



## DB Corp Limited

### Q1FY20 Earnings Conference Call Transcript

July 18, 2019

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**Moderator:** Ladies and gentlemen, good day, and welcome to the DB Corp Limited Q1 FY2020 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Hina Agarwal. Thank you, and over to you, Madam!

**Hina Agarwal:** Thank you. Good evening, everyone. Welcome to Q1 FY2020 Conference Call of DB Corp Limited. We will be sharing the key operating and financial highlights for the quarter ended June 30, 2019.

We have with us today the senior management team of DB Corp Limited: Mr. Pawan Agarwal, Deputy Managing Director; Mr. Girish Agarwal, Non-Executive Director; Mr. Lalit Jain, GM Finance and Accounts; and Mr. Prasoon Kumar Pandey- Head, Investor and Media Relation will represent DB Corp on the call.

Before we begin, I would like to state some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Documents relating to 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 this quarter.

**Pawan Agarwal:** Thank you, Hina, and good evening, everyone.

Let me begin the call by highlighting key financial performance for the quarter ended June 2019, followed by the recent significant developments and the strategy undertaken by the company to maintain and strengthen the leadership position across markets.

Beginning with our performance during Q1 FY2020, the company reported advertising revenues of Rs.4420 million and circulation revenues of Rs.1314 million. Total consolidated revenues stood at Rs.6112 million. EBITDA for the quarter stood at Rs.1796 million with an EBITDA margin of 29%. EBITDA increased by around Rs.85 million as per Ind AS 116 Leases, which is added in depreciation and finance cost and hence, negative Rs.9 million impact in PAT. We reported PAT of Rs.937 million for the quarter.

As an ongoing strategy during the quarter as well, we continue to make efforts towards both editorial and circulation expansion initiatives to further strengthen our dominance in all the major markets of presence.

Our relentless focus on reader engagement and circulation expansion initiatives are aimed to remain relevant and to retain existing readers, as well as to arouse interest amongst nonreaders.

Riding on our new strong product and our brand strength, we are determined to achieve greater progress over the next few quarters. Reader engagement activities have always been the core to our circulation growth strategy. In our efforts to further drive the circulation growth, we have recently launched a print media campaign, “Life Badal Jaayegi, Boss” across our markets in Hindi, Gujarati and Marathi languages. We have roped in Bollywood superstar, Salman Khan, for this campaign to create a higher impact on the masses and to ensure high visibility for the scheme.

DBCL radio business continues to maintain leadership position in all significant markets. Radio advertising revenue for this quarter stood at Rs.377 million, a growth of 19% Y-o-Y. EBITDA grew by 84% Y-o-Y to Rs.131 million with an EBITDA margin of 35%. EBITDA increased by Rs.14 million as per Ind AS 116 Leases, which is added in depreciation and finance cost. PAT grew by 98% Y-o-Y to Rs.52 million.

All our business segments are progressing well, building greater value for our readers and advertisers. We continue to build our synergies and leverage a competitive strength across each business segment and are confident to deliver enterprise growth, despite the current challenging environment.

We continue to maintain a prudent yet aggressive approach to capitalize on growth opportunities. And our overall cost control measures and softening of newsprint prices will add to our efforts in delivering improved results.

With a stable and decisive government at the center, we expect focus on policy formation and its smooth implementation would help in stabilizing the semi-urban and rural consumption and improvement in demand cycle. We believe that the same will help us deliver steady performance on this anticipated improving economic scenario.

My colleagues and I will now be happy to respond to your questions. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

**Vivekanand S:** Thanks for the opportunity. Just trying to understand the print and associated businesses' ad growth. How do you think the market has grown in the current quarter? And what are your thoughts on sectors that have done well and performed poorly in the current quarter? That is question one.

Secondly, I noticed that you are not calling out digital separately. Is there any specific reason for the change in reporting? And if you could give some color on what you are thinking about that right now.

**Girish Agarwal:**

Thank you. Let me first answer your first question, which is about the advertising numbers and the categories which are growing. So unfortunately, overall, we have a decline of around 2.8% in the advertising revenue. Largely, this decline has come because of the print and digital. Radio has shown good growth.

