D. B. Corp Limited

Q1 FY 2018 Earnings Conference Call Transcript
July 21, 2017

Moderator Ladies and Gentlemen, Good Day and Welcome to the DB Corp Limited Q1 FY 2018 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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 Q1 FY 2018 Conference Call of DB Corp Limited. We will be sharing the key operating and financial highlights for the quarter ended 30th June 2017.

We have with us today the senior management team of DB Corp Limited; Mr. Pawan Agarwal -- Deputy Managing Director; Mr. Girish Agarwaal -- Non-executive Director; Mr. P. G. Mishra -- Group CFO; and Mr. P. K. Pandey -- Head, Investor and Media Relations representing DB Corp on the call.

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 e-mailed to you.

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

Pawan Agarwal Good afternoon, everyone. We would like to share some key highlights of our financial and operating performance for the quarter ended June 2017 post which we will be happy to respond to your queries.

Total revenues for the quarter stood at Rs. 6,012 million as against Rs. 5,787 million reported during corresponding period last year, higher by 4%. The growth was achieved despite a higher base of last year, continued impact of demonetization, and pre-GST uncertainties. Ad revenues for the quarter grew by 5% and it stood at Rs. 4,336 million as against Rs. 4,136 million reported in Q1 of last fiscal. Circulation revenues also grew by 5% and stood at Rs. 1,234 million as against Rs. 1,176 million generated during Q1 FY 2017.

EBITDA for the quarter stands at Rs. 1,933 million, higher by 4.3% against Rs. 1,853 million reported in Q1 of last year. The improvement was primarily on account of prudent cost management and higher revenue generation. Tighter cost control resulted in maintaining impressive operating margins of 32% for the quarter.

PAT for the quarter grew by 6% and stood at Rs. 1,101 million as against profit of Rs. 1,040 million generated in Q1 FY 2017.

We maintained our leadership in legacy markets of Madhya Pradesh, Chhattisgarh, Chandigarh, Punjab, Haryana, urban Rajasthan and urban Gujarat.

Over the last few months, we continued to implement our strategy programs which have ensured growth and progress across our print, radio, and digital segments and also culminated into strong internal cost management, supporting our profitability.

With our editorial strategies centered on the philosophy of 'Kendra Mein Pathak', we continue to adopt efforts to build stronger readership engagements through refreshing content. We recently implemented revised editorial plans with new segments for broader appeal also extending to satellite additions and undertook an editorial-led awareness initiative to demystify GST for our readers which received a huge number of queries that were responded to by our team of experts.

We are also deepening our roots in the Surat market, which was launched in April this year.

DBCL non-print business continues to establish stronger and wider connect with audiences through our digital and radio offerings. Our strategies are yielding results and dainikbhaskar.com continues to maintain number 1 spot for Hindi news. Divyabhaskar.com continues to remain number 1 Gujarati website. Our digital properties have been showing good traction, and we have become an integral part of our readers news needs by offering real-time, impactful and engaging content. DBCL's radio business continues to demonstrate good growth momentum. This quarter, our advertising revenue grew by 11% to Rs. 312 million as against Rs. 281 million in the same period last year on a higher base of last year.

EBITDA stands at Rs. 56 million. MY FM continues to be number 1 in Maharashtra, Rajasthan, Chandigarh, Punjab, Haryana, M. P., and Chhattisgarh.

We have undertaken several growth-oriented initiatives across all our platforms and the current focus is on ensuring implementation and monetization of these efforts. We are encouraged by the milestone achieved and are excited about future opportunities in emerging urban clusters beyond metros that are demonstrating growing consumption potential.

The world is looking at India as our country undertakes several significant reform driven efforts to improve business environment. Such endeavors together with a better global economy, normal monsoon prospects, stable commodity prices, and the positive impact of the pay commission reforms are good signals that India is geared for strong growth.

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

Moderator Ladies and gentlemen, we will now begin the Question-and-Answer Session. Our first question is from the line of Abneesh Roy of Edelweiss.

Abneesh Roy My first question is on digital business, which is a future growth driver. Last many quarters, it has been kind of in that Rs. 12 crore - Rs. 14 crore - Rs. 16 crore number and on a Y-o-Y basis in fact it is slightly down, so what is the issue here?

