DB Corp Limited

Earnings Conference Call Transcript
May 20, 2016

Moderator Ladies and gentlemen good day and welcome to the DB Corp Limited Q4 FY16 earnings conference call. 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 please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Ms. Malini Roy of CDR India. Thank you and over to you ma'am

Malini Roy Thank you. Good afternoon everyone, welcome to Q4 FY16 conference call of DB Corp Limited. We will be sharing the key operating and financial highlights for the quarter ended 31st March, 2016. We have with us today the senior management team of DB Corp Limited, Mr. Pawan Agarwal – Deputy Managing Director, Mr. Girish Agarwaal – Non-Executive Director, Mr. P.G. Mishra – Group CFO, Mr. Rakesh Goswami – CGM (Finance and Accounts) and Mr. Prasoon Pandey – Head -Investors and Media Relations.

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 risks and uncertainties. Documents relating to the company's financial performance have been mailed to you.

I invite Mr. Agarwal to share his outlook on DB Corp's performance for the quarter.

Pawan Agarwal Thank you Malini. Good afternoon everyone. We would like to share some key highlights of our financial and operating performance for the quarter ended March, 2016 post which we will be happy to respond to your queries.

Our consolidated total revenue for Q4 FY16 stands at Rs. 5265 million registering a growth of around 6.5%. We have registered the circulation revenue growth of around 15.5% Y-o-Y to Rs. 1136 million largely from mature markets. Our advertising revenues came in at Rs. 3600 million, our EBITDA stands at Rs. 1263 million with EBITDA margin of 24%. Our mature market EBITDA margin is 30%. Net profit for the quarter stood at Rs. 642 million. Our consolidated total revenues for the fiscal 2016 stood at Rs. 20800 million as against as against Rs. 20353 million during FY15 registering a growth of more than 2% on Y-o-Y basis. Our ad revenues for the period were Rs. 14812 million compared to Rs. 15166 million and consolidated EBITDA stood at Rs. 5627 million with margins of around 27% after factoring Bihar launch pre-operative expense of Rs. 58.31 million and Forex loss of Rs. 25.5 million. DBCL's consolidated PAT for FY 16 stood at Rs. 2966 million with 14.3% margin against Rs. 3163 million and after factoring Bihar launch pre-operative expense of Rs. 58 million and Forex loss of Rs. 58 million.

We have maintained our leadership in legacy markets of Madhya Pradesh, Chhattisgarh, Chandigarh, Punjab, Haryana, urban Rajasthan and urban Gujarat. We maintained our leadership positions of the largest circulated national daily in India since last 4 times that is since last 2 years as per Audit Bureau Circulation results. We are also pleased to announce that we are the only Indian news daily to feature among the top five most circulated newspaper according to WAN-IFRA.

During the quarter under review, circulation revenue for matured market other than Jharkhand, Bihar and Maharashtra grew by 16% Y-o-Y and net realization grew by 12% Y-o-Y. We continue to undertake several key initiatives to propel the company's growth as we have already laid a strong foundation for the business that now has strong fundamental. Our overall growth is hinged on some key strategic areas including editorial, circulation, yield in our non-trend businesses including digital and radio. Our editorial strategy is centered on a core philosophy of 'Kendra me Pathak', 'Readers in the center' as we are an integral part of the reader's life. Our efforts have been to engage our readers to accounting strategy that enables them to stay bonded with Dainik Bhaskar and remained well informed of all key social, economic, political developments.

Our two-pronged content strategy based on current knowledge enhancement for readers and product differentiation towards growth enables us to create strong reader engagement through thought readership journalism. Several content differentiating efforts continue to be undertaken which are delivering great results. Monday's have been redefined us, no negative Mondays. Weekdays cover city and state, breaking an impactful news. Fridays are 'Zid karo' days. These initiatives to attract youth readership to the edit page while weekends are lifestyle led and also including global content from Time, Harvard Business review which is a top favorite. Our non-content differentiators include good quality of a newsprint, world-class printing facilities and we are the only newspaper printed in color in many places. On the whole our editorial strategy has been cementing greater bonds with the readers and we are continuing to explore how we can challenge ourselves more in terms of editorial content so that we remain top of mind.

