



# DB Corp Ltd

## DB Corp Limited

### Q2 FY18 Earnings Conference Call Transcript November 01, 2017

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**Moderator** Good Day, Ladies and Gentlemen. And welcome to the Q2 FY18 Earnings Conference Call of DB Corp Limited. As a reminder, all participant lines will be in the listen-only mode. I now hand the conference over to Ms. Malini Roy from CDR India. Thank you and over to you, Ms. Roy.

**Malini Roy** Thank you. Good morning, everyone. Welcome to Q2 FY18 Conference Call of DB Corp Limited. We will be sharing the key operating and financial Highlights for the quarter ended 30<sup>th</sup> September 2017. 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. P.G. Mishra – Group CFO and Mr. Prasoon Pandey – Head (Investor & 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 emailed to you.

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

**Pawan Agarwal** Thank you, Malini. Good morning, everyone. We would like to share some key highlights of our financial and operating Performance for the quarter ended September 2017, post which we will be happy to respond to your queries.

Total revenues for the quarter stood at Rs. 5,741 million as against Rs. 5,432 million reported during corresponding period last year, higher by 6% after taking into account one-off item amounting to Rs. 103.8 million, profit from sale of Gitanjali Gems shares. Ad revenues for the quarter grew by 6% and stood at Rs. 3,966 million as against Rs. 3,714 million reported in Q2 of last fiscal. Circulation revenues also grew by 8% and stood at Rs. 1,273 million as against Rs. 1,179 million generated during Q2 FY17.

EBITDA for the quarter stands at Rs. 1,456 million as against Rs. 1,547 million reported in Q2 of last year after factoring in one-off sales related to Radio Music royalty of Rs. 58 million during corresponding period last year as well as new circulation, expansion driven undertaken in Bihar and other markets of Rs. 132



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million during current quarter. EBITDA margins for the quarter stood at 25% as against 28% during Q2 FY17. PAT for the quarter stood at Rs. 787 million as against profit of Rs. 885 million generated in Q2 FY17, after factoring in the above mentioned factors.

Performance for the first half of the fiscal:

Total revenues grew by 4.8% YoY and stood at Rs. 11,753 million as against Rs. 11,219 million generated during H1 FY2017, after taking into consideration one-off item amounting to Rs. 145 million, profit on account of sale of Gitanjali Gem shares.

Advertising revenues grew by 5.4% YoY to Rs. 8,301 million from Rs. 7,876 million in H1 of last year. EBITDA remained stable at Rs. 3,390 million as against Rs. 3,400 million in H1 FY2017 after considering music royalty of Rs. 58 million in H1 FY17 and circulation expansion drive in Bihar and other markets amounting to Rs. 132 million undertaken during current quarter. PAT for H1 FY18 stood at Rs. 1,888 million as against Rs. 1,925 million in H1 FY2017.

This has been another quarter of noteworthy progress with implementation of several growth oriented initiatives. We maintained leadership in legacy markets of Madhya Pradesh, Chhattisgarh, Chandigarh, Punjab, Haryana, Urban Rajasthan and Urban Gujarat.

Over the last few months we moved ahead with the second phase of our product strengthening campaign and have undertaken several new initiatives. We have renewed our focus on Punjab with a new structure of Punjab, Haryana and Chandigarh, plus Himachal Pradesh. Supplementing our product campaign, we have adopted a circulation expansion strategy across all territories aimed at expanding reach which is progressing well and has translated into good growth. Efforts have been delivering excellent growth since start of initiative in July with copies at 50.41 lakhs significantly grown to 53.33 lakh copies in July end, 53.77 lakh copies in August end, 54.28 lakh copies in September end, adding 3.9 lakh copies since the initiative of the expansion drive that is 8% growth on a high base of circulation copies along with cover price increase.

This is the biggest endeavor in the history of the company with a target to substantially increase circulation copies over a high base and increased cover price during current year. The key editions have come from our existing priority one markets of Gujarat, Rajasthan and Madhya Pradesh. The second phase of our Rest of Bihar launch is also in full swing. We expect to launch all new editions over the next few months riding on a stronger product and our brand strength, we are determined to achieve greater progress in the next six months.

DBCL's non-print business continues to establish stronger and wider connect with audiences through our digital and radio businesses. Our strategies are yielding results and dainikbhaskar.com continues to maintain number one spot for Hindi news, divyabhaskar.com continues remain number one Gujarati website. Our digital properties continue to attract exponential viewership with unique visitors growing by 80% to 102 million on YoY basis.

