DB Corp Limited

Q2-FY15 Conference Call Transcript
October 17, 2014

Moderator Ladies and gentlemen, good day and welcome to the Q2/H1 FY15 earnings conference call of DB Corp.. 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 ma'am.

Malini Roy Thank you. Good afternoon everyone. Welcome to the Q2 FY15 conference call of DB Corp Limited. We will be sharing the key operating and financial highlights for the second quarter and half year ended September 30th 2014. We have with us today the senior management team of DB Corp Limited; Mr. Pawan Agarwal – Deputy Managing Director, Mr. P. G. Mishra – Group CFO, Mr. Rakesh Goswami – CGM, Finance & Accounts and Mr. Prasoon Pandey – Head, Investors & Media Relations.

Before we begin, I would like to state that some of the statements made in today's discussion may be forward looking in nature and may involve risks and uncertainties. Documents relating to the company's financial performance have already been mailed to you. I now invite Mr. Pawan Agarwal to share his outlook on DB Corp's performance for this quarter.

Pawan Agarwal Thank you Malini. Good afternoon everybody and welcome to DBCL'S Q2 & H1 FY15 earnings conference call. We thank you for participating with us today and we value your continued interest in the progress of Dainik Bhaskar**.** We will share key highlights of our financial and operating performance, post which we will be happy to respond to your queries.

We are glad to report steady performance in the second quarter of the current fiscal driven by good Advertisement revenue growth, strong traction from segments such as FMCG, Real Estate, Auto, and Lifestyle categories. We have ensured that our legacy in emerging markets maintained steady growth, as we continue to focus on delivering content backed news products that have become an integral part in the lives of our readers in various age groups and with diverse interest.

Dainik Bhaskar retains its leadership position in legacy markets of Madhya Pradesh, Chhattisgarh, Chandigarh, Haryana, Punjab, and Urban Rajasthan and in key markets of Gujarat while also strengthening presence in emerging regions. We are progressing well in Bihar, Jharkhand, and Maharashtra where we have been actively strengthening the brand and engaging with readers that have translated to good SEC A and B positions.

We are looking at Maharashtra very closely and are exploring the real economic potential of Maharashtra beyond Mumbai and outside of Pune and Nagpur regions. Towards this end, we commissioned an independent study undertaken by a leading Economic Research and Data Analytics firm. Key findings have unraveled, very unique and exciting facts across various growth related aspects of central Maharashtra for other regions besides Mumbai, Nagpur and Pune. These regions are important to us and divya Marathi through 7 editions continue to intensely tap the growing economic prospects offered by these regions.

Our non-print segments continued to scale up rapidly across digital, internet, and mobile and radio businesses bagged by a core strategy of hyper-local content around local markets, through real time news coverage of 800 plus cities across the country and supported by robust infrastructure. Our digital properties saw phenomenal progress in Q2 with unique visitors growing by 56% and a growth of 83% in pages per visit, the highest in the industry.

In the Radio business, our vision is to be the leading and most admired FM radio network in non-metro cities and here too we have been on a steady growth trajectory. The Q2 results are a testimony to our customer centric approach and of an understanding of the local markets. MY FM has been able to cultivate and cement very strong bonds with our listeners driven by relentless efforts to understand audience preferences. Not only has this customer centric approach lent credibility and popularity to our stations across 17 cities, it has also enabled MY FM to establish a leadership position amongst peers.

Our financial performance for the quarter ended September 30th 2014 is as follows: our consolidated total revenues for Q2 FY15 stands at Rs. 4,838 million registering a growth of 9.2% on Y-o-Y basis on a high base of last year. Our ad revenues for the period are Rs. 3,610 million expanded by 9% Y-o-Y and consolidated EBITDA stood at Rs. 1,271 million with margins of 26% and a growth of 14% on Y-o-Y basis. DBCL's consolidated PAT for Q2 FY15 stood at Rs. 681 million with margins of 14%. Due to the change in accounting policies as per new Company Act 2013, Company has provided incremental depreciation of around Rs. 50 million. Our digital business revenue registered growth of 57% Y-o-Y to Rs. 63 million from Rs. 40 million in last fiscal. Radio business ad revenue grew by 33% to Rs. 228 million from Rs. 171 million during corresponding period last year. The EBITDA for the radio business stands at Rs. 86 million, about 38% margin in Q2 FY15.

On a half yearly basis, consolidated revenues stood at Rs. 9,825 million as against Rs. 8,980 million during the first half of previous year. Consolidated advertising revenues expanded by around 9% and stood at Rs. 7,340 million as against Rs. 6,768 million during H1 FY14. EBITDA for the period stood at Rs. 2,712 million reflecting margins of 28% for the period. Consolidated PAT during the first half stood at Rs. 1,472 million inclusive of incremental depreciation of Rs. 97.7 million post the new accounting guidelines and FOREX loss of Rs.19.6 million resulting in profitability margins for the first half of 14%.