Pawan Agarwal Okay. On the digital business for the last couple of quarters especially the last two quarters our focus has now because we are realizing that the numbers are growing much faster than what we expected in the traffic. And hence, to give that different experience to the new user, we have taken a conscious call to remove all the irritant advertising from the platform, so that the new users who are coming to us stay now on the platform and we feel that the growth is much bigger with having a larger user base than with a smaller user base and load them with advertising. So, we have taken a conscious approach. Our focus is on growing the traffic and the consumption and not on the revenues in the mid-term now on digital and that is why you see a lower growth in advertising.

Abneesh Roy Sir, could you please help me understand why is it that the ad revenues are not growing despite pick up in traffic? I understand you are saying that irritant ads are removed, but then, you are ultimately doing this for monetization. So, when do you expect the higher traffic to translate to higher currency?

Girish Agarwaal See, two things are happening here. Whatever traffic we have increased and at the same time since we have taken out certain advertising over there so our overall advertising number you do not see a major growth happening there. Had we continued with those irritant advertising we could have shown couple of crore more. But I think in the mid-term and long-term that will not be useful for us. And hence, we have taken that call. So, frankly speaking, when it comes to revenue of digital since the overall number is not that great we have decided that for next at least 12 to 18 months time our focus will not be on the ad revenues with more focus on the numbers because when the numbers are stronger with me, we can talk about monetizing it better.

Abneesh Roy Sir, second question is in terms of circulation revenue, last six - seven quarters it is coming down every quarter in terms of growth. I understand, whenever advertising revives we do see circulation revenue taking a backseat. Currently, what is happening even ad revenue there is no big buoyancy in the overall market because of one reason or the other. So, in that context, what is the number you are targeting FY 2018 - FY 2019 in terms of circulation both cover price increase and in terms of copies?

Girish Agarwaal So, in the cover price increase we have taken a call last two quarters back that whatever cover price has increased in last two years' time, now we are not going to increase any cover price. So, this growth what you see currently of around 5% in the coming quarter this will further go down because we are not taking any cost increase anymore, not any price increase. So, whatever is the annualization impact coming in that we will get. Now, whatever growth will come going forward has to be on the circulation increase. For that, we are putting all our efforts in the market and we are very confident something major we have announced for the reader scheme this month itself so that by the next quarter when we meet with you we will be able to announce some good circulation growth numbers.

Abneesh Roy And sir, finally, in spite of the high base last year although two years back it was a soft base, you have done reasonably okay in the current context. Now, do you expect that to accelerate from here?

Girish Agarwaal To be very honest, this 5% growth is not a great number what we have achieved and we are not very satisfied with that. But there have been many issues in the market like in the month of June, GST issue became bit of dampener for the entire market. But looking at the overall scenario, going forward we are confident that the number will only improve.

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

Yogesh Kirve Sir if you look at the cost, especially non-raw materials employee costs are up by only 3% and other operating expenses are almost flat on Y-o-Y basis. So, are there any specific costs initiative that we have resorted to in last one or two quarters? And what should be our outlook in terms of this cost going forward? So, is this quarter sort of a sustainable number?

Girish Agarwaal Since you mentioned about the cost and the cost efficiency, I am very happy to announce that this quarter we have a print EBITDA margin of 35% which is the highest ever achieved by the company since we got listed. So it is a great work which the team has done in terms of cost optimization. Frankly speaking, going forward, our effort will be on that that how do we control that cost. In terms of manpower, we have decided as a company that we will not induct any new manpower in the existing market unless until with a new edition launching or new printing set up coming in, we have put a total embargo on the new recruits in the company except for the new positions altogether. And similarly, other costs also we are trying to do our best. On the newsprint side, there has been a cost increase because the newsprint price has increased and also, there has been some pagination increase also in this particular quarter if I compare on a Q-o-Q basis.

Yogesh Kirve Right. So, in terms of other operating expenses and could you talk about the cost heads where we are focusing on in terms of controlling the overall cost structure?

Girish Agarwaal See, overall, if you see, there are three large heads in our business. One is our news print cost, second is our personnel cost and other production cost. So, personnel costs, as you can see, is already largely under control and other operational costs also is largely under control. Newsprint is something which we are trying to optimize but it is not majorly under our control.