DBCL's radio business continues to demonstrate good growth momentum. This quarter our advertising revenues grew by 17% at Rs. 349 million as against Rs. 299 million in the same period last year. EBITDA stands at Rs. 92 million. MyFM continues to be number one Maharashtra, Rajasthan, Chandigarh, Punjab,



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Haryana, MP and Chhattisgarh and continues to make stronger bonds with listeners through great programs and unique audience activations.

Our cost control initiatives implemented in the earlier quarters continue to deliver as in spite of the circulation expansion initiative, we have successfully guarded the company's profitability. Internally also we have taken up several new efforts to achieve impactful communication across states and business units to better review the business and make quicker decisions. All our growth led efforts undertaken during the quarter reflect our determination to further fortify our leadership position and build a futuristic, agile and competitive organization.

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

**Moderator** Thank you very much. The first question is from the line of Vikram Ramalingam from Maybank. Please go ahead.

**Vikram Ramalingam** Sir, I want to talk about your increase in cost of material, why has there been an increase when the raw material prices have remained the same?

**Girish Agarwaal** Okay. So, let me explain you, the newsprint cost overall there is a growth of 9.3%, out of which the impact of rate, the newsprint price is around 2% and the pagination impact is 6% because this year we had the festive ten days in the month of September, so because the pages were much high on those ten days. And the impact of PO, there was an increase circulation by almost 2%. And personal cost, further to let you know personal cost has been just 2% growth overall which includes our expansion of the radio business and all that. If I look at the print business the personal cost is flat.

**Vikram Ramalingam** Okay. Sir, any cost control initiatives, can you elaborate a little on that also please?

**Girish Agarwaal** So, as you know the personal cost and newsprint cost are big cost for us. So in newsprint wherever we can optimize we have done it and that's the reason there has been hardly any impact because of the rate. But they had been impact because of number of pages, in terms of more advertising and volume that we had to carry for the festival season, so that's the reason. Personal cost though has been flat. Other cost also if you look at, barring out the expansion in radio and the reversal of the royalty which is Rs. 5.8 crore, other cost has been almost flat. So, I think Company that way in other cost has been able to control pretty well.

**Vikram Ramalingam** Sir, this increase in other expenses for the Rs. 132 million for expansion plans in Bihar, is that one critical factor in the 19% increase in other expenses and it has an addendum to this question, the other expenses should have benefitted from the input cost credit under GST, right?

**Girish Agarwaal** Okay. So, let me further answer this 19% cost. We have the Bihar expansion cost in it which is around Rs. 7 crore and as you know we have been driving a lot of circulation scheme, reader scheme, so there has been a cost of around Rs. 6 crore for that so far. So because of that there has been an increase in the overall cost. This cost is also net of GST.

**Vikram Ramalingam** Okay, and about the input credit?



- Girish Agarwaal** So, we have a saving of around Rs. 8 crore based on that input cost advantage.
- Moderator** Thank you. Our next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.
- Yogesh Kirve** Sir, regarding the new copies that you have added, so could you give us some flavor of the profile of this new copies, are these in the smaller towns in the respective states or in the similar footprint as their established operations?
- Girish Agarwaal** So, 99% of this copy actually has come from like a store-to-store sales increase. So, for example, in Gujarat we have increased around 90,000 copies and these copies actually have come on a higher cover price because our cover price in most of the markets, in fact this was the first time that we did not have to do any cover price reduction to gain the copies. So we have got these copies at a higher cover price itself. And all these copies have come from all the market, like for example, in Gujarat we have gained copies in Ahmadabad city, Baroda city, Surat city, Jamnagar, Bhavnagar, similarly in Jaipur, Jodhpur, Udaipur, Indore, Bhopal, Raipur, Jalandhar, Panipat. So it has been spread all across.
- Yogesh Kirve** Sir, so over what timeframe do we start to see the benefits of this in terms of the advertisement revenues and ad rates?
- Girish Agarwaal** See, our experience says that if you have a more dominant position in the market in terms of circulation it does pay you. So we have some quick advantages in terms of market share which has already happened, in this season itself we saw in the couple of markets our market share went up. Though the overall market growth was not very impressive, 6% growth frankly speaking is not a great growth, but we see the market share improvement happening with that. So, there is a short-term immediate impact, there is a medium-term and there is a long-term impact also of these copies. Frankly speaking, this is must. Why? Because if you have a circulation dominance in any market that pays you. And we have a clear example of Haryana, we have example of Jaipur, we have example of Madhya Pradesh where because we have a clear circulation dominance and we have an advantage of revenue also there.
- Yogesh Kirve** Sir, second question is regarding the advertisement revenue. So if you can talk about the entire festive season this year versus last year, regardless of quarters, so what has been the growth and has the growth been satisfying, do you see there are some impacts of GST or demonetization which are still persisting?
- Girish Agarwaal** So, frankly speaking, we are not out of the clouds of demonetization and GST. So, in the month of September of the quarter we have a 6% growth, largely because the festival shifted from October to September compared to last year. There are categories those who have done good, like automobile has done pretty good growth, FMCG has done a decent growth, lifestyle is a good growth. But category like real-estate has de-grown, and a huge minus, because of the RERA the real-estate category as you know in the entire country is in a limbo, they do not know what to do. Or the categories of the classified small time shopkeepers advertising through classified and all that, that has taken a big hit. And that has to be revived and we are hoping that in the coming months that should revive.
- Yogesh Kirve** Okay. But could you talk about the growth we are seeing on entire festive season from Dussehra to Diwali this year versus last year?