Within the print business, if you look at the categories which we have very important category like education. Education, as a very important category for the quarter 1, has shown around 3% decline overall. Similarly, the automobile category has shown a big decline. And the lifestyle category also has shown a decline.

Fortunately, 2 categories have shown a decent; practically 3% growth is our government and election category. In fact, government stand-alone category, there is a big decline because of the code of conduct the government advertisement revenue was stopped for the month of April and May, but because of the election revenue coming in the political advertising that was taken care of the decline. And we have a single-digit growth in the government category, including election advertisement.

Similarly, in real estate category though the category sizes have come down drastically, but there has been a decent, almost 15% growth in the real estate category.

In education category, the decline of 3% has actually happened because in the mid of May, there was accident in Surat in Gujarat with a coaching institute catching a fire and a lot of casualties happened. Because of that, suddenly in Gujarat, Madhya Pradesh, Rajasthan, Bihar, in all these areas, there was a raid and all the coaching institutes to find out their safety measures and all that. So suddenly, all of them were in lull in terms of advertising. So these were the reasons for the subdued advertising.

But furthermore, what I just want to add on is that, that if you look at the overall market, I think there is a slump in the market in terms of overall advertising volume. But happy to share that in the market, for example, in Rajasthan, our market share has now come up to 60%, which was last year at 52%-53%, now has come up to 60%. Similarly, in Gujarat, which was 34%-35% market, now has come up to 38% market, which is a 3-player market. While in Rajasthan is a 2-player market, Gujarat is a 3-player market. So we have been able to increase our advertising market share in these markets. But unfortunately, because of the overall lull in the market, slump in the market, that is the reason the overall advertising is down.

Coming to your second question about the digital, due to competitive reasons, we have decided not to give out more details about our digital business at this point of time, maybe for next 4 quarters and then, we will take a further call on that. In case you need to ask anything specific

about the digital business, we will be happy to share it one to one in Q&A with our investors relations department. Thank you.

**Vivekanand S:** Sure. I have a follow-up on the comprehensive answer that you gave on the advertising market. So are local markets declining? Or is it that the national advertisers seem to be curtailing their spends?

**Girish Agarwal:** It has happened equally. If you look at the category of education, largely, this is a local category. So there has not been a growth in this category. Similarly, the category of real estate is totally local, where the market has gone up by 15% for us, with a growth of 15%. If you look at lifestyle category or healthcare category, essentially, these are local and national both. They have been almost flat. Similarly, automobile is local and national both. There is a decline in that.

**Vivekanand S:** Thanks, all the best.

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

**Jay Doshi:** My first question is, is the benefit in that change in DAVP prices already in the numbers for 1Q.

**Girish Agarwal:** Yes, very much, because the DAVP price was increased in the month of January. We got the advantage of that in the first quarter also. But in the second quarter because of the code of conduct 2 months, there was no business from the government side, so there was impact on that.

**Jay Doshi:** But at the net level, is the government since election still growing, so political spending? Because government as a combined portfolio has grown on a Y-o-Y basis I see here in this quarter.

**Girish Agarwal:** Almost flat, 3% growth.

**Jay Doshi:** Okay. Understood. And second is how should we think about RM costs for the current year. What is the newsprint price right now? And if you have thoughts on this, the 10% duty on newsprint?

**Girish Agarwal:** Yes. So, okay, on the 10% duty of newsprint, the Indian Newspaper Society, Indian Language Newspapers Association, various organizations have represented to the government of India that this duty is totally uncalled for because we believe that the reason why we are importing newsprint is not by choice. It is by compulsion because Indian manufacturers are not able to produce that kind of quantity and quality. So that is the reason we have represented to government. And we are very hopeful the government will relook at the whole thing for the industry's safety.

Regarding the newsprint prices, let me quickly give you the last 4 quarters how the price has moved up and down. So in the Q1 of 2019, the price of the newsprint, which is Indian and imported mixed, was at around Rs.40 per kg. In the Q2, it went up to Rs.44.50 per kg. In quarter 3, it went up further more by a Rs.1 to Rs.45.50. In Q4, it came back to Rs.44.50. And in Q1 of

20, we are at Rs.40.50. And we believe going forward, a Rs.1 or Rs.2 will further go down in this.