Over the past few months, macroeconomic sentiments have improved with several global institutions, positively, revising the India outlook which has had a good impact on consumer and industrial confidence. We believe that the current outlook indicates economic stability and has illustrated a pickup in growth. Given DBCL's business trends and position as the only media conglomerate that enjoy the leadership position in multiple states and multiple languages, we are well placed to capitalize on growth opportunities. Thank you once again on your interest in the developments of DBCL. My colleagues and I will be now happy to respond to your questions. We look forward to continuing our interactions and please do contact our Investor Relations department headed by Mr. Prasoon Pandey for all further request and queries.

Moderator Thank you very much sir. The first question is from the line of Shobhit Khare from Motilal Oswal.

Shobhit Khare My first question is what has been the contribution of yields and volumes in the print ad growth?

Pawan Agarwal The contribution had been equal, 50% of the contribution has come from yield and the balance has come from volume. Our focus on yield remains to be strong on the overall growth.

Shobhit Khare And sir what is the volume growth outlook for the second half. How is it shaping up?

Pawan Agarwal October is showing a volume growth because of the festive season. We are hoping that if the government continues to invest in announcement of new policies and reforms that should change the sentiment and the volume growth should come, but we are dependent on government policies and the overall performance of the economy for volume.

Shobhit Khare Sure. My next question is on the newsprint prices. What is the outlook for the rest of the year?

Pawan Agarwal So newsprint prices from trailing quarter, I can share that with you have come down by about 2.7% over the trailing quarter. We have an indication of about anywhere between 2.5%-5% further softening on the prices in the next quarter.

Shobhit Khare And what kind of impact, positive or negative should we expect from the Maharashtra and Haryana state elections?

Pawan Agarwal Maharashtra and Haryana state elections are over. So whatever numbers had to come, some would have come in September and a part would come in October actually. So you will see that numbers in the next quarter.

Shobit Khare Like in general elections, we had a significant impact. So is it a positive or negative impact that is what I wanted to understand?

Pawan Agarwal See, Maharashtra because the government spend in Maharashtra for us is not very significant. So we would see the Maharashtra election contribution to us being completely added because we did not lose any government revenue because our case was not there. In Haryana, of course the government elections also subsided some of our private revenues which also happened during the Vidhan Sabha election. So Maharashtra would see a better performance. Haryana has also done well, but Maharashtra would see a better performance because it did not impact the government base.

Shobhit Khare And sir my final question is if you could just give any status on the issues related to IRS?

Pawan Agarwal We have decided not to participate in IRS. We do not agree with the findings and so do the most of the players in the industry. All the big players in the industry across the country have refuted the findings of IRS. So it has a status quo right now on it.

Moderator The next question is from the line of Dhaval Shah from Siddhesh Capital.

Dhaval Shah Sir my question is this quarter we grew by around 7% on the advertisement side. So if you are supposed to compare like-to-like basis, the last year this quarter and remove the election spending, so what would be the core growth from our regular business in the advertisement side?

Pawan Agarwal So if I remove the government because the government contributed significantly in the last quarter. If I remove that, the 7% number grows to about 12%; 4.5%-5% on the base.

Dhaval Shah And sir what was this number last quarter, I do not recollect right now. So what was the core growth in the last quarter for us?

.**Pawan Agarwal** Ad revenue grew by about 7.9% in the first quarter on a consol basis.

Dhaval Shah So this was the ex-election spending?

Pawan Agarwal No, the print was about 6.5% growth in the Q1.

Dhaval Shah So you are talking about around 12%-15% advertisement growth for full year. So will that be achievable? That number will be achievable over this whole FY15?

Pawan Agarwal No, I did not talk about 12% growth because when I remove the government as a base, I have to look at government, I have to account for the government revenues because the 12% growth that came in this quarter without government. So the government will have to participate for us to deliver the revenues. So we will have to hope that all the other sectors have to perform as well as the government has to perform for the remaining quarters to do better than this quarter.

Dhaval Shah So now this 12% core growth in that, how much will be volume growth in this 12%?

Pawan Agarwal In this 12%, the growth has come equally, volume as well as yield.

Dhaval Shah For this current quarter, 12% growth, 50% is volume, 50% is value.

Pawan Agarwal Yes, correct

Dhaval Shah So for the full year, what sort of value growth are we planning to take because there was a big gap between the prices going to pay in South and what we get in our markets. So how much of ad hike are we planning to take?