- Girish Agarwaal** I will be able to give you those numbers once we close this quarter.
- Moderator** Thank you. Our next question is from the line of Vikash Mantri from ICICI Securities. Please go ahead.
- Vikash Mantri** Sir, the Rs. 15 crore Jeto offers, those costs are they have been already accounted for or will be accounted later?
- Girish Agarwaal** So, the proportionate cost has been accounted already, because that scheme was just rolled out in the month of July and is going to go on till November end. So proportionate cost or some costs have been accounted and balance will come in the next quarter and even in the Q4 some of it.
- Vikash Mantri** And sir on the circulation side this growth that we have seen, so we have a Y-o-Y 2% growth but from a three months perspective we have seen a 8% growth, is that right?
- Girish Agarwaal** Yes. But what is happening, instead of looking at Y-o-Y I went ahead and gave the number for the month-on-month also, because if I look at the average of the Q2 numbers then the average is slightly subdued but I thought I will give you the month-on-month number. So if you look at the month-on-month number we started in the month of June end at 50.41 and in the September end it is almost at 54.28, the average would be lesser but from a month-on-month perspective it shows a better picture.
- Vikash Mantri** But sir, basically it means that we reduced our circulation and now we have recovered that, so in a way effectively from a year-on-year perspective it is just a 2% delta. So the question or the reason why we talked about market dominance and how it should help us in advertising, but end of the day it is just a 2% increase.
- Girish Agarwaal** No, what is happening is you are looking at a year-on-year number as 2%, that is right. But if I look at the September last year and September this year, the percentage is comparatively much higher, almost going up to 5% - 6%. And going forward in the month of October, November, December the circulation drive has not yet stopped, so it has just begun and this will continue for the months to go.
- Vikash Mantri** Okay. Sir, this increase in circulation, is it at the cost of other players or we have been able to increase the reach per say, because what I see is it is largely a function of the Rs.15 crore Jito offer and this is may be people now buying in more regularly because they want to get those coupons, and this might go once the scheme ends?
- Girish Agarwaal** So, it is a mix copies we have right now as per our past experience and this time also. Almost 50% to 60% copies we have got as a replacement, 50% I would say for the other player and another 50% copy has come to us based on the newer expansion of the market.
- Vikash Mantri** Okay. But the point I am trying to make is, we have seen in the past as well that whenever a person tries to capture market share on copies we have seen retaliation from the other publishers also and they tend to offer similar packages or discounted cover prices, which again leads to an industry wide weakness in numbers because everybody is discounting. And we have seen that when you



entered into the Bihar, Jharkhand market in the past or other markets. So, isn't it not a repetition of the same thing?

**Girish Agarwaal**

So, I believe in that when you already have the solution why you need to reinvent a wheel. So for example, if certain schemes have worked well for us and for the industry in the past, we should use those schemes going forward with certain caution. For example, this time we do not have any cover price war happening in any of our territory, so we are increasing all these copies at a higher cover price. Number one. Secondly, the competition retaliation is a part of life which happens in our category, in every other category. So, we are well prepared for that. But most important point which I would like to highlight is that whatever copies we are growing, almost 50% is expansion of the market, I think that is very encouraging.

**Moderator**

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

**Amit Kumar**

On the ad growth side, could you just help me with the volume growth and price inflation, please?