**Jay Doshi:** Okay. So these are, this is the cost of consumption for you on a quarterly basis, right? But I think some of the newsprint that you may have consumed in 1Q would be high-cost inventory and contracts that you may have signed for the rest of the year would be lower, right? So I am curious to know what is the spot price as of now? With the kind of mix, you are using, what is the spot price today versus Rs.40.5 for the consumption cost?

**Girish Agarwal:** So the spot price, if I have to convert its pricing, Indian is roughly around Rs.36. And imported is at, right now at around \$460- \$465.

**Jay Doshi:** And so when you have the number in a blended basis, what does it translate into?

**Girish Agarwal:** It would translate into the same number of around Rs.39.

**Jay Doshi:** Okay. Rs.39. So there is, from here on, Rs.1 or Rs.2 is the maximum decline that one should expect on a per kg consumption cost?

**Girish Agarwal:** You will see from Q4 to Q1, there has been a steep decline from Rs.45 to Rs.40.

**Jay Doshi:** Understood, Sir. Got it. And this excludes, if at all, if there is, if government decides to stick to import duty, then that will be an additional headwind?

**Girish Agarwal:** Yes, unfortunately, but we are very confident I am sure government is going to reconsider this.

**Jay Doshi:** Right. Understood. When do you expect, any timelines that you have in mind in terms of when they would...

**Girish Agarwal:** It is 30 days' time. If it has to happen, it will happen in 30 days' time.

**Jay Doshi:** Okay Sir, good luck with that. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

**Abneesh Roy:** Sir, when I see the print subscription revenue almost after 3, 4 years, there is a Y-o-Y decline. So normally, we see that, and advertising does not do well for the sector. Subscription growth, we see a good revival. This quarter 1, both advertising and subscription for print have declined. So one of the few quarters, I think, in the last many years where this has happened. And subscription, we are seeing a decline after many quarters. So is this something which can reverse in the coming quarters? And in this quarter, what really happened? Was it competitive intensity or no cover price increase at all?

**Girish Agarwal:** No. There has been no cover price increase from an almost last 2 years. If you notice, we also in the last year, last con call mentioned that we do not intend to increase the cover price because newsprint prices have already started softening down. That is one.

Second thing, this, the decline of 2.5% has come, largely because of the circulation numbers going down. If you remember, last year, we just have seen where it went up by numbers. So in 2 markets, especially in Bihar and Gujarat, the copies are getting stabilized. So that reduction has come in place. In fact, the same reduction happened in the Q4, actually. So it is continuing in the Q1, also.

**Abneesh Roy:** And Sir, this customs duty. You mentioned 10%, this could get reversed. So my question is this government is driving the Make in India theme. So at this, supposing the customs duty does not get reversed, do you see Indian quality and quantity, which you mentioned, at some stage ramping up because there will be obviously the 10% arbitrage? It is obviously a very big market. So why Indian players are not going for this because this has been many years. It is a large volume? And second, do you see 10% being a big enough number for Indian manufacturing to start kicking in?

**Girish Agarwal:** So see, we are always happy to have more consumption from the Indian mills because it is cheaper product. Anyway, Rs.36 versus Rs.40, Rs.41, Rs.42. We believe that Indian product is better for us. But when you look at the quality of the Indian newsprint, because of certain factors of the machines, what they have, there are breaks on the paper. Like most of the newspaper now, like us, other large group in the country, we use the double-width machines to print faster paper, which means at one point of time, 2 copies come out of the folder. So that width, none of the Indian manufacturer is making. And now to make that huge investment in a gestation period of at least 3 to 5 years' time. So we have been talking to Indian mills from last 5-7 years, in fact, that they should invest in it, but they never wanted to invest in it.

Just to let you know, the total consumption of newsprint in India is around 25 lakh tonnes every year, out of which, Indian mills are able to produce and supply not more than 10 lakh tonnes. And this number has not grown substantially. From 7 lakh tonnes, they have come up to 10 lakh tonnes in the last 5-7 years' time, while the consumption has moved much higher, much faster.

