Dokania: Is there any impact if at all from the Supreme Court order which actually disallows Ministers from advertising in terms of their own photographs, etc. or you think that it is largely neutral that should not impact the Government advertising at all?

- Girish Agarwaal:** I really cannot comment. On the face of it, it should not. This is because whatever the Government advertising is, it is also about the achievement of Government, if somebody's photo without that should be immaterial.
- Rohit Dokania:** And also in terms of newsprint price, is this the base or do we see another decline from here of course on.
- Girish Agarwaal:** We are keeping our fingers crossed for that.
- Rohit Dokania:** But this is a fair base to assume if one was to in terms of Q4. ..
- Girish Agarwaal:** See, frankly speaking, you really cannot say because newsprint is not one country phenomena, we are dependent on 38% imported, and the balance Indian is also dependent on these how the imported prices or material moves on that. So as of now, as per the indications we have for a quarter or two, is going to be almost soft only.
- Moderator:** The next question is from the line of Aashish Urganlawar from Elara Capital.
- Aashish Urganlawar:** There is a 9% decline in the cost of raw materials, is it entirely related to newsprint price because I think you said Pagination was up and also PO was up?
- Girish Agarwaal:** No, this 9% is the price; let me read out the number for you also. From Rs.37, 904 the price came down to Rs.34, 385, so there was a decline of 9% quarter-to-quarter.
- Aashish Urganlawar:** The raw materials' decline is almost of the same magnitude probably i.e. Y-o-Y, 9% decline.
- Girish Agarwaal:** Yes, because the circulation has almost stayed at a flat number; 1% growth, Pagination is also the 1.2% growth, nothing major there. I am sure from some grammage, they could manage it.
- Aashish Urganlawar:** Any macro stuff to share on where this is threatening overall, anything to share on why newsprint prices are going down? We can understand the demand factor of it but anything to clarify on that, where is it going?
- Girish Agarwaal:** I think that a couple of markets are reducing the demand. And because of that the pressure is coming on the mills to sell, to keep operating but how long this will happen, we really do not know, because if the pressure builds up too much then there could be a couple of mills shutting down their machines. If it is unviable to run, they will not. So frankly speaking, I would actually say that the prices should stay at this level because if they further go down then couple of mills will become unviable, they will shut down, and the capacity, and then the prices will go up. I would prefer the prices to stay here, let us not be too greedy on that.
- Aashish Urganlawar:** On the yield and volumes that you spoke about on advertising, so what was the exact yield improvement that you took and what is the volume decline that we saw this quarter?
- Girish Agarwaal:** To be very honest, I will not be able to disclose the number in this quarter for specific reason because my competitors have started talking about this in the market. So our sales team came back saying that we are talking about yield



increment and the competitor is going and telling the advertiser, that listen their strategy is like this, you know, I hope you appreciate that it is slightly hitting us back.

Aashish Uppanlawar: Probably both would be in single digits?

Girish Agarwaal: Yes, very much.

Aashish Uppanlawar: In case no improvement happens probably on the macro side, what is the strategy, probably you again go for yield increase next year as well?

Girish Agarwaal: One thing we are very convinced, not just we are saying about it; on the numbers, we have done the detail numbering of our circulation reach, readership reach compares to some other market and the exact contribution from our markets to any clients. We believe that our markets are totally underpriced to the extent of almost 30%- 40%. So we have huge head room to improve our yields, do a rate correction.. So we are really after it this year.

Aashish Uppanlawar: Do your competitors also share the same view?

Girish Agarwaal: Unfortunately, in our industry, it is a pretty divided. So it is not that all of the competition goes in one way and since most of the markets where I am the leader I take a call. And once I do it, it is very clear other follows.

Aashish Uppanlawar: You used to talk a lot about National and local earlier, so is it the same in both the segments as of now, you spoke something about retail that things are not that good.

Girish Agarwaal: Yes, I think the acceptance of the yield improvement in retail is taking some time, in National it is slightly quicker.

Aashish Uppanlawar: But the stress is across and probably it is plus minus here and there between local and national.

Girish Agarwaal : Exactly, because local size is also bigger, 61% is local.

Moderator: Next question is form the line of Srinivas Seshadri from Antique Stock Broking Ltd..

Srinivas Seshadri: I have couple of questions. Firstly just looking at the divergence between your number and what another competitor has reported, I appreciate the fact that some volume has been given off to improve yields but apart from that do you see any other factor either in terms of some State level economics being different for you versus theirs because their foot print is slightly different? Also though we do understand that the IRS does not have a lot of credibility but is there some kind of part acceptance which is happening within the advertising industry because of which there could be divergent trends among different players?

Girish Agarwaal: Just to further add on 61% of my advertising is retail which it does not follow any IRS. In the balance 39% also if I take the Government advertising out which also does not follow IRS. So the remaining area is around 30% which is not a major number to show any kind of impact on. Secondly, about any other peer group, as you know we are operating in 14 States, where we are seeing a mixed trend.



Some market is still doing very well, some market is flat, and some market is down. So I am sure, it is a market-to-market phenomenon also. Having said that I firmly believe that, it is a country-wide issue these days. When I talk to other publications also, those who are operating in various other regions, there seem to be an overall kind of a holding back by the advertiser because their sales are not really picking up. The market is not giving or rewarding them appropriately and hence they are holding back.

Srinivas Seshadri: The second question is regarding the step up in the digital expenditure. Could you give some rough color with respect to that? I mean, if in this year we add up for the quarters, it looks like for digital we have spent about Rs.32-Rs.33 crore in terms of the overall budget. Can you give some rough color on what we are building in for the next year budget for digital and areas where we will be spending the money?