**Girish Agarwaal**

So it is exactly 50-50. So there has been a volume growth of almost 3.1% and there is a yield growth also.

**Amit Kumar**

My second point is with respect to the Bihar market, basically just sort of give a broad overview of the key, I mean the second phase of expansion that you sort of talked about. Which are the territories that you are looking to cover in the second phase essentially?

**Girish Agarwaal**

Okay. So, when we did the Bihar launch a couple of years back we were present only in 11 districts out of 38 districts in Bihar. After that we decided that we want to complete our coverage of Bihar to all the 38 districts. We are currently at almost 3.5 lakh copies in Bihar in these 11 districts which include Patna, Mujaffarpur, Bhagalpur and Gaya, and 3.5 lakhs to 3.75 lakhs something like that. And now we are targeting that we should be able to add on at least 4 lakh copies more in the balance 27 districts where we are not present. And this rollout of the copies should be over by sometime January. So, by January we should be in a much better situation, position in the entire Bihar.

**Amit Kumar**

Understood. Sir that was exactly the same point, now, our understanding has always been that DB Corp sort of focuses more on the city audience, even within a state like Bihar or in MP, because your ability to sort of sell that audience to advertisers is better. And our understanding is as far as Bihar is concerned, some of those smaller markets, the consumer discretionary power is very, very low, even when we sort of compare it to the small town or rural audience, all India essentially. If you add copies, how do you sort of monetize?

**Girish Agarwaal**

Let me answer that, good point. First of all, Bihar, the phase one to cover the major cities, urban market was done. Phase two was anyway to look at a larger reach in the market. Also, Bihar is a typical market where almost 35% revenue comes from the Government and in the government whether the reader is sitting in Patna or sitting in Madhubani counts the same, so the revenue comes same. So that is very encouraging from Bihar market to go and reach out to the other 27 districts, gain the circulation and get the government revenues coming on that. And obviously, there are the private sector advisors also, for example, a two-wheeler guy is now looking at anybody in any village who can also drive a two wheeler, a lower end car



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also looking at those kind of markets, television segment is looking for those kind of market. So, I think there is an overall expansion in the market in that way.

**Amit Kumar**

But are you very sure, because at the end of the day the cost of copies is also the same and actually targeting some of these newer markets the cost of distribution is definitely going to be more than let's say in Patna or wherever you already have, I mean where in the city itself you have a printing centre...

**Girish Agarwal**

You will be surprised that my cost of distribution in the other markets is lesser, you will be surprised that my cost of newsprint per copy is cheaper in the upcountry market than for Patna.

**Amit Kumar**

Okay. So, your overall cost of getting that copy out because consumer comes out to be lower?

**Girish Agarwal**

The price remains the same in Patna and in any other upcountry market, while the pagination in Patna is higher than the upcountry market. So, the distribution cost, manpower cost, everything, the setup cost is much lower in the other market. So that way there is no downside in that.

**Amit Kumar**

All right, just one final point in mind, how is the government category done in terms of advertising and distribution?

**Girish Agarwal**

Thankfully, Government category has grown in a strong single-digit.

**Moderator**

Thank you. Our next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

**Abneesh Roy**

Sir, because there was an early festive season pagination in Q2 was up. So does it mean in Q3 that reverses and that is why there could be some saving in the newsprint cost and thereby margins?

**Girish Agarwal**

Yes and no, both. So let us see how the balance. Frankly speaking, I am not in favor of saving the newsprint pages, I am more happy publishing more ads and increase the number of pages. But let us see how the advertising market pans out in the balance few months.

**Abneesh Roy**

And sir, this pagination would have increased because of content also or largely because of ads only?

**Girish Agarwal**

No, no, what happens, if you noticed 10 days of September was the Navratra period, so number one, there was a huge difference over last year; Navratra was in October. So there was a big change of September month pagination because of that. Overall also because of content there has been a marginal change in the overall content also.

**Abneesh Roy**

Sir, normally we have seen crude oil price and newsprint there is some indirect correlation with a lag. Crude is at a multi-quarter high, and could go up further. So, earlier you have maintained newsprint from a medium-term it is likely to be range bound at 2% - 3% like that, do you think that now there is a risk that it might go higher?



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**Girish Agarwal** As of now for the next two quarters we have a visibility of around 2% to 3% increase, and we have not yet started signing the agreements for the next year. So I think by fourth quarter we will have more clarity for the next year.