Our circulation strategy is bearing fruits. Dainik Bhaskar's strong brand equity has enabled growth in circulations despite rate hike in legacy markets. Reversing established industry standards. We have been reporting 15% CAGR growth in circulation revenue for last five years with the volume growth of 5% and balance 10% driven by yield in core legacy markets. A way forward can be summed as follows.

1. Increasing market share in the state of Gujarat, Rajasthan and Punjab showing growth possibilities.
2. Particularly in MP, CG and Rajasthan, high quality content and enrich product will continue to create stronger reader engagement.
3. Expand Dainik Divya Marathi across few more relevant geographies of Maharashtra at later stage.

Our yield strategy certainly continues to gain acceptance among the advertisers. Our efforts to create thought leadership editorial content and our strategies to expand circulations are continuing to help us, have persistent discussions with advertisers. This is enabling greater appreciation of our brand and reinforcing Bhaskar's high-value proposition compared with peers. DBCL's non-print business continues to make steady strides through our digital and radio experience. Our core philosophy is centered on unique content and the expansion of engaging platforms while maintaining the thrust on technology and content differentiation. Our strategies are yielding results and www.dainikbhaskar.com the largest Hindi news website has now also become the number two news website in the country surpassing all other key online players as per latest comScore report. This has reinforced the growing popularity of Hindi content on digital media successfully transforming earlier preconceptions. www.divyabhaskar.com continues to remain number one Gujarati website. Going forward we will continue to give greater emphasis in Hindi, Gujarati and Marathi, three of the top five regional languages occupying 65% of language space in India.

DBCL's radio business continues to be on course reporting good growth led by a strategy of being the market-leading radio brand in un-metro geographies with significant DBCL presence. Our strategy has guided us well as improving financial reflect with revenues growing in multiples of two times and EBITDA growth in X plus two times during the last five years. The road ahead is exciting and we are well placed with ahead of our primary competitor.

This quarter advertising revenue grew by 11% to Rs. 298 million as against Rs. 268 million in the same period last year. EBITDA stands at Rs. 115 million with EBITDA margin of 39%. We are already the largest player in MP, Rajasthan, Chhattisgarh and going forward with the new frequencies, we shall be the largest players in Maharashtra, Chandigarh, Punjab, Haryana and further strengthening Gujarat with Rajkot.

On an overall basis we are continuing to progress and focus on our strengths to ensure that we are aligned to our vision to be largest and most admired media brand enabling social economic change. We are also employing all means to aggressively keep up our growth momentum and we are working judiciously to generate shareholders value.

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

Moderator Thank you. Ladies and gentlemen we will now begin with the question and answer session. We will take the first question from the line of Abneesh Roy of Edelweiss. Please go ahead.

Abneesh Roy My first question is on the ad revenue front, first 21 days of Jan were pretty good for you, and you had said strong single-digit growth. But overall print growth is flattish, so is there a still reasonable volume dip, if you could give the breakup between volume and the yield? Second is in December quarter you have highlighted education and real estate were the problematic sectors, so is that still continuing, these two sectors still are the problem?

Girish Agarwaal Let me answer this in a totality; overall as you know in this Q4 we have been able to grow the advertising around 2% and if you look at the overall year which means the four quarters, in the Q1 we were declined by 10% on the advertising, in the Q2 the decline was 5%, in Q3 we were able to grow it by 2% and in Q4 also we were able to grow it by 2%. Now as you rightly mentioned that we indicated to you in the month of January when we had the con-call that the number looks on a stronger single-digit. Unfortunately, the later on months didn't support that stronger single-digit but we still manage 2% of the overall quarter basis. Now on the same lines as you mentioned about the education and the real estate. These two segments still continue to be softer, the real estate is still much softer than the education, education seems to be reviving but the real estate is still in not a very healthy situation. But happy to say that now we have already seen almost one month and 20 days so far in this quarter and we are very happy with the kind of revival and the growth coming in so far to us. Further to add on to the whole thing, last year based on our yields strategy we were able to grow our rates by almost 11%. We also saw the decline in terms of volume in the various categories. But happy to say that the Q4 which went on 2% growth and this Q1 of this year, in last 50 days we are happy with the market traction.

Abneesh Roy Are you concerned that in Q3 also it was 2% growth and then Q4 also 2% growth, so ideally you should have gone up and March month why the acceleration has not happened? So in that context your positive view on FY17, where do you see the numbers in terms of growth now, in terms of ad growth for you?