So frankly speaking, it is not that this particular decision is going to help Make in India. I can understand Make in India that they were able to make and we were not taking from them. So I do not think this is really going to help Make in India. There seems to be some misrepresentation done by some people to the government of India and which now we are representing again to explain them the fact.

**Abneesh Roy:** And Sir, you mentioned cover price increase not happening because raw material was under control. So how is this 10% duty does not get reversed? In that scenario, would you and the industry look at a cover price increase?

**Girish Agarwal:** Maybe.

- Abneesh Roy:** Okay. Second question is, Sir, on real estate, 15% growth that you have seen in advertising. Now we all know real estate on a Pan-India basis, you are seeing one of the toughest times, liquidity pressure, sales not happening. Of course, local markets, there could be a difference. So you see this 15% growth because the crisis is there and so everyone wants to get rid of the inventory? Or this is a revival in some of your markets, and so this could be a reasonable growth in the coming quarters also?
- Girish Agarwal:** Okay. Not to sound pessimistic, but frankly speaking, real estate is still under a lot of pressure. This growth has come because we have been able to really create certain events for the clients, certain opportunity for the client, where we are explaining them to attract consumers, helping them on the ground and all that. So that is the reason why this growth is coming to us. We still believe that the pressure on the, around the real estate sector is still there.
- Abneesh Roy:** Last question, radio versus print. We have seen divergence being on the higher side this quarter. And some quarters, the previous quarters, have seen much lesser divergence. So what is the reason for this? Is there much of a difference in terms of spending patterns? And the sector's representation is different. What is driving this?
- Girish Agarwal:** What is happening in radio, radio is a very city, an urban city, select city phenomenon. So in the bigger cities, the advertising impact has not been felt so far. The pressure is not that much. But when you look at the overall markets, for example, if I have to consider the Rajasthan, so Jaipur, Jodhpur, Kota, Udaipur are still okay. But Alwar, Sikar, Bharatpur, Jhalawar, all these markets are really under pressure. So because of that, the impact is felt more on the print.
- Also, government is not a big category for the radio business. So the election advertising for radio was actually a bonus. While in our case, the government advertising we lost in whatever, election came was able to just take care of that decline.
- Abneesh Roy:** So ex of radio, if I compare print and radio both, then how is the divergence in terms of growth?
- Girish Agarwal:** Sorry. I could not get that.
- Abneesh Roy:** Supposing government now comes from both. So you said in print, government reduced because of the norms while election kicked in. In the radio, government was anyway small. So there is not much a negative impact.
- Girish Agarwal:** Then, still radio is doing better than print.
- Abneesh Roy:** Yes, but then the divergence would be much lower in single digits in terms of growth?
- Girish Agarwal:** Yes. Around 9%-10% still.
- Abneesh Roy:** Okay. Currently, it is 23%.
- Girish Agarwal:** It is 19%. 19% is currently.

**Abneesh Roy:** 19% versus minus 4%?

**Girish Agarwal:** Yes. Yes, you are right.

**Abneesh Roy:** Okay Sir, that is all from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Himanshu Shah from Dolat Capital. Please go ahead.

**Himanshu K. Shah:** Sir, couple of questions. One, there is a significant decline in other expenses. Partly, I believe it is due to Ind AS, but even if I adjust for the same still there is a significant decline. So where is this savings coming from? And is this sustainable on a long-term basis? And should we presume this as the run rate for the future quarters?

**Girish Agarwal:** See on the expenses side, what has happened, if you see, if I take this Ind AS out and also there is a saving of almost Rs.24 Crores from Q4 to Q1. It is better to compare Q4 to Q1 on a going-forward basis. Out of that, almost Rs.5 Crores is a saving from the traveling and communication segment from our side.

The idea, what we have been working on is that we need to see how we are able to optimize and do our real worthwhile cost control. So one is the traveling area. We have been able to really do a better job on this.