Pawan Agarwal The ad hikes have been taken already in the first quarter of the year. So now what happens is the teams have to actually go and implement those ad hikes because you have long-term contracts with customers. They agree for certain rate hike in their contracts and they agree for certain volume hike in their contract. So it is a continuous battle actually. It is not one at a time rate hike in a year. So depending on how the market is, we keep pushing and we do various things like probably putting a ceiling on the front page. So like in the last quarter what we have done is we put a ceiling of the number of ads that we will take on front page and that has become absolutely non-negotiable. So to make sure that the reader has sufficient space to read on the news front.

Dhaval Shah On the news for that, okay.

Pawan Agarwal That has helped us to improve the yield of front page, but has it helped us to impede the yield across, maybe no. But the front page yield has surely improved because of that. So those are the intermediary things that keep happening every month.

Dhaval Shah And sir on the radio business side, as of now the government has allowed only broadcasting of news source from PTI. So any improvement on that front? Do you have any expectations that could change or how is the radio companies are talking with the government? Any progress on that?

Pawan Agarwal The government hasn't allowed PTI still. What they are saying is they will allow PTI when the new migration happens of the current. So when the Phase-3 comes, with the Phase-3 the news will be allowed, so not as of now. We are still waiting for Phase-3 to happen and I am sure with time the government will make additions, but as of now the government has only promised PTI and All India Radio news to be taken on radio. So what we have done in radio is we have introduced different kind of programming also like we have brought in Shekhar Suman as the host for the evening show. So he runs the comedy hour in the evening because realizing that people do not want to listen to news after 7, he hosts like a one hour comedy show with us. So we do other things to continue listener interest in the show.

Moderator Next question is from the line of Vikash Mantri from ICICI Securities.

Vikash Mantri Just wanted to understand we have recently added entire e-commerce doing big advertising. Now this has also had a threat to seen to some of the modern retailers per se. From an advertising perspective in the short term, have we gained because of this or lost and over a 2-3 year period, is it a positive where it will add on to the advertisement which other retailers always do or it will eat into that?

Pawan Agarwal See, the e-commerce is largely selling products. It is not building the brands of the products. So the good thing is they are not selling products of companies whose brands have already been built in Tier-2, Tier-3 markets. So as far as advertising is concerned, we have not seen people withdrawing advertising, withdrawing building brands in our market and they are largely focused on lifestyle and gadgets right now and course books, the books is anyways not an advertiser. Lifestyle is not a very big category for us in print in any case. So we are hoping that in short term they should surely help. It is helping us in terms of revenue and this will also give us a good agenda to push the companies to build the brand because by just putting their products on a portal, they will not be able to garner the premium especially the brands. People who do not have brands will probably not, we would not get benefited, but people who have brands, we have an agenda to push them to build the brands while they are putting their products online.

Vikash Mantri Thank you. Sir one more question. We have had a very healthy growth in our circulation revenue, 15%. Can you help me break this up into increase in copies and increase in cover price and what is the trajectory we expect for both of them?

Pawan Agarwal So total growth has been about 15%. Of this growth, 12% has come from price increase and about 3.3% has come from copy increase, volume increase.

Vikash Mantri And what would be the trajectory. How much more cover price increases which we have taken which will keep showing up going forward or we plan to take?

Pawan Agarwal The cover prices are implement once and it remains constant for the year because you do not go back on the cover price.

Vikash Mantri I am talking about markets, markets where we have scope of increasing, Bihar, Jharkhand, Maharashtra, stuff like that.

Pawan Agarwal I will tell you. Our realization has been moving. So if I look at the quarter one of last year, our realization was about Rs. 1.78 paisa. Our realization from Rs. 1.78 paisa, in the first quarter it moved up to Rs. 1.97 and if you look at the trailing quarter, even then the trailing quarter there has been a 2.5% increase in the realization. And the cover price increase has been taken not just in Maharashtra and Jharkhand, it has been taken across. So if you look at Madhya Pradesh for example, I will share that figure with you. We have taken a 16% price increase in Madhya Pradesh. If you look at Rajasthan, we have taken a 13% price increase in Rajasthan. So it has been taken all across, not just in the emerging markets. Of course emerging markets cover price is an agenda, but this number has come usually from across markets and we are continuing this because we are making significant investments of course in the content and the product so that the reader loyalty keeps increasing and we are very happy to see this trend. This is actually the first time in the last 2 years that we are seeing people not objecting to price increase, otherwise if you change 50 paisa also on the product, people used to really get upset about it. Now they realize that people are valuing the products, but you have to show the value. There had been a continuous investment in making the quality of the product including in the quality of newsprint, printing. A lot of printing in infrastructure investment that we made in the last 2-3 years is actually paying off because it is ultimately giving the reader a better clean copy in his hand and of course better content. So this gives us rather confidence to continue the cover price increase hopefully without disturbing the PO**.**

Moderator Next question is from the line of Srinivas Seshadri from CIMB.