Girish Agarwaal As I mentioned to you, last year we were in the process of the overall rate correction which happened over a period of time, so I can't say in the Q3 all my advertisers agree to my rate increase and suddenly I got everything, the volume was still dipping. But as I mentioned to you the last 50 days have gone pretty comfortable and with this kind of trend we are very excited and happy about going forward.

Abneesh Roy In terms of subscription this year has been really good, if you could tell us how is the next year looking like.

Girish Agarwaal The subscription, we feel that again because wherever we have taken the yield increase has already happened. For example, if you look at the overall, there has been a realization increase of around 13% on the cover price in the net realization to us. So we hope that this year going forward we would have a strong single-digit number coming in and this to I'm talking about store to store sales. We are not talking about the newer market adding on the copies to us that market will be add-on whatever new comes in. But from the same state whatever circulation we have we should be able to get a single-digit growth from that market again.

Abneesh Roy And your peers are also taking the cover price hike?

Girish Agarwaal Some of them are doing it, depending on market to market but not all of them.

Moderator Our next question is from the line of Vikash Mantri of ICICI Securities. Please go ahead.

Vikash Mantri Going on the rate yield increase strategy, now year past and the financial results are before us and clearly looks like you underperformed the industry for this financial year. However, the strategy should yield you better results going forward if it went right. So can you help us that what should be the metric for FY17 in terms of whether it will be both volume and yield growth that we have taken that should help us higher than industry growth to mitigate the losses we suffered in this year relative to market share?

Girish Agarwaal As you know last year we have already taken 11% rate hike and we saw the volume decline because of that. Now this year there will be a nominal rate growth but the larger value will come from the volume only. There will be a volume increase what we are envisaging this year and what we have seen also in last 50 days.

Vikash Mantri I'm trying to understand from a holistic perspective while this quarter is okay, do you think that the strategy did go right is the question that I am asking?.

Girish Agarwaal I would say that this was one of the finest strategies we adopted in the sales in the Dainik Bhaskar Group. In every strategy there are some hiccups going forward in terms of implementation so we did our share of mistakes in the whole thing. But overall when I evaluate the last 12 months' rigorous activity and one year before that also because the whole yield increased the last two years agenda but last one year was very rigorously done with the proper audit and all that. So I think we are very satisfied and happy. Not only us, the entire team of 1400-1500 sales people those who work with us in the organization they all feel very happy about that this call was to be taken by us at some point of time and we gladly took that.

Moderator Thank you. The next question is from the line of Nitin of Macquarie. Please go ahead.

Nitin I wanted to touch upon on the digital part of the business, two years ago when we had an analyst meet at that point of time the business was still nascent and we didn't share any broad numbers. So I think from there we've made investments and have seen revenues also come through. So do you think now is a good time to outline how you see this business pan out quarter next three years, any broad share split on revenue line, what do you think it can be? On the profitability front, how do you see this going forward?

Girish Agarwaal As you rightly mentioned that last 2-3 years whatever efforts we have done has paid out the dividend in terms of revenue growth also and the page view growth also. But having said that we strongly believe that for at least 2-3 years' time we will have to continue investing in this business and the same time we are foreseeing the huge top line growth also, so the exact value is less compared to the overall size of DB Corp but nevertheless it is the huge growth what we are projecting. And as you rightly mentioned, maybe we should make it as a call this time that in couple of months we should call for analyst meet where we should discuss the entire strategy with you on the digital and do half a day exercise with all of you. We shall do so.

Moderator Thank you. Our next question is from the line of Rohit Dokania of IDFC Securities. Please go ahead.

Rohit Dokania If you can talk about the sharp fall in the mature editions EBITDA margin for this quarter?

Girish Agarwaal Its just because of straightaway the advertising revenue because the advertising revenue which has declined by overall first-quarter 10% then 7% then growth of 2% and all. The large chunk comes from the mature markets only because our emerging markets are only Bihar, Jharkhand and some part of Maharashtra. The major chunk is from those markets where they took the decline and the major amount of growth of that 11% rate also has come from there only.

Rohit Dokania But I was referring to this quarter in particular so I agree with your points made for the full year. But this particular quarter I think it is closer to 30% versus almost 36.5% in the base quarter.