Secondly, in Q4, Rs.8 Crores was spent on the survey expenses for the circulation last year, which we are running. So this time, that is not happening. So that is one of the savings. Another is some advertising and promotion was done by us on ground, so that was taken out. Going forward, all this heads what we believe that most of this cost is going to be sustainable going forward in terms of cost reduction.

**Himanshu K. Shah:** Okay, Sir. That was helpful. Secondly, Sir, on the newsprint cost, we are seeing that the current prices are around \$460- \$465 also for imported newsprint. That works out to around Rs.30 to Rs.33. Still why the blended cost, and the Indian newsprint prices are around Rs.36. Then why does still the blended cost reach to Rs.39- Rs.40?

**Girish Agarwal:** \$465 plus the transportation plus the trading charges and the port charges and all put together need to be included in that.

**Himanshu K. Shah:** So fair to assume, Sir, that on this, on most tariffs, on this \$460, there would be at least around 30% kind of loading or something on the other stuff that has been talked about?

**Girish Agarwal:** Yes.

**Himanshu K. Shah:** Okay. And Sir, just lastly, since we are running and we are going to do a new media campaign. So what kind of expenses we should build in, for instance, will there be a significant change with the new brand ambassador?



**Girish Agarwal:** No. We have actually gone ahead and did a lot of barter with all our media colleagues. So we have taken holdings on barter. There will be some costs but not very substantial costs.

**Himanshu K. Shah:** Okay, fine Sir, that is it from my side. Thank you and all the best.

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

**Yogesh Kirve:** Sir, on the new campaign that you alluded to, so what are our objectives that we seek to achieve through this campaign in terms of the number of copies or targeted or expansion in new markets? So what would be your objective, if you can provide some light on that?

**Girish Agarwal:** There are 3 objectives. Number one is to tweak the brand's identity up. So your brand is talked about, your existing consumers feel happy about it, proud about it and your brand is talked about. And number two to create an impact on the readership also. Third, we are also looking at some kind of circulation advantage, circulation growth coming because of this campaign.

**Yogesh Kirve:** So, on the circulation part, I mean could you be a little more specific in terms of what are some growth ambitions you may have? So last time, we did about 10% to 15% increase in the number of copies. So whether the scope of current campaign is also similar or lower than that.

**Girish Agarwal:** Slightly tapered down from the last time.

**Yogesh Kirve:** Okay. And secondly in terms of the staff cost as well as SG&A cost, you made some comments in the cost savings. But we are seeing these costs have been almost flat for now 3 years. So going, so looking at next 2 or 3 years, so is there any further room for savings as well? Or we should build in some inflationary increase going forward?

**Girish Agarwal:** See frankly speaking, the cost what we are sitting right now, we are cognizant of the fact that it may still have some room to reduce it and not by just reducing the cost, by optimizing the resources. So our focus is not just to reduce the cost, how we can optimize the resources. So I think this cost should stay for a while.

**Yogesh Kirve:** Okay. And Sir, lastly, regarding the customs duty. So just on the experience so far, how have the domestic prices responded to this customs duty? Has there been corresponding increase in the domestic prices as well in the last couple of...

**Girish Agarwal:** No. No, because in 2009, when there was a custom duty, the difference, customs duty is customs duty. There is not an entire difference in the prices as such. So that does not really make much of impact.

**Yogesh Kirve:** Okay. Right. Sir, finally, just, can you just talk about the number of copies in circulation in the first quarter and also the realization?

**Girish Agarwaal:** We are in the Q1 at 55.81 lakh copies. And average number of pages has been for 22.8, almost 23 pages. And realization, average realization prices Rs.2.63.

**Yogesh Kirve:** Thanks a lot Sir and all the best.

**Moderator:** Thank you. The next question is from the line of Aasim Bharde from IDFC Securities. Please go

**Aasim Bharde:** Sir, could you just give us a percentage number on how print ad revenue has grown or declined during this quarter?

**Girish Agarwaal:** Print has declined by around 4%, print and digital put together.

**Aasim Bharde:** Print and...

**Girish Agarwaal:** Digital put together, 4% decline.

**Aasim Bharde:** Will it be possible to break out just the print ad decline number?

**Girish Agarwaal:** So as we mentioned to you that we have taken a call that due to competitive reasons, we have decided not to give out more details on our digital business at this point of time. However, if you really want to have some more details, our Investor Relations can help you with that offline.