Srinivas Seshadri Just two-three questions. Firstly on the ad revenue growth where we have spoken about the impact of high base of last year, even in the third quarter and to some extent the fourth quarter, the ad revenue growth was very good in the last year. So do you believe that, that could be kind of an issue going forward as well in terms of what growth we can deliver on the print advertising side for the third quarter or do you feel that festive or some other specific verticals can help you deliver better growth on a forward basis. I am talking about a very short term outlook here, one to two quarters?

Pawan Agarwal The government spending was large in the Q2 of last year and then there was some election spending last year in Q3. However, this year in two of our states, Haryana and Maharashtra, we are also experiencing Vidhan Sabha elections and advertising revenue. So we hope that would compensate for the increased election

DB Corp Ltd

spends in Q3 of last year. So that should not be a burden hopefully in this quarter. What we are hoping is that the usual government revenue should start coming back and of course the other sectors are, the key performing sectors, the FMCG and Auto and Lifestyle should accelerate in coming quarters.

Srinivas Seshadri So to understand it correctly, we should be reporting better growth numbers as we go through the year. That is what how the outlook is as of now?

Pawan Agarwal I can only talk of what has happened in the last 15 days. The last 15 days have been good and we have of course the entire November and December also. What we are only trying is that the overall sentiment should improve during the festive season and that impact effect momentum should continue in November as well as December because this time Diwali will finish in October itself. Diwali was in November last year. This time, the Diwali is in October. So entire emphasis is on seeing that the momentum and momentum obviously is dependent on how the overall sentiment, buying, risk are in the market. If those are protective, so I think we are doing our best hoping that the overall economy also start to shape up. That should help us to do better of course in coming quarters.

Srinivas Seshadri And on the newsprint where you talked about close to 3% sequential decline in the cost and that is the trailing quarter. Sir is that purely a function of the dollar benchmark price decrease or are you also kind of working different mix in terms of imported versus domestic in terms of trying to manage the cost etc.

Pawan Agarwal So the newsprint price, we have indications. It should reduce anywhere between 2.5%-5% over the next quarter. It is purely a function of demand and supply. That's the reason it is softening. It is not a function of dollar and as far as our mix is concerned, let me just share that number with you. So the imported has been around 25% of our mix. So 75% is indigenous and 25% is imported.

Srinivas Seshadri Right sir. So this is by value or volume?

Pawan Agarwal This is the volume.

Srinivas Seshadri Sure and sir one final question. In terms of any potential editions either in some of the states where you have recently entered or invested, is there any plans to launch more editions from the next 2-4 quarters perspective?

Pawan Agarwal Not this financial year. We have Bihar to consolidate. We are also happy to share that some of the key editions, the large editions which started in 2010 in Maharashtra in 2011, we are working towards making them EBITDA breakeven by end of this financial year and so the effort on Jharkhand to make that EBITDA breakeven by the end of this financial year. So with that, we will only have few editions of Maharashtra which is Akola, Amravati which were launched recently. They would require funding and of course Patna and Bihar will require funding next year.

Moderator Next question is from the line of Hemang Kapasi from Canara Robeco..

Hemang Kapasi Just wanted to know the exact cover price realization and pagination for this quarter?

Pawan Agarwal Sure. So the average pages this quarter were about Rs.21.99. They moved by about 0.8% from the quarter last year. On a trailing, they have come down by about 0.2% and the cover price has increased by, the cover price not the realization. So I will share the realization with you. The realization has increased by about 12% and cover price has increased by about 9.4% over the last year. And average cover price now is Rs. 3.15 paisa and the realization on that cover price is about Rs. 2.02 paisa.

Hemang Kapasi And sir one thing, off late I have been seeing the Bhaskar news channel. Is that anything to directly do with Dainik Bhaskar or ?…

Pawan Agarwal It has nothing to do with DB Corp.

Moderator Next question is from the line of Vimal Gohil from Union KBC Asset Management Company.

Vimal Gohil Sir my question is regarding the advertisement growth in the near term. Probably in the next quarter we saw some very aggressive advertisement from the e-commerce companies. So how do we stand to benefit from that. I am sure the cash kitties that they have, they will be going aggressive going forward as well. So how do we plan to benefit from that?

Pawan Agarwal It is a focus category for us and of course for e-commerce, Tier-2, Tier-3 markets are an important market. Large part of their customer comes from Tier-2, Tier-3 markets. But we haven’t taken any projection because we do not know how they will behave over the further quarters. So I don’t have much to say on how they will perform. I call it a short term gain as of now unless I see them perform consistently over a period of 12-18 months.