**Abneesh Roy** Sir, in Radio, your growth has been quite good and seems to be outperforming the market leader. So if you could give us more granular data, new stations, old station, inventory, and why you have continued to grow higher than the market leader?

**Pawan Agarwal** Okay. To be very honest, we as a company are not happy with the 17% top-line growth in radio. We believe we have much more potential to grow on that. So, you are looking at market leader, we are looking at our markets. So in our markets we believe there is growth which has come. In our opinion they could have done a better job, but for the markets. So I think there are categories like real-estate because real estate also is a big category in the radio business. So all those categories were slightly subdued and hence they could not really show their true potential.

**Abneesh Roy** Sir, I want to understand that now radio is also fairly stable business, not as old as print in your markets. In print, you are saying there are challenges in the real-estate and all that and clearly print is growing much slower, and if you could give us data in terms of inventory utilization and minutes how growth has been for the radio?

**Girish Agarwal** So, I do not have the minutes inventory utilization data with me right now, which we will be supplying it to you for sure. Number one, real-estate category is not a problem for print or radio, it is a category problem overall, because of the RERA as you know some of the states are yet to form the RERA committee, some of them already formed it, they are not clear; builders are not too clear what can be advertised and what cannot be advertised and all that. So I think they are taking some time to understand that. So, we hope that in next couple of quarters these real-estate categories stabilize. And also one negative thing which has happened in the real-estate category which is actually bothering all of us and the builders also, the market perception has gone that the real-estate rates will go down. The prices of the flats will go down, and because of that buyers are holding out. So when they are holding back, this category actually is not doing a real good job. So let's hope in the couple of quarters this should improve.

**Abneesh Roy** Sir, last quarter real-estate was down 20%, in Q2 what's the number?

**Girish Agarwal** 30%.

**Abneesh Roy** So it has gone worse?

**Girish Agarwal** Yes.

**Abneesh Roy** Sir, Gujarat elections this time seems to be very closely fought, and so are you seeing uptick because of advertisement from political parties? Government ads will obviously drop off, so net basis what is the impact?

**Girish Agarwal** So frankly speaking, I have been telling this again and again, we do not do any paid news, and at the same time the advertising of the election campaign is not a big driver, because as you rightly said the other government advertising revenue goes down so it is actually neutralized.





- Abneesh Roy** And sir last question, you mentioned one interesting thing that this time there is no cover price war between the players and your cover yield seems to be really good at 6.5%. We are seeing nowhere this kind of inflation in any other consumption. So what is driving this? Because normally when advertisements seem to be reviving which has started in the last two quarters at least for you, why in subscription there should be more sanity, if you could elaborate from a competitive intensity perspective?
- Girish Agarwaal** So frankly speaking, two things work in the circulation front, one is your quality of the editorial, because we do not sell newspaper, we sell the news in the paper to our readers. So, that news which our reader consumes or reading material which our reader consume I think he appreciates that. And whatever efforts our editorial team has been doing in last four, five years that is really paying off where a person is willing to subscribe us more at a higher price. So that is one. Second thing, also what has happened in the markets, competition, and we also have realized that when you drop the cover price and get a subscription coming into you, that does not really pay off well. So rather than that I am more happy to take some three months more to grow that kind of number and say I want on my terms.
- Abneesh Roy** Sir, one follow-up on advertising, you have done well in most of the revenue streams this quarter advertising, circulation, radio. Internet has been a big challenge last few quarters. If we see any advertiser outlay for digital is increasing, why DB Corp is not able to participate? This is very important, because obviously this is the channel of future. So you had given last time that you want the user to spend more time so less intrusive ads, etc, but at some stage the growth has to come back, right?
- Girish Agarwaal** So what is happening, our traffic has improved, time spent has improved but somehow, we believe that the demand is pretty low when it comes to digital, and Pawan will add on furthermore to it.
- Pawan Agarwal** See, what has happened is the supply side has grown tremendously in the last six months because of the cheaper Internet and cheaper data prices. So, because the supply side has grown tremendously, and demand side has not gone that high, so the overall yields have crashed in internet in the last two quarters, more so in this quarter. So, it will take some time to balance; it may take a quarter, it may take two quarters, but we are hoping that it will now start to stabilize, demand and supply will start matching. And that's been the fundamental...
- Abneesh Roy** Sir, who are these new players in supply?
- Pawan Agarwal** No, so what is happening, the supply side has increased by increased consumption. So more people are spending more time on the internet and giving more space for more inventory. So if there is more inventory, the same inventory which was being sold for x price is now actually sold for a lower price, because the suppliers side has increased.
- Abneesh Roy** But sir, that would apply for you also, on your side also usage would have increased, right?
- Pawan Agarwal** Yes, my usage has increased. So the inventory that I have available has gone higher. So, because the inventory has expanded the demand has not expanded. And because the demand has not expanded the yields have gone down, actually they have gone lower than what they were in the past.