Yogesh Kirve Okay. Sir, secondly, on the advertisement revenue you spoke about the headwinds on GST in the month of June. So, is it possible to share what has been the growth in the April and May prior to the GST related impact came in?

Girish Agarwaal April - May went up to as high as almost 7.5% - 8% and June was almost flat and we are hopeful that August - September will show the real growth because July is anyway a monsoon month and people are still settling down on the GST issue. So, we hope that things will further move on. Another important aspect in the last quarter why though we wanted to show a higher number but we had a higher base also last year, so that is the reason. But having said that, we are not very happy with the 5% growth because we believe the markets we are in if certain corrections are done in the market in terms of GST and all these minor issues then I think we can do that. Another big impact, which has been on the industry, not only on our newspaper and other newspaper also is the real estate category. Now real estate category is actually a very big print advertising category. Unfortunately, in last nine months, since October last year, this category has really nosedived and now the RERA came in and now lots of people are yet to understand RERA, get them registered themselves in that and all that. So, we are confident that the way we spoke to all the builders that in couple of months when this RERA issue gets settled down then all these guys are going to bounce back from Diwali period onwards. So, that will be a one big category coming back in the system.

Yogesh Kirve So is the real estate witnessing a negative growth in terms of...

Girish Agarwaal Let me give you the exact number on real estate. In real estate, yes, there has been a negative of almost 20% compared to last year.

Yogesh Kirve Sure, sir. Sir, final question, if I may, this is on the circulation you just alluded to, there is some scheme to ramp up the circulation. In the past, we have been conservative in terms of growing number of copies. So, just if you might share your philosophy about why are we now getting more aggressive in terms of copies?

Girish Agarwaal No, we have never been conservative in terms of growing circulation. We have been growing circulation in whichever right market we have been and furthermore, since we believe that the market is now coming back in terms of advertising going forward. So, we are putting all our efforts in right from Gujarat to Punjab to Rajasthan and Bihar and all that and in the coming months you will see the larger impact of that also.

Moderator Thank you. Our next question is from the line of Ankur Periwal from Axis Capital.

Ankur Periwal To start with if you can provide some highlight in terms of advertisement revenue. Although June was slightly dampener because of GST but especially, April and May, which all sectors are showing some improvement and the mix between the retail as well as the national advertisement local and national. How has that mix changed for us?

Girish Agarwaal Education, automobile, response and lifestyle, these are the categories, which have shown good growth. Especially, automobile has shown a growth of almost 12%, 19% actually. And large chunk of growth actually has come from the national market, corporate market because what has happened, real estate is the 100% local market, that has de-grown by 20%. So, for those guys to match on this 20% and show even a couple of percentage growth was a big deal and the national market, because they were not negative they were almost neutral. And hence, for them anything coming up was a positive growth.

Ankur Periwal Okay. Fair enough, and, sir, one clarification. Earlier, in your comments, you did mention that we do not envisage taking any cover price hikes now. But if at all, any rise in newsprint costs, how do we stand there? We will take the hit on our books and let the cover price remain the same?

Girish Agarwaal Yes. Till March 2018, we have decided we will not take any cover price hike. And we do not see any major newsprint price hike also happening in next nine months' time.

Ankur Periwal Okay. And at the same time, our push for circulation will continue at the same pace or even a higher pace?

Girish Agarwaal Higher pace.

Ankur Periwal Okay. Any guidance you would like to share in terms of increase in circulation copies for the financial year?

Girish Agarwaal We will talk about that in our next earnings call.

Moderator Thank you. Our next question is from the line of Gaurang Ved from Ved Capital Advisors.

Gaurang Ved Sir, my question pertains to capital allocation policy for our company. Last year, company didn't declare final dividend and you said, that you are evaluating many options to return excess cash to shareholders. So, my question is that when we will be able to decide on it? And any color on payout ratio? Or how we plan to utilize excess cash, sir that would be highly appreciated? Thanks a lot.