Vimal Gohil So do you expect to see some benefit in Q3?

Pawan Agarwal Yes, there is benefit. Most of these guys form a part of our national advertising. So national corporate sales will do hopefully better this quarter backed the growth of automobile launches and automobile spends as well as e-commerce and of course FMCG.

Moderator The next question is from the line of Swanand Kelkar from Morgan Stanley.

Swanand Kelkar I have two questions. The first is an observation that your radio ad revenue growth seems to be consistently doing better than print. Is that just a function of size where your radio revenues are much smaller than your print or is there an industry wide trend to be drawn from there?

Pawan Agarwal So if you look at the radio revenues, the key contributors in radio revenues have also been categories and advertisers who did not advertise at all last year. One is a small base. So on that small base, number of clients which were participating in radio especially from national, especially e-commerce which didn’t exist, most of the automobile customers didn’t exist in radio, lot of real estate customers which didn’t exist in radio. They have started to use radio and I am happy to share with you because radio is a limited inventory business, so there I have no option to increase inventory. I am fixated by the number of songs that I have to play now. So there has been a lot of emphasis there on increasing the yield because the yields in order to generate business in the initial years, the yields were really dropped. So

DB Corp Ltd

we have taken an agenda because in the retail we are market leaders across our 17 stations. We took an agenda last year to grow the yields and significant growth has also come, more than 50% of the growth has come from yield expansion in radio.

Swanand Kelkar And would this phenomena be across the board of yield improvement not just for you but for the industry as a whole?

Pawan Agarwal I cannot comment because I do not get to see their numbers, but I can talk about the cities where we have station is yes, the other stations have also improved the yields because when we increase the yields, they also got the opportunity to improve rates. What we have been able to maintain is the market share. The market share or revenue share should grow and not go down.

Prasoon Pandey Swanand,. I think one more thing is that if you see last 3, 4 years data of radio business, we have been outperforming the entire market by good incremental 4-5%. So if industry is growing by maybe around 12%-13%, we are going by around 18%-19%. I think largely it is due to the fact that we are only present in the Tier-2 and Tier-3 towns where the real growth is happening.

Swanand Kelkar In that context, then can you spend the minute on what do you want to do in the upcoming auctions for fresh radio spectrum?

Pawan Agarwal The upcoming auctions and for future for expansion of this business, we are a Tier-2, Tier-3 company. So we will grow the company in the Tier-2, Tier-3 markets. So wherever there is profitability, profitable stations in our own network in the state that we are present in, we will try and grab more stations there to expand the network and of-course pick up only those stations which may are healthy. Combination of retail is a state revenue, not just national revenue.

Swanand Kelkar And last question from my side. Any update on increasing the FII limit?

P.G. Mishra We are waiting, because in print media it is 26% and in radio it is 20% but MIB and other, all other boards have issued the notification for 26%, but they are waiting for the third round of FM where they have told that they will make it to 26% maybe in the January, February, and March. So the last date for migration is March ‘15.

Pawan Agarwal Before March ‘15, the migration must happen because the licenses of Phase-2 will start expiring from March which means the entire activity has to be concluded before March.

Swanand Kelkar And the FII limit will be equated for print and radio at 26 by March, that part is clear.

P.G. Mishra Right now because we do have a radio in our DB Corp. Print is 26%, radio is 20%. That is why we are not going beyond 20%. As Pawanji told, till March month they will open the third round. It will be 26% for the both, may move from 20% to 26% for the entire company.

Moderator The next question is from the line of Arjun Khanna from Principal Mutual Fund.

Arjun Khanna Thank you for taking my question. My first question is just follow-up on the Radio Phase-3. You mentioned in the previous con call that we expect a complete outlay to be roughly 30 crore. Given that we are seeing success out here and they are over 100 stations in this region that would be up for us. Do we intent on spending more, do we continue with that estimate?

Pawan Agarwal We are very dismayed by the policies right now. So we don't even know the status of the recommendations whether they have been accepted by the MIB, by TRAI or not. So I think it is still a wait and watch to make a full assessment and judgment of whether what price would those stations come at and what would be the fate of the music royalty because the music royalty is also linked to the entire bidding, what would I have to pay for music royalty in those stations. Is it fixed or is it on revenue share?, T-Series. But at the same time we are taking big leaps and focus on growing our digital customer base and we see that as a big revenue for us because in all the territories of print, we realized that for content, people first preference brand preferences is the newspaper and the brand that they relate to and read and obviously go to the brand which gives them most element content. So we are taking that business very aggressively now in getting large chunk of this new mobile population on to our fold inner market.