Girish Agarwaal It's just because of top-line because if you see the overall businesses, the newsprint price anyways soft by almost 2% in this quarter. I think the impact whatever has come is just because of top-line didn't grow the way we were expecting or we were planning overall in this quarter.

Rohit Dokania The other expenses have grown by almost 15% Y-o-Y.

Girish Agarwaal Other expenses on terms of Bihar because that annualization of Bihar happened in this quarter.

Rohit Dokania And also in terms of receivable days I think there is a marginal increase, so would you want to comment?

Girish Agarwaal It has gone to 69 days so nothing major about it to be very honest.

Moderator Thank you. Our next question is from the line of Shalini Gupta of Quantum Securities. Please go ahead.

Shalini Gupta Could you please give the volume growth in print advertising for this quarter?

Girish Agarwaal As I told you we lost the revenue in last four quarters, in the last fourth quarter we got 2% overall value increase in the quarter. Obviously the volume was down because overall we have got a growth of almost 11% on rate so there was volume declined and hence the overall value was only 2% growth.

Shalini Gupta Going forward we see print EBITDA margins going back to maybe financial year 15 levels…

Girish Agarwaal If you see my EBITDA margin this year we are closing at Rs. 563 crore which is around 27% EBITDA margin which is down by 2% compared to last year and last year we got 29% EBITDA margin overall. If you look at the PAT it is 297 crore which is at 14% margin which is down from 15.5% which is 1.5% decline compared to last year. Now this all decline is largely basis of the advertising revenue not coming up the way we wanted because you look at the circulation revenue, we are up by almost 13% for in terms of realization and even the growth is around 16% overall from the circulation revenue. So the top-line has impacted us because advertising revenue could not come to because of our yield increase. Going forward as I mentioned that this quarter seem to be pretty well placed and we are hopeful that this will continue.

Moderator Thank you. The next question is from the line of Bijal of India Infoline. Please go ahead.

Bijal My question is again on the yield strategy. Now at the time of implementing this strategy, the management said that there is a sharp gap between what we are getting for our readership vis-à-vis what many peers in other states are getting for their readership. In this year you achieved 11% yield growth and now you are saying a good part of growth will come from volumes. So just want to understand that the yield gap at the beginning was only 11% or it was much higher and bit more of yield growth will come through in going forward or we have closed the yield gap which we were trying to do earlier?

Girish Agarwaal This 11% rate growth is obviously minus the government, minus the response category like Classified, Obituary and all that. So that over there and that too smaller up-country advertising, so overall this 11% has only come from the commercial and retail clients because government advertising rate does not increase year on year. So that is the reason this 11% what you are seeing on overall basis if you look at only from the corporate and the retail then the number would be higher. Also as we mentioned to you or this is a rate increase in absolute term then obviously the yield increase is much higher for simple reason because earlier for example I was publishing somebody at Rs.100 or the particular page without charging a premium of that page. Today I'm charging 110 but also I have taken that ad from page #3 to page #7 so I have got more inventory free on my premium pages so I can get some benefit going for that also. So as I mentioned to you this year now since we already have taken the rate increase and the yield improvement now we are not targeting any major rate growth coming to us minus the nominal rate growth. But the whole thing will come from the volume.

Bijal Can you give us some sense of what kind of rate growth your clients would have seen to whom this strategy who actually paid higher, if you can give us some sense the corporate guys how much extra they paid?

Girish Agarwaal I mentioned to you 11% which means somebody must have paid 7% growth, somebody must have even paid 30% growth also.

Bijal No blended basis even in yield of 11% there would be a lot of differences. So I'm asking about blended if you can give the numbers.

Girish Agarwaal No blended number we cannot give because we know 63% revenue is from the retail which is a center to center and 38% revenue is from the corporate basis which is what a state or national level so there is no blended rate I can give you because that will not be a right comparison.

Bijal Is this 11% yield driven by only that 40% of the advertisement which comes from the corporate, would that be correct understanding?

Girish Agarwaal No, out of my total revenue if I delete the government and the response category out we are left with around 75% so yield has come from that 75% category all put together.

Bijal So you are saying that yield would have actually deteriorated a bit because of change in mix so you were printing something on Page 2 now you are shifted it to Page 5. So actually the mix has been adverse and despite this yield is driven, so actually rate increase is higher than that.