Girish Agarwaal Sure, so, as we mentioned to you, we are still in the process of evaluating various alternative which can help more accretive and value addition to the stakeholder and I would request you to give us some more time to come back to you on that may be in the next couple of quarters.

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

Vikash Mantri Couple of questions sir, firstly on the newsprint. I thought that with the rupee appreciation and some softness in newsprint prices our cost for the coming quarters should be lower than what we have recorded in this quarter?

Girish Agarwaal See, what has happened the newsprint what we have purchased from imported was actually bought two quarters ago so the advantage of the dollar softening has not come to us which has happened in this quarter and also on the imported, newsprint has increased that furthermore will kind of settle off because it was 0 now it has become 5%. So overall, we are expecting it like for example, if you see Y-o-Y our newsprint prices have increased by around 6% from Rs. 33,980 to Rs. 35,988 so around 6% increase. But if you see Q-o-Q the percentage increase is 0.3% only. Going forward we believe this 6% increase in the newsprint for next quarter will be good enough.

Vikash Mantri Okay and, sir, just wanted your opinion. Do we think that foraying into news broadcasting space fits into our business model as a natural progression of news dissemination?

Girish Agarwaal We have not evaluated that in that detail. And as of now, as we speak, Company has no plan currently to get into any news broadcasting foray.

Moderator Thank you. Our next question is from the line of Amit Kumar from Investec.

Amit Kumar On the FM radio business sir, wanted to understand this 11% growth that we have seen in this particular quarter. What has been the like-to-like growth from the legacy stations and how much have new stations contributed?

Pawan Agarwal So, the legacy stations have been just about flat in this quarter. The new stations have contributed to deliver the overall business at a double-digit growth. The first quarter also saw impact of GST, and the real estate going down. But our position in all our stations is fairly strong in terms of our leadership in the retail and the corporate markets and we are very hopeful that these stations with our pricing strategy and our content strategy will continue to grow as well. While all the 13 stations have also been launched very successfully and we have had a good market share in those cities as well.

Girish Agarwaal Having said that, last year radio in this quarter in these markets grew 31%. So, on a 31% they were able to maintain flat so I know the radio team has not done a great job, but they have been able to manage through this way. But I take your point, we need to really pull our socks up in radio and do something better over there.

Amit Kumar And, sir, even on radio like print, you expect progressively growth rate to improve going forward?

Pawan Agarwal Yes. We do. The ad rates are moving forward. So, happy to share with you that in Q1 itself we have had a high single-digit rate growth in the radio business which is much higher than the rest of the industry.

Amit Kumar Yes, that was my next question. I mean, there has been a rate hike impact today even Fever FM has taken a 20% kind of rate hike. But I believe, given the kind of environment 20% - 25% sort of rate hikes would be very hard to stick. So, this improved growth, how will this sort of trend in terms of rates and in terms of volumes essentially?

Pawan Agarwal See, every year the radio business has to take a hike. We also did a hike last year but the industry also did a hike last year but it didn't get implemented. At least, it did not get implemented last year to be honest. This year, most of the players have taken a rate hike. But very few people have actually been able to actualize it. We have been able to actualize the rate hike to a high single-digit and the new customers are all coming at a double-digit growth from the prevailing rates. And that completely depends on how strong is the delivery of the brand and that is what we are focused on.

Amit Kumar All right. Sir, just a quick book keeping question on print because the category seemed to be having very differential growth autos in double-digit growth and real estate double-digit in fact almost, 20% decline. If you could just help me with the top five advertising categories that you had in this particular quarter?

Girish Agarwaal Education, automobile, response, healthcare, FMCG, these are our top categories which contributes almost 55% of the business.

Amit Kumar Sir, finally on the digital side of the business, so, I understand the point that you do not want consumer experience to get impacted. But fact is that, we have a similar sort of positioning even on the print side. I recall couple of quarters or probably a year back, you had decided that we do not want to really have too much of advertising for example on the front page. So, this balance between consumer experience and monetization is very well appreciated. But we have a situation where on the print side, we are still delivering a decent growth on a base and a 35% sort of EBITDA margin. And why is that consumer experience to monetization balance been so much harder to maintain in the digital space?