Arjun Khanna Fair enough. Secondly sir in terms of CAPEX required for sustaining our business going forward, our ROCEs are pretty much high and you had stated earlier that for existing centers, we do not require a lot of CAPEX. So just trying to understand what would be the investments that would be requiring going forward?

Pawan Agarwal We have made a provision of about Rs.50 crore CAPEX for FY '14-15. Of this, we have spent about Rs.30 crore so far till September in the H1. We have another Rs.20 crore of CAPEX in our hand for the remaining 2 quarters, 6 months. That should be more than sufficient for us to manage the routine expenditures for infrastructure building and expansion of color and so on for this year for the routine business.

Arjun Khanna So if I understand correctly given our gross fixed assets are roughly Rs.1,200 crore. So for incremental sales like we are looking at realizations in circulations going up, we wouldn't require that kind of capital intensity going forward?

Pawan Agarwal No, because the biggest capital in print business is equipment basically the printing presses and the printing plants and of course the infrastructure expansion in terms of quality. We have already done that major expansion and in Jaipur, Ahmedabad, Indore, all major markets have been upgraded and once an upgradation is done, it is done for good 10 years actually. So all the major key centers have already been taken into expansion. So that is the current status.

Arjun Khanna And my last question sir is just in terms of the circulation rate increases, how has competition reacted? Are they also increasing their ticket prices?

Pawan Agarwal Yes, the competition follows. Each of the markets whenever we have our circulation increase, we have taken a decision to go and increase. So we have taken a lead. They were rather waiting for us to take that lead for years because we were waiting for a point when we wanted to reach to an optimal level where we wanted to make sure that the reader should not feel the pinch. Our emphasis was to make sure that the product experience with all the infrastructure investment and the quality investment that we have made. This time reader didn't feel the pinch at all when he give us another 50 paisa or a rupee a day for the newspaper because he saw a significant improvement in the product.

Arjun Khanna Given that even competition would follow, so are we saying that the customer sees an improvement throughout the industry?

Pawan Agarwal I would not comment on that the experience of, but the kind of investment that we have made, I can say that we have made significant investments and improvements and when I say that, it is obviously relative as well. There has been significant difference in the kind of paper that we use and the kind of content that we give. So the reader who buys to plus the kind of machines that we are the only newspaper right now in the Tier-2, Tier-3 markets which have three locations producing printing from KBA German presses and you can see a significant difference in the quality.

Arjun Khanna Fair enough sir. I actually was just sorry to belabor the point but I just trying to understand that if the entire industry is going to see a price hike, so is there any pricing premium that we expect in the future to enjoy which will be higher than currently.

Pawan Agarwal Yes, we will and what happens is we may not enjoy a pricing premium in terms of circulation cover price. What we will enjoy is a premium in the number of copies that you select, in the first pickup. So even if you are going to household which are reading two newspapers, the first pickup will become Dainik Bhaskar and also the circulation share will go up and in future it will also allow us to put a premium on cover price, but usually what happens even if I have a 10% market share, I may decide to keep my cover price as similar as the person who has a different market share. Price may not have a significant difference, but circulation will have a significant difference which is what our endeavor is.

Prasoon Pandey But Arjun considering the current average cover prices, we are still at the lowest of the cover prices among all peers. Almost around Rs. 95 monthly bill, our understanding is psychology in the markets where we are, the psychology that they are ready to shell out anything between Rs. 120-130 monthly bill on newspapers on going forward. We are still at Rs. 95 a month. So we still have a delta available going forward.

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

Amit Kumar I joined the call a bit late, so sir, you could just sort of reiterate this 7% ad growth. How have the different ad categories performed, consumers, autos, etc.

Pawan Agarwal If you look at the overall performance in terms of growth, Automobile did very well, Real Estate did very well, Lifestyle of course did very well and FMCG and Electronics and Electricals. Categories which did not do well, so the government actually had a decline in this quarter compared to last year. The whole Badhai under Greetings category also slowed down. It did not de-grow, but it has slowed down. Healthcare has slowed down a bit, Education in this quarter slowed down a bit, but we were happy to see good growth from Autos and Real Estate. So our endeavor is to keep continuing growth in those categories and as well as bring back the categories which did not perform in the last quarter.

Amit Kumar My second question related to the fact that now we are almost through as far as the monsoon is concerned and we have seen almost about 8%-10% gap in terms of the performance of the monsoon versus last year almost a double digit gap and in terms of slowing also decent 7%-8% gap is what few media reports are quoting.

So is that expected to have any sort of an impact on your performance over the next 12 months?