Girish Agarwaal Let me correct you; my rate increases 11%, yield increase could be higher.

Moderator Thank you. Our next question is from the line of Yogesh Kirve of B&K Securities. Please go ahead.

Yogesh Kirve I was looking at your balance sheet, your fixed assets have gone up by Rs. 115 crore and there has been also depreciation of about Rs. 90 crore. That's suggests that CAPEX has been to the tune of about Rs. 200 crore, so is that a fair number and can you talk about what was driving the CAPEX.

P G Mishra Radio expansion is 63 crore, Bihar is roughly 20 crore. We have our own office building in Delhi now, we have constructed there it is 21 crore. There was a renovation in the new technology at Revari and Kota that is some 13 crore and remaining normal CAPEX of around Rs. 30 crore across the cities.

Yogesh Kirve Secondly, in the press release you have mentioned regarding Maharashtra that there could be opportunities to enter in few more relevant geographies. So can you talk about that, are you talking about entering any more cities?

Girish Agarwaal As you know we are present in the central Maharashtra overall. In central Maharashtra there are smaller other cities available where we need to have some more penetration. We may look at those markets further going on but that does not invite larger CAPEX from our side.

Yogesh Kirve Any thoughts on entering the Western Maharashtra, Mumbai, Pune market?

Girish Agarwaal As of now, no.

Moderator Thank you. Our next question is from the line of Ashish Upganlawar of Elara Capital. Please go ahead.

Ashish Upganlawar Just want to understand the newsprint price trends and how do you see them going forward?

Girish Agarwaal Our newsprint price in this Quarter 4, we have seen a 2% decline and the rate has been Rs. 33,645 per ton. But when you look at the annualized basis compared to last year we have seen a 6.5% decline in the newsprint rate average cost has been Rs. 33,470 per ton.

Ashish Upganlawar Overall on the advertising, how are things looking, if you could just explain across categories how are the trends seen in general overall put together volumes and yields?

Girish Agarwaal If I have to summarize; example of this quarter Q4 compared to last year Q4, so there has been a decline in the real estate continue the same number. Real estate is still soft. Automobile is able to catch up but still there is a minor decline over there. But the category of FMCG, categories of mobile handset phones, government, lifestyle, healthcare they have shown a decent growth.

Ashish Upganlawar So would it be safe to assume that because of volumes only the growth will come for us next year and it will be may be in higher single-digit or how do you read that?

Girish Agarwaal You are right by saying that it will be from the volume growth only because our rates have already been established now so the main thing has to come from volume. As I told you last 50 days have gone very comfortable, so hopefully if this trend continues and I think in the ground also we are seeing some kind of momentum happening in various categories, so there are things looking positive on that front.

Ashish Upganlawar But as of now it's difficult to put a number for the next year on the advertising, is it?

Girish Agarwaal I can only talk about the 50 days which has gone so far, in those 50 days the growth is very comfortable.

Moderator Thank you. Our next question is from the line of Vikash Mantri of ICICI Securities. Please go ahead.

Vikash Mantri Trying to understand from a 2-3 years' perspective. Now that we have done with Bihar, Jharkhand, Maharashtra, what does the company intent to do with the cash flows that it will generate? Is it largely dividends or we would like to venture out into newer markets just wanted to understand it on that perspective?

Girish Agarwaal As of now when we look at the numbers and look at the planning I think we will be giving this cash as dividends only to our stakeholders. If there is any change in thinking going forward, any new opportunity comes in we will certainly discuss with all of you take your suggestions and then decide a way forward.

Moderator Thank you. Our next question is from the line of Amit Kumar of Investec Capital. Please go ahead.

Amit Kumar Other operational income which we have discussed in your press release which seems to be going up by almost 24%-25% I just wanted to understand what is driving that.

Girish Agarwaal This Rs.8 crore is reversal of a private equity transaction, it will be the one-off thing so that has been taken as other income, nothing less in that.

Amit Kumar I'm not talking about other income. I was talking about in your overall revenue line item itself in the press release you mentioned in other operational income line item which has gone up by pretty hefty amount.

Girish Agarwaal That is why we have a separate division within the company called MP Printers, they do the printing job for us based out of Noida and using couple of our printing facilities. So based on that they do some work and create some income out of that. And also this includes the wastage sale of the newsprint.