**Abneesh Roy** So it will take a few more quarters, right, in that sense?

**Pawan Agarwal** It may take two months, it may take three months, we do not know. But because of the GST also the demand went down. But we are hoping that in the next quarter we should start catching up. We are already seeing some traction now since the last one month.

**Moderator** Thank you. The next question is from the line of Deepesh Kashyap form Equirus Securities.

**Depesh Kashyap** Sir, with reference to your number of copies, do you have any targets of where you want to be by the end of FY18? And what will be your CAPEX guidance for the year?

**Girish Agarwal** So in terms of circulation growth I can only say we are growing, putting all efforts in the market, let's see where does it take us to. And CAPEX, whatever CAPEX largely is to be done this entire year, as we indicated last time to you, we are looking at around Rs. 70 crore - Rs. 80 crore of CAPEX this year, all put together.

**Depesh Kashyap** Sir, current copies are around 5.4 million, right, and you said like you will add 4 lakh copies in Bihar further?

So is it fair to assume that by the end of the year we will be around 6 million copies put together?

**Girish Agarwal** Yes, the math works out to be like that.

**Depesh Kashyap** And sir, regarding one of the smaller segment that is the event business, you have grown tremendously well in this quarter. Can you give us some color on your strategy in this segment, please?

**Girish Agarwal** That's hardly any number in terms of absolute number, because of the festive season Navratra events and all that has come in this quarter, nothing major to boast about, to be very honest.

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

**Jay Doshi** I would just like to know regarding your circulation expansion drive, what lead to the change in strategy you started in July? And does it have anything to do with IRS? And the follow-up question would be, if you could update us on IRS, when can we expect survey results out? And how should we think about it from advertising pricing perspective? Have you engaged with any advertisers or government in terms of how pricing will be going forward once the data is out?

**Girish Agarwal** So, our circulation drive has not anything directly related to IRS, because it is our decision. And the decision has been pending from quite some time with us. And somehow we were not able to cross that bridge and say, "Okay we will go ahead and expand even if the market is slow, because the circulation eventually will pay me off in terms of dominance." So we crossed that bridge and we said "We will go ahead and do it." As far as IRS is concerned I am told they are looking at December or January to release the report. Advertising rate revision based on IRS will only



happen once we see that data. Based on that, industry will take a call that how we want to change our advertising rate going forward.

**Jaykumar Doshi** Right. Do you think on the government side it will be at least a benchmark, so if there is improvement in overall industry numbers and government would be willing to pay more or a better rate?

**Girish Agarwal** Government generally does not rely on the readership number, they go by the ABC numbers. And they have their RNI certification process, which is a Government of India process, takes some one year, one meeting, two meetings in a year. So am I really hopeful on that?, I do not know.

**Jaykumar Doshi** Right. And in the other expenses you mentioned about Rs. 6 crore of costs around readership scheme. Is that the same as the Jeeto scheme that you talked about?

**Girish Agarwal** Yes, very much.

**Jaykumar Doshi** Okay. So going forward should we expect, as long as you continue to drive circulation there will be some or other form of marketing expenses that you will be willing to invest?

**Girish Agarwal** Yes, one should. In fact, we have been very conservative on that front.

**Jaykumar Doshi** Understood, that is good to know. And just final one, any updates that you want to give on capital allocation, you were looking at some tax efficient form of distribution?

**Girish Agarwal** So, we did raise this topic in our board meeting yesterday. And I think we are still evaluating how to go about it. So maybe, let's see going forward.

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

**Vivekanand** A couple of questions, one on the radio side. So, what would be the like-for-like growth adjusting for the 13 new stations that were launched? Secondly, the radio industry also was working on certain industry level changes such as the measurement, and agencies being finalized for that, then inventory checks and balances which the industry was talking, players would agree upon that. Any progress on that?. And on digital, so clearly what we have seen, I understand your point on removing irritant ads and also focusing on consumer experience, but we have seen revenue pressures not only for you, but HT's digital business also. So, is there a sense that on the demand side the advertisers are now focusing on convenience and opting to spend more on the market leaders Google and Facebook instead of chasing the small sites and small avenues to advertise? Is that the reason why ad spends are under pressure in the digital side? Thanks.