**Aasim Bharde:** Okay. Sure, Sir. No problem. Sir, just then what kind of ad revenue outlook are we expected to build for FY2020, given that Q1 has been weak and possibly Q2 may also look weak? And then in H2, you will have to continue with a high base of about 11%. So what kind of an outlook are you guys building in?

**Girish Agarwaal:** To be very honest, we have certain numbers which we are driving internally. But since those numbers are not getting proven from last few quarters, so I would say we need to hold on to see how the Q2 and Q3 pan out this time.

Looking at the ground scenario, I am also slightly confused like automobile industry, FMCG after a long time, they have shown a decline in their sales. So I would like to wait for the next 1 quarter to see how the market shapes up.

**Girish Agarwaal:** Thanks a lot Sir.

**Moderator:** Thank you. The next question is from the line of Naval Seth from Emkay Global. Please go ahead.

**Naval Seth:** Sir, my question is on newsprint cost. Assuming that import duty which has been imposed does not get reversed, so what kind of number you are looking at for the full year in terms of newsprint cost, which is at, which was Rs.40.5 per kg in 1Q. So what should we, for the next 3 quarters and sustainably for FY2020?

**Girish Agarwaal:** As of now, we believe this will go down by Rs.1 or Rs.2. But this custom duty, we are not too sure how this is going to pan out. We would like to wait for at least a month more on the government's final decision on this and then, take a call on that.

**Naval Seth:** And Sir, in the past few quarters, when international newsprint prices had shot up, you had mentioned in one of the call that domestic suppliers had also increased the prices to bring prices at parity. Now as this import duty increase happened, so again, there would be certainty that, yes, domestic suppliers will also increase by 10% to bring prices at parity, or how it would work?

**Girish Agarwaal:** Generally, it is a matter of demand and supply. So right now, the excess supply is international. So I think because of that, Indian manufacturer of newsprint may not be able to really push the prices.

**Naval Seth:** And as you said, there is enough supply in the international market. So can we assume that what you are expecting a couple of rupees' decline in the international newsprint going forward, that can be higher? And if at all, newsprint will be, import duty hike can happen. Probably from current levels, prices would not increase. Can that be also a scenario in your view?

**Girish Agarwaal:** So frankly speaking, this is going to be our negotiations with the international manufacturers and the suppliers that if this newsprint duty stays, we have to request them to absorb some of it.

**Naval Seth:** Okay. And you were not very confident that cover price increase will be there. You said it might happen that industry might take cover price increase if this duty stays. I mean, again, over here, why you are not fully confident that industry will certainly take this increase, if at all, this import duty stays?

**Girish Agarwaal:** See, frankly speaking, it should not be a call by the industry. It should be a call concerning the consumer. You cannot simply say that I am going to pass on the cost to the consumer. You have to also say that the consumer is willing to take that cost or not. I can decide tomorrow to pass on any cost to the consumer. One needs to accept it also.

To judge, gauge the market situation and then decide do I really want to pass on that cost to consumer and stop my growth and increase and all that, I think that call has to be taken at that point of time.

**Naval Seth:** So that means there is a high level of price elasticity, again, in newspaper and lack some kind of stickiness

**Girish Agarwaal:** Sorry to interrupt you here. This happens worldwide in any category. There is a airline ticket or bank's percentage finance or the FMCG or anything. Price elasticity or the price decision always moves the consumer. Why only the newspaper business?

**Naval Seth:** I was just wondering that because in last 2 IRS surveys, we have seen that there has been rise in readership and industry has been kind of saying that the rise...

**Girish Agarwal:** Please also understand that, surprise, it is not that everybody is going to go home tomorrow, no. 5% and 3%, people say, fine, I will share my neighbor's newspaper or I will read in office. I do not, I have to take a call whether I want to do that or not. At this point of time, I do not want to even take 1% out of my system. Stay with me, because of certain cost elements we should not worry those 1% to 3% customers also.