Amit Kumar On the FM radio business we see a decent 12% growth in revenues but EBITDA has gone down by a very nominal amount, just wanted to understand where is that incremental investment going?

Pawan Agarwal Largely the investments have gone into people basically. The people investments have been made to strengthen the quality of programming, the quality of sales because going forward we are also trying to see how we can further broaden our market share and listenership as well as in revenues. So we made some more qualitative investments because the business is all about increasing the rate every year because it works on mix inventory and also we have some part of expenses are also on the new licenses that we have acquired, some capital investments.

Amit Kumar When do we expect the new radio stations to start coming up? We have not seen anything in the last couple of months.

Pawan Agarwal Yes, it's all in works with the government. The government body is to set up the stations and the towers and in some places civil work and procure the equipment. So another 4 to 5 months is what we are looking at.

Amit Kumar This is a little bit of surprise because I feel Radio Mirchi actually started operation in a couple of new territories as well. Is it that the capacity is already available in the existing infrastructure in those places or how does that work?

Pawan Agarwal Some of the metro cities the facility was ready and all they had to do is tell the radio stations to put up their own interim set up which will ultimately in 3 to 4 months, also get migrated to the existing one. So because the facility was available that's why some of the stations went ahead and created that. In our market 95% of the stations the facility needs to be created.

Pawan Agarwal And that to be created by the government bodies.

Amit Kumar On the newsprint cost side there has been a 4% increase in newsprint cost and prices have gone down by 2% so the 6% increase in terms of consumption. Could you please help break it down into increased circulation as well as pagination, how will those two parameters move?

Girish Agarwaal There is a 4% increase overall, out of which 4.9% is because of the print order, in fact pages have been flat and the number of days because there have been number of day difference. 1.1% is because of number of days. While there is a decrease in newsprint rates also so if overall we see there is the impact of 4%.

Amit Kumar So these new editions would essentially be Bihar, the new Bihar edition that you launched?

Girish Agarwaal Exactly.

Girish Agarwaal But the PO increased which is 2.5% has happened in the existing market of MP, Rajasthan, Gujarat and Haryana also.

Amit Kumar Overall increase of 4.5% out of which 2% coming in from Bihar and restis coming in from existing markets.

Girish Agarwaal Yes

Moderator Thank you. The next question is from the line of Jai Doshi of Kotak Securities. Please go ahead.

Jai Doshi I just want to understand how you have progressed in Maharashtra market and Bihar market over the past two years or in Maharashtra maybe 3 or 4 years? How do you rate Maharashtra launch versus your previous launches in Gujarat and if you could give some idea about market share in Maharashtra in the market that you are operating today?

Girish Agarwaal As you know in Maharashtra we are operating only in Central Maharashtra. Within that market the acceptability is pretty high. In no period of time we have been able to establish ourselves as one of the lead player in that market, so it's been a pretty good. But in Maharashtra the challenge only remains that we are in central Maharashtra. So rest part of Maharashtra is not with us so that's somewhat challenge we could say. Looking at Bihar, circulation wise we did a fantastic job in Bihar in the first year but ad revenue wise the first year was slightly not very encouraging because local competition kind of things up and all that. But happy to say last four months Bihar growth has certainly take the hugely and we are confident and then we see you again, discuss with you again in the first quarter of this financial year we will give you very exciting news about Bihar.

Jai Doshi In your previous launches in Gujarat and Rajasthan you had IRS numbers which were well regarded and at the back of support of IRS numbers you would have seen very strong growth in the initial years. So now in absence of that if you could give us some color on how Maharashtra as the market would have grown for you in the past 2 or 3 years on a CAGR basis?

Girish Agarwaal You are right because that IRS report been right and coming out from the market with that regular frequency. So the national advertising which is 40% kitty, is the ones with depends on the IRS numbers. So that I am sure would have got another 10% to 15% benefit coming from there for that market.

Jai Doshi Any color you can do on the CAGR growth of Maharashtra over a 2 year, 3-year period?

Girish Agarwaal As we appreciate we don't give out the state specific details because of the competitive scenario.