Girish Agarwaal See, what happened in print you get a right of way which means when I come into your house in the morning and I am the only newspaper in the morning, sorry to say whether you like those three jackets on the front page or not you at least read me. While in digital, the moment I am irritating you, you will simply press two - three more buttons and you are out of me. So, we are saying that we do not want to irritate our newsprint readers also and the same time digital readers also. So, we are taking very calculative measures towards that.

Amit Kumar Sir, I appreciate the point. The point which I am asking is that you are trying to maintain that balance on your print product also. So barring probably the festival season, etc., not too many jackets that you see on a normal basis on DB, it is really front page content and little bit of advertising that also you have maintained. So, I am saying that balance even when you are not doing those jackets on print even in a non-festival quarter for example, Q1 you do not have any festivals so even so you have pretty decent advertising revenues and advertising growth. But on the digital side the base is still quite low, the overall operating metric seem to be doing fine I understand you are not doing those inclusive ads which makes sense under the current ad blocking trend environment but still why is that balance so much harder on the digital side in terms of ad rates because you have many millions probably actually more unique users on the digital side than you do even on the print side?

Pawan Agarwal It is a matter of building a habit actually. You have a habit of reading the paper and you sort of grow with that fact that during festival there will be more ads, those ads you start relating to those. I think, digital is coming up and people are still trying to find value in the advertising that they see on their phones, on their mobile, or on their desktop. So it is important that, that reader is treated with care and you do not really push him away by showing him something which he does not want to see. The primary reason of a person to come to the content side on phone is to see the content and not see the ads which force him to see the ad before he actually gets to the content. So, that is the decision that we have taken that I think what is more important for us is to build a habit actually for our loyal reader. We have a huge loyalty in print. We want to build the same loyalty in digital as well. We want him to come to our site every single day without thinking and we want to build that habit and then start introducing advertising to him and build a larger base actually that will be more valuable than a smaller base with loaded advertising because that opportunity exists in digital.

Amit Kumar So, you seem to be indicating that it is still a build phase essentially and that is why the addition?

Pawan Agarwal We are still talking about 25% - 30% sub-optimal Internet penetration in India which is going to grow 2x – 3x in the next couple of years. So, Internet is still in a very-very build-up stage in the country.

Amit Kumar Okay. Sir, just one small quick follow-up on this. On this, entire unique users how much are coming from the website and how much from the app? And is there a difference between in-app monetization versus normal website monetization?

Pawan Agarwal See, the app monetization is loyal because he spends more time. But the monetization is largely similar across platforms per visit but the person who visits more actually ends up paying you more. So, there is more stickiness on the app and there is a larger user base on the mobile. And to answer your question, the mobile is what is dominating the entire share of traffic, desktop is now flat, rather de-growing actually which is okay which is because of a small base now anyways.

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

Miten Lathia On newsprint prices, when we look at international newsprint prices we are seeing 2% - 3% decline on a Y-o-Y basis but we have reported close to a 7% - 8% increase on a Y-o-Y basis. Is that inventory impact? Or is there something else at play on newsprint prices?

Girish Agarwaal So, frankly speaking, as per the numbers, what we have seen very clearly that the imported newsprint also are increasing comparatively but Indian newsprint is increasing higher than the imported newsprint because what happened, Indian newsprint manufacturer they see that trend happening in the international market. International market two things are playing – one is that the price that whatever is happening is fine. But bigger issue in imported is happening that there the curtailment in the capacity happening in the international global market. So, because of that the trend noticed by the Indian manufacturer that the standard newsprint supply from international market is going to get curtailed down and hence they play on the prices in Indian market.

Miten Lathia If it is possible for you to share what are sort of going rate on newsprint, the one that we would be consuming post June or in the month of June that would be very useful to understand the trend here?

Girish Agarwaal So, my current rate for this quarter in the newsprint is 35,988 per metric tonnes.

Miten Lathia That was in Q1?

Girish Agarwaal It was in Q1. And going forward, we believe if I consider Q-on-Q I could expect 1% or 2% growth in Q-on-Q happening on this.

Miten Lathia Okay. Because what has happened is that we had rupee appreciation on an average basis from Q4 of last year to Q1 of this year and that should have reduced the landed price of imported newsprint for you?