**Naval Seth:** Understood. And lastly on, Sir, cost. As you mentioned that the cost management, what you guys are doing, there is a clear sign that the Q1 run rate will sustain in ensuing quarters also. Is there a further room to manage costs or improve efficiency from 1Q levels also in costs?

**Girish Agarwal:** I would say we are working hard towards, to see that this cost does not go up. While doing the excise, we may actually get lucky and get some saving also. But as of now, we are all focusing on that this cost should not go up. Even the inflation rate, whatever happening in the market, they **don't** even come to us. We will need to absorb that cost also.

**Naval Seth:** And Sir, have you hired any consultant? Or are we doing ourselves in terms of the cost management?

**Girish Agarwal:** With regards to all the consultants, I think our in-house team has done a great job.

**Naval Seth:** Perfect. Thank you so much for detailed answer Sir.

**Moderator:** Thank you. The next question is from the line of Ali Asgar Shakir from Motilal Oswal Securities. Please go ahead.

**Ali Asgar Shakir:** Sir, in your opening remarks, you mentioned about this education category, which declined because of this issue regarding...

**Girish Agarwal:** Minor decline, 3%.

**Ali Asgar Shakir:** Right. So how is the situation now, if you could highlight? Are we seeing this category coming back to normalcy? Is there growth now?

**Girish Agarwal:** No. What happened, education category is largely a Q1 and a Q4 category. So now Q2 and Q3, there is hardly any advertising from this category. The real impact will be seen only in the Q4 now.

**Ali Asgar Shakir:** So since you also mentioned that overall, both national and some of the local advertisers are looking weak. As you have said, in real estate we have already seen a decent growth of 15%, of course, on a low base. So any particular categories that you will see would, I mean, drive healthy growth? Or I mean how, what kind of a growth scenario should build in over the next few quarters in terms of your advertising revenue?

**Girish Agarwal:** See, as I mentioned that we would like to see the performance of the economy in the quarter 2 and then, give you any kind of guidance.

**Ali Asgar Shakir:** Got it. And I just missed on newsprint prices. Am I correct in my understanding that current newsprint prices in your number is about Rs.40? And compared to that, what is the prevailing newsprint prices in the market?

**Girish Agarwaal:** Yes. Our blended cost for the Q1 is Rs.40.50.

**Ali Asgar Shakir:** Okay. And versus that, what is the prevailing price in the market?

**Girish Agarwaal:** We may not know about the, prevailing means what the spot price you are talking about?

**Ali Asgar Shakir:** Yes.

**Girish Agarwaal:** Maybe a Rs.1 difference, Rs.2 because we are still getting some of the inventory.

**Ali Asgar Shakir:** Okay. So incrementally, from your advertising, there could be about 5% additional benefit that you would see in the coming quarters from newsprint prices.

**Girish Agarwaal:** Yes. That is why we are aiming for Rs.1 or Rs.2.

**Ali Asgar Shakir:** Got it. Thanks Sir, this is very helpful.

**Moderator:** Thank you. The next question is from the line of Pavneet Singh from Skyline Equity Managers. Please go ahead.

**Pavneet Singh:** My question is regarding the radio segment. What percentage would come from political ad?

**Girish Agarwaal:** So the overall growth is around 19%. And political revenue and the government revenue put together, if I have to club those two, they went up by almost 30%.

**Pavneet Singh:** I am sorry. If it is a standalone political category, what percentage that contributed us?

**Girish Agarwaal:** The political and government put together grew by around 35% and the contribution was 16%.

**Pavneet Singh:** Okay. 16%. And obviously, political ad charge as much as commercial ads, right?

**Girish Agarwaal:** Yes, more or less.

**Pavneet Singh:** And what about like this Salman Khan thing? This contract is for how long? And how are we going to reverse the branding and advertising done by this brand ambassador?

**Girish Agarwaal:** So this contract is for this particular specific campaign of Jeeto 21 Crores. And sometime by this calendar year it is in. They are doing a lot of promotion on ground, a lot of ads around in media because print is not available to us. Competitions, they do not carry our ads. So we are using digital and all that. Largely, we are trying to do it on a barter to reduce the cost.