Girish Agarwaal: This year whatever we spent and the revenues come out, there could be some Rs.10 crore- Rs.15 crore EBITDA loss in the digital.

Moderator: We have next question from the line of Amit Kumar from Investec Capital.

Amit Kumar: My point was with respect to little bit of divergence that we have seen in the Radio v/s Print Businesses. I mean the Radio business of the company is also in essentially the same territory but that seems to be doing exceptionally well, with 25% Y-o-Y growth, so what is really different as far as radio is concerned?

Girish Agarwaal: Two things; Radio being a younger and a new media is still in the infant stage to further grow on. Secondly, the overall size i.e we are at a Rs.96 crore revenue on the overall Radio. So if I for example, compare it with a couple of my cities and also Radio as a city specific it would be 17 cities while here it is the 14 States. So if I look at particular cities, then I really cannot compare, apple-to-apple with Radio.

Amit Kumar: One particular aspect that we have seen specific to Radio is that there are a lot of these events which happen i.e cricket World cup, etc. There, seems to be a lot of cross-marketing and programming which happens on Radio. Is that benefit you get on print also or not so much?

Girish Agarwaal: No, on print we do not get much of that benefit.

Amit Kumar: My second question pertains to the education piece in particular. Now couple of years back, your peers Jagran and Hindustan, especially in the UP and Bihar markets, started talking about little bit of a structural issue in terms of Education as a sector as well as advertising in their markets, which is to say that too many education institutes had cropped up and there was a little consolidation. So this trend that we have seen in education, is it really short term or do we see the pain for couple of years?

Girish Agarwaal: Education actually, it is a mixed thing. What other peer groups mentioned to you was right that suddenly there was a spurt in some 200 Medical Colleges, 200 Engineering Colleges, MBA Colleges, institutes etc. So, obviously all of them could not survive. So that is one setback to the industry and also there has been some change in the pattern of the examinations also, so because of that now there are particular seats fixed for particular quota. So I think there has been some overall change happening in this segment.



- Amit Kumar:** But if I look at the commentary over the last couple of years, DB Corp territory specifically for Rajasthan, MP, they do not seem to have been impacted much. Education continues to do reasonably well for you, at least in relation to the peers. So is that trend sort of now catching up with you in your core market?
- Girish Agarwaal:** Yes, you can say that because for example, one big market in Rajasthan is Kota and there used to be coaching classes in Kota, they used to be big advertisers. Now out of those 6- 7 classes over there, 2 of them have almost closed down and the balance also have reduced because they realized that number of students rolling in and coming into Kota and study with them, has also gone down. So there has been some change in the overall pattern. We are still evaluating it how one can still see that the new categories within education are coming up and still searching the advertising.
- Amit Kumar:** My final point is regarding the IRS. The latest release which came out, again Times of India, Jagran, yourself, you do not seem to agree with the new IRS release as well. I understand your concerns with that release, but the question is, if there was some sort of discussion among the peers which have not agreed with the last 2 rounds of IRS to have an alternate currency and there is limitation to how long the business and the media agencies and the advertisers can sort of continue to spend without clear readership currency, so is there any sort of progress on that?
- Girish Agarwaal:** There is some discussion that is going on. We are also discussing with MRUC that whatever glitches are present in the report, if they can be removed. See, it is in everybody's benefit to have a currency in the market to judge readership. We were all happy with them; with IRS, NRS for last so many years. But we realized that suddenly in last couple of years they were going in a very different section. So we obviously had to bring up the issue and we are confident that something should emerge in the next couple of months. Some consensus should be built around, either the same MRUC report should take some right corrective measures to begin more transparent and more accountable or all these players get together and start running a currency.
- Amit Kumar:** What kind of a timeline do you have on this because as it is for the last 2 years we do not have sort of industry standard currency in place. So when do we expect some sort of an outcome, either at the MRUC or players then going out rate an alternate the currency. Till what time are media agencies and advertisers willing to wait on that?
- Girish Agarwaal:** It is quite unfortunate that nobody is willing to commit a timeline. We have been pursuing it for almost last 2 years with them. They took their sweet time to come back and then again they came out with a report which was not acceptable, so I really do not know what kind of timing one can commit unless and until we have a commitment from their side or all the players decide to do something on their own. So I really cannot comment on the timeline as of now.
- Amit Kumar:** A very small book-keeping question. You mentioned that your employee expenses went up also because the investments that you are making on the internet site, I see your overheads also going up by almost 15%- 16% on a Y-o-Y basis. So was there any one-time write-off or anything, you can highlight?
- Girish Agarwaal:** On 'Other expenditures'?

- Amit Kumar:** Yes.
- Girish Agarwal:** You see there is one CSR amount of Rs.1.3 crore in that. There is a provision of around Rs.6 crore in the private treaty i.e whatever private treaty we did last time, it's diminishing value we have included. There is also almost Rs.3 crore of mobile App and E-commerce business expenses in that.
- Amit Kumar:** Just to clarify, this private treaty is with respect to the Gitanjali Gems deal that you did or is this in Real Estate?
- Girish Agarwal:** Along with Gitanjali, there were some six to seven deals which were also done. So as per the standards of our bookkeeping, on a particular age we provide a particular provision for that. So this is that provision.
- Moderator:** I now hand over the floor back to the management for their closing comments.
- Pawan Agarwal:** Thank you for everybody's 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. Prasoon Pandey for further enquiries.
- Moderator:** Ladies and gentlemen on behalf of DB Corp that concludes this conference. Thank you for joining us.