Pawan Agarwal So our performance over the next 12 months will be mixed of many things actually. So right from the reform, the interest rate for Real Estate, the stability in the Real Estate market, the job opportunities will have to open for Education sector for example to open up. Education is a big sector and they all experiencing that the number of students actually not growing as the number of seats are. So that linked to job opportunities. So would agriculture answer that question, not really. What would answer that question is probably the overall eco in which agriculture is also a part of it. So Agri would basically contribute to sectors like maybe Real Estate and little bit of Lifestyle and FMCG, not FMCG as much but largely Real Estate, but most of the real estate buying still in our markets is happening from the urban cities and not from the rural. The people in rural areas are not coming to the cities to buy real estate yet. So yes, still I think the overall ecosystem has to improve and there are positive signs. The last 15 days in October, the 15 days have been good, but that is with a lot of faith that people have invested to turn the sentiment around. Hopefully with government becoming more, if job market opens up, I think a lot of things will start moving up.

Amit Kumar If I am reading you right, basically what you are saying is that it will be one of the factors but in that sense you do not expect it to be the dominant factor.

Pawan Agarwal Yes, I do not expect it to be a dominant factor.

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

Yogesh Kirve Sir, I would like to ask from a 2-3 years perspective, what could be the potential areas of expansion for the company either it is the new cities in Maharashtra or any missing states. So can you comment on that?

Pawan Agarwal See, we have done Patna in Bihar. So we are still evaluating the profitability and the attractiveness of rest of the market. Patna is the single largest contributor in the state. So that could be an area of expansion going forward, but not very lucrative. It will be mostly to sort of complete Bihar in times to come, but as I said no, it did not look very lucrative right now unless we fully throttle Patna and as far as Maharashtra is concerned, we have 7 editions now in Maharashtra. So with this, we sort of concluded belt in Maharashtra where we wanted to go beyond Pune, Bombay and Nagpur. So there will be other territories which we have not touched which are the semi-urban territories of Maharashtra where we still have to go because those are part of 2nd Phase for us.

Yogesh Kirve Sir any thoughts on entering any more states as of now?

Pawan Agarwal We have been evaluating, but nothing on the cards right now, nothing in the next 6 to 9 months at least.

Yogesh Kirve Sir secondly on the Radio auction, is it possible to give a some sense of what would be our level of participation in terms of how many license we have made, target like is it like 5 to 10 more licenses or 10 to 15 or something like that?

Pawan Agarwal So there are two parts of Radio. One is the migration, the existing business has to be migrated to new license for another 15 years. That is one activity that we will see that will give us further consolidation of the business. New licenses, we will add typically the towns where we already have stations from states where we have a significant presence. How many we will add, I think still a function of what kind of prices they come up for really. Our endeavor would be to see how we can expand our current network of the states to add more lucrative towns. There are many towns available, but those towns probably we advertisers does not want to reach out.

Yogesh Kirve So are you working on any sort of a cap on overall investment that you will be doing towards new licenses.

Pawan Agarwal See, we invested about Rs. 120 crore and about Rs. 55 crore in licenses last year in the license fee. And there was a business plan. So unless I see a business plan with clear government policies, it is too early right now to make a business plan and share with you what kind of cap. The cap will largely depend on what kind of return we will have from the investment.

Yogesh Kirve Right sir and sir finally so what is our total debt on the balance sheet?

Pawan Agarwal Rs. 87 crore is the long-term debt and there is a buyers' credit of Rs. 41 crore. Total is about Rs. 129 crore.

Yogesh Kirve So this Rs. 129 crore also includes the current portion of the long-term loans sir?

P.G. Mishra Entire long-term loan is Rs. 87.4 crore of loan and the buyers' credit is Rs. 41.6 crore. So totally Rs. Rs. 129 crores total debt term loan as well as cash credit working capital.

Moderator Next question is from the line of Miten Lathia from HDFC Mutual Fund..

Miten Lathia Sir, just to get clarification on your previous comment, what I gathered was that adding cities in Maharashtra would take precedence over adding new editions in Bihar, is that correct reading?

Pawan Agarwal No, to tell you over the next 6 months there is no plan to do any activity in either Maharashtra or even in Bihar. Our current focus is on making the current editions of Maharashtra breakeven. When I say current, the editions which have done 3 years and above, they should breakeven. There are two editions which are not still breakeven which are very young editions. They have not even done a year. The rest of the markets are not profitable in Maharashtra because these are all semi urban areas. They can only be added when we have a significant national revenue component also coming to Maharashtra to divya Marathi brand because those towns will not have significant retail revenue and now Maharashtra model has been largely focused on retail. So we went to markets where there was a significant retail revenue. So we don't have to worry on national. So I think we will need some more time to make sure that we have a large national revenue kitty and to those advertisers we can offer those semi urban towns as well. And as far as Bihar is concerned, the same story goes in Bihar also because we don't believe that the national revenues will form a large part of revenues in the initial years. So again we are evaluating are there any towns which can have a significant retail revenue. So I think we are right now very focused on Patna and only when we are able to completely throttle the Patna because Patna retail market wasn't very large, the market development activity did not happen in Patna and the large dependency of Patna newspaper revenues was on government and we wanted to change that.