Girish Agarwaal No, but in imported what happens is first of all, we have a four month stock on the imported newsprint we buy forward almost four to six months that is one. So, the impact of the current dollar advantage may come later to us. Another 5% of the GST has come on to the imported newsprint. So, that is also impacting overall pricing.

Miten Lathia Sure, sir. But the GST would be offset against the GST that we will charge on our advertising. The GST is not a net impact.

Girish Agarwaal Yes, one-third impact coming on to us, one-third of that.

Miten Lathia One-third of the 5% is impact, is it?

Girish Agarwaal Yes.

Moderator Thank you. Our next question is from the line of Vivekanand Subbaraman of Ambit Capital. Please go ahead.

Vivekanand Subra Just wanted to understand now that the print business EBITDA margins are nearly at an all-time high and if you expect ad revenue to improve through the year, what are the key areas or key markets where you will result-invest? Will this make you consider foraying into a new market or acquiring something? That is question number one. Secondly, we are seeing a lot of competitive activity in U. P., where papers are launching flanking editions, lower price and lower pagination editions, is that contagion spreading in your markets? And is this happening because of the IRS being imminent? Or any thoughts on that would be appreciated?

Girish Agarwaal Okay. So, let me start with the margins. So, as you know, the margins are at an all-time high and we expect the advertising revenue to further grow. So, we do not intent to launch in any other newer territory at least for this year. So, over the next 9 to 12 months' time, we will not be launching in any new geographical territory where we are not currently present our focus will be to grow copies, invest more in the existing market of ours, because we believe there is a lot of potential left in those markets still. Coming to the second point, competitiveness that you are seeing in one particular market frankly speaking in all our markets we see this on and off. So, whether it is a Gujarat or a Punjab or a Bihar or Madhya Pradesh all these activities are a part of the business these days. So somebody will do it or we will do it to somebody. So that is a regular business.

Vivekanand Subra Okay. So, you do not foresee any specific calibrated launches by competition on the compact or smaller additions in your markets, is it?

Girish Agarwaal It is all been done in our markets. So, we have done it and competition have done it. So, it is a regular part of the business. It keeps happening on and off. So, nothing to really worry about.

Moderator Thank you. Our next question is from the line of Vikram Ramalingam of Maybank.

Vikram Ramalingam Sir, you spoke about how the irritant ads are being removed for better user experience and that is fair. But sir, do you not have a tie-up with Google, where you list some of their ads on your portal and some kind of a tie-up that they also list our website on the site first? So, does that get impacted now that you are looking at reducing the number of ads?

Pawan Agarwal Okay. So, Google has multiple options. They give ad options which are irritant, they give ad options which are not irritant. We chose to remove the irritant options but we continue to work with Google and Facebook and all other network partners as well as our direct clients and agencies to put ads, which are not intrusive. So, it is not that we have removed ads from the site we are actually creating a better user experience even with the ads as well and with that, we should be able to actually balance the two and not just completely cut down on the entire ads and when I say irritant, irritant could be an ad which looks like a content actually but when you click on it you realize that it is an ad. So we removed such properties. For example, a pop-up which comes on the screen before you even get to the site which sticks on the site for 10 seconds, 5 seconds we have removed all of that.

Moderator . Our next question is from the line of Bhaskar Bukrediwala from ASK Investment.

Bhaskar Bukrediwala Just wanted some perspective on your digital side in terms of what is the user base, how it is been growing? And in terms of monetizing it, what is the number that you are looking at which you think that you will reach and from where the monetization in terms of ad revenues can happen faster? Is there anything that you are targeting? I completely agree on the strategy of increasing the user base the experience and then monetizing but do you have some numbers in mind and what can you share that?

Pawan Agarwal So, we are currently in the range of 85 million to 90 million unique users per month. This is across the Hindi, Gujarati, web sites. We are looking at this number to double in the coming years. More than just doubling this number, we are also looking at fact that the frequency of this user goes up. Right now, the challenge with digital user is a person does not come to the site every day. So, if you have 90 million people, not all of those 90 million people come every day. Our endeavor is that how do we make at least 20%, 30%, 40% of these 90 million people, come every day and spend time on the site and that would happen with cheaper Internet connectivity, with stable Internet connection as well as sticky content and a great user experience. Those are the three areas that we are working on. So, if that stickiness goes up, the same user base will actually end up being monetized much better than what it is right now because...