Jai Doshi When we talked to your peers listed as well as unlisted peers, the sense we get is some of the markets in the Hindi belt where you are a dominant player, overall print environment has been very sluggish whereas in couple of other states where you don’t have presence things are pretty good and this is sort of consistent for the past 3 or 4 quarters. So have you been able to understand what are the areas which are actually bringing down or drag for the markets where you are present and when should we expect an improvement in outlook if you can give some color.

Girish Agarwaal As you rightly mentioned that in the markets where we are present in last 3-4 quarters, the markets has been very sluggish in few areas. Because as a leader we were not getting the revenue, we were also not getting the volumes and since the leader doesn't get the volumes and revenue, the market has got to become sluggish only from the newspaper industry as such because we were driving the yield agenda. The advertisers realized that if I'm not able to carry the ad obviously, they didn't go to the number #2 guy who doesn’t have the force to cover up the market. The overall market saw the volume dripping because when the leader drops the volume the market generally goes down. But as we just mentioned to you that now things are looking much better going forward so we are hopeful that this sluggish tag which has unfortunately come into our market will go away.

Jai Doshi Was it largely local retail advertisements in specific or even the corporates or national advertisers were spending less in these markets?

Girish Agarwaal No, both for example if I don't carry an ad of a particular advertiser from national or local then obviously that segment for that advertiser also reduces. So there is no ad of that particular advertiser in that market for a while, so that's the reason able may be thinking that the volumes are down or the market is sluggish. But I don't think is sluggish, markets are pretty robust and things are back. As I told you we are seeing a pretty good growth coming to us.

Moderator Thank you. Our next question is from the line of Dheeresh Pathak of Goldman Sachs. Please go ahead.

Dheeresh Pathak Last 4-5 years we've seen strong mid-teen circulation revenue growth Should we expect to see the same numbers because it seems very unintuitive to assume that every year we can have cover price increases to that extent. So can you just help us understand that what should be the expectation for circulation revenue growth?

Girish Agarwaal If you see last 3-4 years whatever circulation revenue growth you are seeing – it has two buckets. One is the new markets Bihar, Jharkhand, Maharashtra that will come in. Also there is another bucket of the existing market, in our existing market also if you look at the ABC number, we have been able to grow almost 9 lakh copies in last five years' time. So that 9 lakh copies from existing market also gave me the overall revenue growth in the circulation and at the same time we have been able to increase the cover price also backed by the very strong editorial content. So I think all this put together will continue to grow in the same fashion largely going forward also.

Dhiresh Pathak Last five years if you see the CAGR is 15%, if you were to just look at the third bucket which is just like-to-like our price increase that would have constituted how much to this 15%?

Girish Agarwaal That would be a single-digit and I think that single-digit would continue.

Dhiresh Pathak Mid-single-digit?

Girish Agarwaal Yes mid-single-digit obviously.

Dhiresh Pathak So with this print ad revenues declining 5% for the full year, you said volume was down 16% and the rate increase was up 11% so that give a (-5%) value growth for full year. Now we have to be meaningfully up this year for us to compensate as somebody else was also asking to compensate for the decline in value we saw last year for us to conclude that we know the strategy of the yield increase has worked out. So would we see high teens growth in ad revenues this year for us to then make up for the loss of value we had in FY16?

Girish Agarwaal I'm happy to note that you're talking the same language as our board talks to us. So the team is working for that and we are pretty confident to make it up this year.

Dhiresh Pathak So if we don't see high-teens ad revenue growth would we say that we should be very disappointed this year?

Girish Agarwaal Yes I will be personally very disappointed. But I am assuring you that won't happen.

Moderator Thank you. We will take the next question from the line of Sharan Basaapa of Karvy Stock. Please go ahead.

Sharan Basaapa I just wanted to know the circulation per day like for FY16.

Girish Agarwaal For FY16 if I see my average is 52.15 lakh copies on a daily basis.

D B Corp Ltd

Sharan Basaapa How much of that is coming from the new markets like from Bihar and Maharashtra and wherever the new initiatives have taken?

Girish Agarwaal We don't disclose the state specific numbers unless and until they are certified by the Audit Bureau Circulation because as you know we are member of Audit Bureau Circulation and as per ABC unless and until they certify I'm not allowed to disclose the uncertified number in the market.

Moderator Thank you. We will take the next question from the line of Shalini Gupta of Quantum Securities. Please go ahead.