**Pawan Agarwal** So on radio, the existing stations have seen a single-digit growth on the top-line. And on the industry related activities in radio there has been talks on a measurement agency, but that is largely for the metro stations, it would not probably come down to MyFM stations. So that is that on that. **Vivekanand Subbaraman** Other initiatives just like the broadcasters have done with respect to....



- Pawan Agarwal** So that is not an industry initiative, but a couple of player have initiated that move where we are now working on closely on our inventory, capping our inventory and not playing like 25, 30 minutes of ads in an hour. So, those are initiatives taken by few players, not as an industry as a whole. We are not aligned on that as an industry completely on the inventory management like television did. On the digital, the revenues are under pressure predominantly because of the growth in the supply, and the growth in the supply side is actually experienced by the publishers themselves, largely. And we do not see any concern coming from the advertisers wanting to shift their spend to other medium, they are still spending money, it is just that they are spending because they are getting a larger inventory from us, so they are getting a better deal, a better rate from us. And we do not want to sort of cut our inventory and not allow, curtail our inventory to them. So we are opening our entire inventory so that we know we are able to put ads on every single page. But I do not see that problem as a long-term plan. It is actually a good problem to have, to have a large, large inventory in place and the demand side anyways will come in.
- Vivekanand** Sir, thanks for this. Just a couple of follow ups on the digital side. So, majority of the ad revenue, does the majority of our digital advertising revenue come through Google and Facebook, or do we also directly sell ads on our portals to advertisers?
- Pawan Agarwal** Yes, so we sell fairly a large amount, large value through indirectly as well, almost as high as 25%. And the balance money that comes from even Google is also brand advertising, so almost 70% - 80% of that inventory is brand. So when a person goes to an ad network of Google he actually selects the brand that I want to advertise on Dainik Bhaskar. So it is not a blind buy, it is a brand buy. Though it is happening through Internet network, but it is a brand buy, so that is a good news.
- Vivekanand** Okay, this is fairly helpful. But that is what I was coming at, right, the 20% to 25% of ad sales that you are doing directly, I mean, the advertisers are bothered enough to approach you to advertise, they also have a choice of directly doing programmatic ad buying through Google and Facebook. Why shouldn't that trend not continue where advertisers are bothered enough to come to you and buy inventory from you? Because in the US we are seeing that Google and Facebook are picking up nearly 100% of the incremental, digital advertising, why should that not be different here?
- Pawan Agarwal** So going forward that differentiation will come from doing branded content, branded advertising, it will come from solutions, it will from single-day roadblock, so if you want to come to take over the site like for a single day, almost 40% - 50% space, all of those innovations and inventories will only come from direct sales, will not come through programmatic. And that is where we will differentiate ourselves from rest of the market. Will we will be very different from US in the next three to five years? probably not. What matters to us as a platform is what size the platform grows to. And as long as the size is there whether inventory is bought through programmatic or direct sales and if that that ratio of 75:25 remains, it is good; that does not bother us.
- Moderator** Thank you. The next question is from the line of Ronak Agarwal from Crisil. Please go ahead.
- Ronak Agarwal** Sir, I want to ask that out of the total demand for the newsprint how much do you import?
- Girish Agarwaal** In this quarter almost 37% was imported.



**Ronak Agarwal** Okay, so it's ranged between 30% to 40%?

**Girish Agarwaal** Yes, correct

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

**Aasim Bharde** Apologies if this was asked earlier, but could you throw some light on how the ad revenue outlook is shaping up for the rest of FY18, for both print and radio?

**Girish Agarwaal** So, we have grown by 6% in print in this quarter, and the growth in the other quarter could be better because last year after demonetization in November and December, numbers were really bad. So, in percentage terms it could be better, but what we are more concerned is absolute number growth rather than just looking up comparative percentage. So, we are not yet clear. To be very honest, not yet clear, because a couple of categories are doing great, like automobile is doing great, FMCG is going good, lifestyle is doing good, but a couple of bigger categories like real-estate is down by 30%. Education is down by almost 10% - 15%. So, whatever growth comes from these two- three categories, other two categories take them out. So, we are not too sure how it is really going to pan out. Specially, decisive month will be November to March.