Girish Agarwaal To add on further, we are now developing video expertise because we know people want to read and at the same time want to see a lot. So, we have set up a whole video division in our company. We will be focusing a lot on the visual content videos also on that digital websites.

Bhaskar Bukrediwala So couple of questions, sir. Do you monitor the number of hits that are currently happening? And is that going up (a)? And second, you mentioned about this 85 million to 90 million users that are coming, how has that number been growing? I mean, you are talking of doubling that, but if you can give some perspective of what it was a year back or maybe couple of years back and what at this point?

Girish Agarwaal So frankly speaking it is a pretty complicated metric. It is not just the number of 85 million, 90 million because if I look at that number a year back we were at 44 million or 42 million. So, that way we have grown by 100%. But that does not really make us happy because we are more concerned with people those who are coming in, what age bracket are they coming in? What is the frequency are they coming in? Are they coming in once a month, 5 times a month, 10 times a month? How much time are they spending? What all they are reading in the paper? Are they coming through Facebook? Or they are coming through my website directly? There is a pretty lot on the metrics and we are working on it and hence, we realize that there is enough to do just rather than getting a number from 90 million to 180 million.. And the team is working for that.

Bhaskar Bukrediwala Sure. Just one last thing from my side. While I agree that currently the digital platform is smaller, especially in regular markets but do you think that, let us say from a slightly longer-term perspective three years to four years' time what is your thought process that can it become much-much bigger than what it is today? May be the time lines can be little longer but are you seeing the potential? Do you believe that will happen? And what makes you believe that, if you can give some perspective on that?

Pawan Agarwal There is a large chunk of user in the entire country, which are still not on the Internet. There are people in rural areas who actually do not even read a paper and we hope that those people will probably come onto the Internet as well in their villages. And those people will not come for English, they will come for the language. They are not the people who would go on to English straight. So, that is what we are hoping that but our content has to be right.

Moderator Our next question is from the line of Amit Kumar of Investec.

Amit Kumar Sir, just a small follow-up question at my end. This GST implementation now print has under GST at a 5% rate. I know it is early days, it is just 20 days but especially from local advertisers any sort of pushback? Anything that you are seeing because of this or things are fine?

Girish Agarwaal So, things are, frankly speaking I can say they are fine because hardly anything has started. So, I think give us couple of months, let us understand the issues who is facing what problem and where and then I think we will be able to address that. But as of now, things look largely fine.

Moderator Our next question is from the line of Depesh Kashyap from Equirus Securities.

Depesh Kashyap Sir, just few on radio business. Sir, in radio, we used to have a very high EBITDA margin of around 35% - 40% but now in this quarter it has come down drastically to 18% so what are the reasons for the same?

Pawan Agarwal I think the 13 stations that we have launched, to give us some time. I think those 13 stations involved operating expenses, pre-operating expenses as well in this quarter and those stations actually have pulled down the overall EBITDA as well. So, I think going forward in couple of quarters, we should be back on track.

Depesh Kashyap Sir, you have four key cities that is Jaipur, Ahmedabad, Surat, and Nagpur. Mirchi has taken like second frequency and also there is increased competition in your cities as well. So, do you think with addition of new stations, the market will expand as a whole? Or do you think they will lead to pricing wars to keep the market shares.

Pawan Agarwal So, happy to share with you, our rate actually in all these four cities have gone up, and the market accepted our increase in rates. It is too early for the market to expand, although the market has expanded a little in some cities. I think, because the overall market is down right now it is a wrong comparison I think to see whether the market has grown, I think the next one or two quarters the market should expand and the new frequencies that have been launched will also have some share of the volumes in that market and that will come from expansion. Our idea is that our pricing must remain robust and our volumes must remain intact and that is what we are working on.

Depesh Kashyap Sir, in your media interview today morning, if I heard correctly, you said, like in Chandigarh you are seeing a pricing cut due to increased competition. Is that correct?

Girish Agarwaal Yes, because what happened in Chandigarh, there were earlier only two frequencies now it has become four frequencies. So, in the initial month, we are seeing some kind of pressure on the volumes actually.