Unless we are fully successful in doing that, I do not think we will pick up another market. Which one we will pick up first, I think whatever happens first in terms of national traction.

Miten Lathia . Just one more, question sir, IRS has sort of revalidated the data that they came out with earlier this year. What is the next step that the company is thinking about?

Pawan Agarwal They haven't shared any validation. They did a press release actually. There was a press release, from which we got to know that they have done the reader validation and they haven't found any anomaly in the data. So we don't sort of agree with that because there are anomalies in the data. So we will continue to stay away from endorsing IRS as of now. And about as I said two dozen newspapers have already decided to do that.

Miten Lathia So without alternate currency sort of buyers, media buyers will keep coming back to IRS. So there has to be a sort of medium term solution to..

Pawan Agarwal There is no medium term solution right now because unless IRS agrees that advertisers are struggling, the brands are struggling, the agencies are struggling with that data. So I would warn to back on IRS to make this realization that this is not supporting the industry and at the end of the day this industry is collaborative. We want to provide correct data so that correct decisions can be made by clients and agencies. Agencies and clients want the right data to make right decisions. So hopefully in some days, somebody because ultimately it is not my research or somebody's research, it is a collaborative research which supports the industry. So if the industry cannot take a call, I think some realization should happen at some point of time. I guess we will have no option but to look at another currency to create. We are still waiting and watching before we take that decision, I mean I can't take that decision. That decision has to be taken by brands, agencies and publications put together.

Moderator The next question is from the line of Chetan Wadia from JHP Securities.

Chetan Wadia Sir my question is on the Digital media. How much investment you are likely to make on the website in the mobile application for this year and probably if you can share for the next year as well and how significant is going to be ad revenue from these two streams for you in the overall financial?

Pawan Agarwal We are experiencing a significant increase in smartphone customers versus the desktop customers. So as I see large 70%-80% of internet in India will be probably accessed from a mobile device and smartphone devices. So that is a good trend. We have developed our mobile app which is responsive which will give you relevant content wherever you are. So our endeavor is to see how can we reach out to every single smartphone user in our own markets who wants to consume content, make him available at content and then app, make him to get used to that app so that like he pays to print over maybe 3-4 years, he starts paying to the app also while using it on his mobile. As far as advertising is concerned, it has on a small base right now. We have done in the last quarter about Rs. 6 crore worth of advertising revenue, it has grown by about 57% but on a small base, it is on a very small base of customers. And it is all about numbers first. As the numbers increase, the revenues will also increase proportionately and at some point of time it will increase disproportionately. So our focus right now is to see how we can expand the customer base, people who use the app and the portal.

Chetan Wadia And how much is the investment likely to be made in these two, mobile app and the website, the kind of CAPEX as such?

Pawan Agarwal It is largely people. The advantage with us is because we are focused around all markets and basically the entire marketing spend is being done through using radio and the print advertising. So there is no large marketing budget that is kept separately and we are using all the possible resources of print right from infrastructure to even making the entire content team web enabled by giving them equipment, by giving them devices so that they can start to file the reports while they are out in the field. So we are making all those optimizations. So we see ourselves committing capital but in the form of manpower largely.

Chetan Wadia Sir my question, can you share the overall outlook for consolidated company in terms of revenue and margin for FY15?

Pawan Agarwal We don't give forward guidance. All I can share is there is an indication of newsprint price softening down anywhere from 2.5% to 5%. There is a cost efficiency in place. So costs are controlled pretty much, are efficient and our revenues are dependent on the overall market performance and the overall GDP and the government reforms, but we are hopeful that if the market sentiment improves, so would the advertising mode and the sentiment would improve.

Chetan Wadia And sir lastly you said that the most of the new editions which you had started, they will breakeven by this year end?

Pawan Agarwal So Jharkhand will breakeven by the end of this financial year. Maharashtra, the edition which was launched three years ago will breakeven by end of this financial year. So the newer edition which was launched in the last 2 years in Maharashtra will still need time. The editions which were launched 3-3.5 years ago will do an EBITDA breakeven this financial year. Of course, it is just about 8-9 months old, so Patna would at least 3.5-4 years.

Moderator Thank you. I now hand the conference over to the management for their closing comments.

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