**Aasim Bharde** Okay. Any reason why this is a decisive month?

**Girish Agarwaal** Because see October Diwali season, festive season, your numbers are anyway up. So you cannot rely on that number going forward. And last year, November, December was bad because of demonetization. We can't simply look at the percentage growth that we are growing at 20% over last year, so very good on that. So we have to see the absolute number of December and November and January, February and then see is it really right or not.

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

**Ankit Kedia** Sir, just wanted to clarify, so you said the GST benefit, the set-off we got was Rs. 8 crore for the quarter?

**PG Mishra** No. The exact number we will be giving you by the year end, but this quarter the impact may be around Rs. 7 crore to Rs. 8 crore.

**Ankit Kedia** Sure. And that is sustainable in future quarters as well?

**PG Mishra** No, it is not benefit, we have to pay the amount because there is no any GST on the circulation per se. So we are getting the proportionate benefit of the GST. That is only on the advertising revenue.

**Ankit Kedia** Right. So we will get a set-off against our expenses, right?

**PG Mishra** Correct.

**Ankit Kedia** Right, so this is sustainable then?



**PG Mishra** Yes.

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

**Amit Kumar** Sorry I got dropped off for a bit, so if this is a repeat, my apologies on that. Sir, very, very quickly on real-estate, I mean that seems to have been a pretty big drag in this particular quarter, so is that shaping up to be better in 3Q or things are still as bad?

**Girish Agarwaal** They are equally bad. See what is happening in real-estate as I told you, there is nothing wrong with me and my advertisers, the problem is the market right now. The two problems a real-estate advertiser is facing, or a builder is facing, one is the market perception of the prices to fall down, number one; number 2, RERA. So in RERA he is still struggling to understand what can he really advertise, he has to run through three approval process for that ad internally also. And the new launches. generally what happens the builders only advertise for new launches. And there are no new launches really happening of the projects. So, I think a larger problem they are trying to resolve internally and may take some more time for them to come out and advertise.

**Amit Kumar** All right. Sir, any sort of quick update on IRS, what are the sort of revised timelines, when can we sort of expect it to happen and just broad thoughts on that, please?

**Girish Agarwaal** I think, we have been indicated the timeline of January broadly, we do not know exact date, but around January.

**Amit Kumar** And finally, somewhere during the call you sort of mentioned that 6% growth does not look much, but we have sort of outgrown the industry. Would you have a broad sense of where specifically, the Hindi or regional print market growth would be as far as this quarter is concerned?

**Girish Agarwaal** So, what has happened in most of our market our market share has gone up pretty good. So, we would say that we have been able to take away almost 60% - 70% of the market growth. So, I do not know based on that what the industry outlook would be.

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

**Vivekanand** Thanks a lot for the follow-up. So pressing on the market share gain aspect that you mentioned, this is a market share that you had shed when you were very rigid on the ad rates, am I right on inferring it like that, or how should I see the market share movement across the key geographies? Secondly, on the digital side, I can see that you have discussed a bit about home online, is there any sense that the markets that you are catering to, is there space for focused classifieds websites, particularly in Indian languages, is that an area of investment that you will even be considering in the digital side?

**Girish Agarwaal** So let me start with your digital investment. I do not think we are looking at a classified Indian language site to invest on it. So that is done. Second thing you mentioned about the market share,I would put it in such a manner that a couple of years back when we were driving the yield agenda and not being rigid actually, we were asking for a fair deal, and we had to suffer for some time for that, and after





that we recovered our market share. So, this growth what is coming to us in the last couple of months is actually beyond that. It is helping us to improve the market share beyond that. I think that is happening largely because of our increased circulation in the market, at the same time more confidence of the advertiser and reader in us.

**Vivekanand** Thanks, this is helpful. Just one small follow-up, among the mature markets which is the market where you are most, where your circulation is growing the most? And is there also a rationalization in any of the mature markets?

**Girish Agarwal** Rajasthan, Gujarat, Madhya Pradesh and Haryana, these are the markets where circulation largely has grown. All these 4 lakh copies have come from these markets largely.

**Vivekanand** Right. No rationalization anywhere?

**Girish Agarwal** Fortunately or unfortunately we did not have any unproductive copies anywhere.

**Moderator** Thank you. Ladies and Gentlemen, due to time constraints that was the last question. I now hand the conference over to the management for closing comments.

**Pawan Agarwal** I thank you all for your participation and time on this earnings call. I hope that we have responded to your queries adequately today. And we will be happy to be of assistance through our Investor Relations department, headed by Mr. Prasoon Pandey for any further inquiries you had during the call, or which you would like to have going forward. Thank you very much. Have a great day.