Depesh Kashyap Okay. Sir, lastly, can you please help me with your capacity utilization in your legacy stations? And also how do you define your 100% capacity, sir?

Pawan Agarwal So, we define our 100% capacity actually at about 10 minutes per hour and right now, we are sitting at roughly 150% to 160% capacity utilization this is the last quarter. So, during season time, we go up to 20 minutes - 22 minutes. Having said

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that the stations in metro go up to about 30 minutes per hour - 35 minutes per hour. But we do not do that. We have taken a call that the company should be in the range of 20 minutes to 22 minutes per hour of advertising.

Depesh Kashyap Okay. Sir, 10 minutes than many hours in a day, sir, 17 or 18? How many hours you play?

Pawan Agarwal So it varies from station to station. Some stations would do 24 hours. So, in a market like Chandigarh, we play ads even in the night. So, we consider 24-hour inventory. So, it is about 17 hours we run it from up till 11 and just shut it for about 5 hours.

Moderator Our next question is from the line of Rohit Dokania from IDFC Securities.

Rohit Dokania Did you discuss about the print ad growth? How much was volume led and how much was yields led?

Girish Agarwaal So this large growth has actually come from volume.

Rohit Dokania Almost entirely, sir?

Girish Agarwaal Yes, almost 80% why because after demonetization we wanted to go and increase the rate but we did not have a heart to go and tell somebody that since you are losing your business and yet you pay us a higher rate. So we said, fine, let you us continue with the rate whatever we are getting and ask for a ticket size.

Rohit Dokania Right, sir, we understand. And the other part was sir the other income appears to be slightly higher for this quarter. What is the gross cash level can we disclose that?

Girish Agarwaal Around Rs. 188 crore cash and bank balance to be precise.

Moderator Our next question is from the line of Pavneet Singh from Skyline Equity Managers.

Pavneet Singh Sir, regarding the radio business, recently, we did an exercise wherein one of my clients who is holding shares of DB Corp wanted to launch a product in different markets in Northern India and he approached different media agencies for placing advertisements in newspapers and he was inquiring about rates and discussing his project. Time and again the sales guys of those media agencies were like hell bent upon offering different rates for radio. Although one could attribute that towards the huge volume which has come up because of new stations. But do you think that would entail a significant effect on the EBITDA margins over the next like many-many quarters to come? I do not think we will ever be able to see high 30s in times to come? Am I correct in saying that?

Pawan Agarwal So we hold 17 stations and we have only seen about 7 or 8 stations, where there is a new entrant and there are already 4 people. And to correct, even amongst those 4 or 5 people, there is a huge difference in the current volume that we have. So, it is not that those other stations are not offering a lower rate. They are offering a much lower rate than MY FM but they still do not have similar volumes unlike television where you fill the entire channel at a much lower rate. The other radio stations in our market are not also taking that call and not able to attract that volume from the market. So we still have our command over a large market share at a much higher rate because as I said, when we launch radio, our focus is local. We are not a national, metro company, we are a local company. So, our eyes and ears are very-very glued to the ground realities and it gives us the ability to take a call and push our volumes and show the response to the client actually. The addition of the frequency, really does not add any complication to the business. So to answer your question, would we have to come back to the 30% margin? Yes, we have come to back to the 30% margin.

Pavneet Singh You mean the high 30s or low 30s?

Girish Agarwaal We will try to come in high 30s. You know there are market uncertainties, which is not in our control. But we are striving for that.

Pavneet Singh My question exactly was – is the competition good enough all together to keep your margins low or the competition was not at all a worry?

Girish Agarwaal See, frankly speaking, we cannot say competition is not a worry. We should never take our competition lightly and we are working out in the market, fighting it out with them and let us see how the next quarter and the coming quarters roll out for us.

Moderator Thank you. Ladies and gentlemen, that was the last question. I now hand the floor back to the management for closing comments. Over to you, sir!

Pawan Agarwal Thank you for your participation and time on this earnings call. I hope, that we have responded to your queries adequately today. We will be happy to be of assistance through our Investor Relations department headed by Mr. Prasoon Pandey for any further inquiries.