Shalini Gupta I just wanted to confirm on piece of statistics that was stated earlier. For financial year '16 ad-rate hike was 11% and volume decline was 16%, is that so?

Girish Agarwaal No we didn't say 16% volume decline. There is 11% ad-rate hike but again the yield is different. So my humble request to you that it's not a simple 2+2=4 because the rate increase is 11% but when I break this down rate to a state wise different, package wise there is a different number. So we did some kind of averaging out and see the 11% overall rate increase. Though it's a fact that there has been a decline of 4.5% in terms of overall ad-revenue so if you are simply trying to club those two and say are having at a number of 16% volume decline, so that may not be 100% correct from an overall perspective. But you are in the same ballpark number.

Moderator Thank you. Our next question is from the line of Amit Kumar of Investec Capital. Please go ahead.

Amit Kumar Just continuing with one of the points raised by the caller, the fact that we're essentially saying that the print market in the couple of states has been sluggish. When we look at this from the viewpoint of the advertiser, they still need to sell their product essentially. Is it the change its just sort of pull back advertising from print or specifically from DB Corp, there are sort of increase the investments into other mediums potentially outdoor or FM radio? Any intra-segment shifts in advertising spend that you either notice or if you are aware of that essentially?

Girish Agarwaal Frankly speaking I would say some of that did try some combination here and there taking my competition, somebody said 'okay, I will try to catch up from the television' and all that. But it's not that I was totally blocked out by them. For example, if somebody was using a full-page with me earlier and I said I'm looking for a higher rate, he said 'okay in that case I will come to you with a half page ad or a smaller size' or the frequency got reduced or the page position was compromised. So it's not that that it was go or no-go situation.

Amit Kumar My point still is that if let's say there was an advertiser who was giving you a full page ad previously and now half page even with higher rates then effective spends on DB Corp would come down.

Girish Agarwaal Kind of saved that money from that.

Amit Kumar The money that they save, did they keep it with them or did they spend it in the market but with different media platforms?

Girish Agarwaal We didn't see much of activities happening otherwise by those clients on the ground and they don't disclose other details numbers. But we didn't see much of activity on the other vehicles.

Amit Kumar You mentioned that in pagination on Y-o-Y basis was flat and despite the fact that you launched new edition in the Bihar market which I presume would start with slightly lower pagination compared to the system average. So what is the reason for that because if you had double-digit increase in terms of rates whichever way we slice and dice we are still looking at a double-digit decline in terms of ad volumes? So your ad volumes are coming down to that extent that would have reduced your pagination as well, if you can just give some color on that?

Girish Agarwaal You will appreciate that it is not that since my volume has gone down that drastically and I would certainly go and reduce the page that much because for example when a reader is anyway paying Rs. 3.50 for a newspaper which is a 24 pager newspaper. So I can't tell him that since I'm getting less rate so I will now charge you Rs.3.50 only for the 20 pager newspaper. I have to give him 24 pager newspaper only because he was paying me for that. If you remember one side we are increasing the circulation price, cover price so I can't reduce the pages for him in spite of charging you higher on that.

Moderator Thank you. Our next question is from the line of Ankit Kedia of Centrum Broking. Please go ahead.

Ankit Kedia What would be your average cover price now on net realization per copy?

Girish Agarwaal Rs. 2.35 paisa for the year 2016.

Ankit Kedia An average cover price?

Girish Agarwaal Rs. 3.65 paisa.

Ankit Kedia What has been the increase on an annual basis if you could share that?

Girish Agarwaal On the net realization 13%, 12.7% to be more precise.

Ankit Kedia You are saying that this number could be high single-digit number going forward?

Girish Agarwaal On the apple-to-apple comparison, yes. But the new markets, new copies come that will be separate.

Moderator Thank you. As there are no further questions from the participants, I now hand the floor back to the management for closing comments. Please go ahead sir.

Pawan Agarwal I thank you for your participation and time on this Earnings Call. I hope we have responded to your queries adequately today and we will be happy to be of all assistance through our investor relations department headed by Mr. Prasoon Pandey for any further enquiries. Thank you very much.

Moderator Thank you members of the management. Ladies and gentlemen on behalf of DB Corp that concludes this conference. Thank you for joining us and you may now disconnect your lines.