**Pavneet Singh:** Thank you.

**Moderator:** Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

**Sarvesh Gupta:** Congratulations for a decent set of results. My first question is, so, right, last year, we had an EPS of around Rs.15-odd. And I think out of that, we gave around Rs.11 in dividend plus we would have paid dividend distribution tax on top of that. So now with the DDT being announced for buybacks as well or the buyback distribution tax, what is going to be the policy for capital allocation in terms of distribution?

**Girish Agarwaal:** So our policy will be based on the dividend payout to the shareholders. This buyback was done as a one-off.

**Sarvesh Gupta:** Okay. So going forward, we can expect a similar rate of dividend in terms of percentage of profit?

**Girish Agarwaal:** I think largely it depends on the decision by the Board, so, on that line. I just want to clarify that as a company, our policy is very clear. Company believes very strongly that whatever money is available with the company, we want to give it back to the shareholders. Only keep what is required for the company for the business. That is why we do not want to unnecessarily keep the cash in the company.

**Sarvesh Gupta:** Understood, Sir. And what was the free cash flow for FY2019, if those figures are with you right now?

**Girish Agarwaal:** Can you, if you do not mind, we will have it,. Would you be kind enough to ask this question offline with our team.

**Sarvesh Gupta:** I will do that.

**Girish Agarwaal:** Yes? Okay.

**Sarvesh Gupta:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Gaurav Gupta from Dheerav Group. Please go ahead. Please go ahead.

**Gaurav Gupta:** Two questions. One is that from last couple of years, we are trying to explain our presence in markets of Bihar and Jharkhand. So I just want to know how exactly we are positioning those markets as of today and what our future perspective, considering the good position already expected in those markets?

**Girish Agarwaal:** So I am very happy to announce that our foray into the Bihar market is pretty successful. As per our understanding, we are very clear #2 in that market. And we are further working ahead on this to see how we can inch closer to the #1 and eventually become #1.

**Gaurav Gupta:** My next question is in recent times, we have seen consolidation in the radio segment, where we have seen announcements of a couple of players, acquisitions about the competitors. So is there any opportunity then within the print segment also, there is a kind of, say, consolidation opportunity? Just to quote one of your biggest competitor and one of the competitor in your Bihar, Jharkhand market is basically facing some tough times. If you see their market, the advertisement is very, very low. So can we see some kind of a consolidation in print segment as well from the Bihar market capturing kind of opportunity?

**Girish Agarwaal:** I would welcome such kind of move by the players in the industry.

**Gaurav Gupta:** Thanks a lot. That is, it from my side.

**Moderator:** Thank you. The next question is from the line of Shekhar Singh from Excelsior Advisors. Please go ahead.

**Shekhar Singh:** Sir, I just wanted to know like these other costs, other expenses, they have come down very sharply. What are included in these other expenses?

**Girish Agarwaal:** One second. Other expenses are the selling, distribution cost, communication, office expenses and all that, event expenses and all.

**Shekhar Singh:** And what is the reason for such a sharp drop?

**Girish Agarwaal:** And also what has happened, you are seeing from the Ind AS basis or, and the ink plate consumption also has come down a bit.

**Shekhar Singh:** What has come down? What is the last one?

**Girish Agarwaal:** Consumption of the ink and the plate for the printing.

**Shekhar Singh:** Okay. And what is the reason for the fall?

**Girish Agarwaal:** Cost optimization.

**Shekhar Singh:** Okay. And this is sustainable? Or is it like a one-off?

**Girish Agarwaal:** Very much. Mostly, it is sustainable.

**Shekhar Singh:** Thanks a lot.

**Moderator:** Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to the management for their closing comments.

**Pawan Agarwal:** Well, thank you very much for your participation and time on these earnings call. I hope that we have responded to your queries adequately today. And we will be happy to be of assistance through our Investor Relation department, headed by Mr. Praseon Pandey for further inquiries. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of DB Corp Limited, that concludes today's conference. Thank you for joining us, and you may now disconnect your lines. Thank you.