DB Corp Limited

Investor/Analyst Conference Call Transcript
May 17, 2013

Moderator Ladies and gentlemen, good day and welcome to the DB Corp Limited's Q4FY13 Earnings Conference Call. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Ms. Malini Roy from CDR India. Thank you. And over to you, ma'am.

Malini Roy Thank you, Inba. Good afternoon everyone. Welcome to the Qtr 4 & FY 13 conference call of DB Corp Limited. We will be sharing the key operating and financial highlights for the fourth quarter and year-ended March 31, 2013. We have with us today, the senior management team of DB Corp Limited - Mr. Pawan Agarwal, Non executive Director; Mr. Girish Agarwaal Non executive Director; Mr. P. G. Mishra – CFO; Mr. Rakesh Goswami, DGM – Finance and Mr. Prasoon Pandey – Head, Investor Relations. Before we begin, I would like to state that some of the statements made in today's discussion may be forward looking in nature and may involve risks and uncertainties. Documents relating to the company's financial performance have already been emailed to you. I now invite Mr. Pawan Agarwal to share his outlook on DB Corp's performance for this quarter.

Pawan Agarwal Good afternoon everybody and welcome to DBCL's Q4 & FY13 earnings conference call. I would like to share some key highlights of our financial and operating performance for this final quarter, following which, we will be happy to respond to your queries.

On an overall basis we are happy to have reported a growth-oriented performance this quarter, as we focused our strategies to ensure our position as India's largest print media group amongst national dailies. We studied the environment and adopted a 3-tiered strategy to confirm progress through focus on innovation and content enrichment, be aggressive on our market share and maintain a vigilant attitude towards stronger internal efficiencies across all operations. The success of this approach has reflected in our quarterly results. Our focus this quarter was on gaining mind-share, developing brand equity and creating a more valuable product through exciting content – which we believe is the core binding factor between us and our readers. Towards this, we forged exclusive associations with leading international publications such as Harvard Business Review and Time Magazine and through collaborations with other key international media, we have been bringing a huge variety of content across issues spanning psychology, automobiles, fashion, leadership, healthcare that have been extremely well received. To upgrade our product we also offer better news print quality to readers. In addition to content enrichment, we developed very exciting and strong branding platforms for greater reader engagement and focused positioning.

We continued to consolidate our pan-India leadership position in core and legacy markets of Madhya Pradesh, Chhattisgarh, Chandigarh, Haryana, Punjab (JAL), urban Rajasthan and key markets of Gujarat where DB Corp continues to be the largest read newspaper group with 19.8 million readers. We have also maintained our leadership as the largest read newspaper of urban India since the last 3 years and have substantially increased our lead over the next No. 2 player. In Madhya Pradesh and Chhattisgarh, we have a combined readership of more than 5 million. Dainik Bhaskar continues to lead in Madhya Pradesh with a lead of 124% over its nearest peer and has a net readership greater than the combined readership of its next 4 peers. In Chandigarh, Haryana, Punjab (CPH), Dainik Bhaskar enjoys sole leadership with 2.3 million readers, as per IRS Qtr 4 2012. In urban Rajasthan, Dainik Bhaskar continues to be a leader with 8% more readers than its closest competitor. We have maintained this leadership position across 4 main towns of Jaipur, Jodhpur, Kota and Bikaner with 1.7 million readers and a lead of 15% over the immediate peer. According to the IRS data, Divya Bhaskar in Gujarat continues to report impressive performance in urban Gujarat where 80% of Divya Bhaskar readers do not read any other newspaper. 58% of Divya Bhaskar readership is concentrated in top 6 cities of Gujarat, which is highest for any newspaper group of Gujarat. In Jharkhand, Dainik Bhaskar is making steady in-roads with consistent growth in readership to 0.8 million readers and is now the fastest growing News paper of Jharkhand with the highest urban reach at 74%. In SEC A&B categories, Dainik Bhaskar is at a leadership position with a readership of 0.25 million. Also, in major cities of Ranchi, Jamshedpur & Dhanbad, Dainik Bhaskar has emerged as formidable newspaper, in the short span of time. Divya Marathi continues to gain foothold in Maharashtra, where its readership has expanded to 1.02 million readers, in just one year of our all launches.

I would now like to take the opportunity to appraise you all with DB Corp's consolidated financial performance for quarter under review. Our total revenues stand at Rs. 4073 million compared to Rs. 3642 million in Q4 FY 13, thereby showing a growth of around 12% on YOY basis. We achieved advertising revenues of Rs. 2975 million reflecting a growth of 13.1% on YOY basis against Rs. 2630 million in the quarter 4 of last year. Our Circulation continue to show consistent strong growth and has registered 18% YOY growth from Rs. 622 million in qtr 4 of last year to Rs. 733 million in current Qtr. Our EBITDA grew by 29% YOY strong (net of other income) and EBIDTA margins came in at 25.3% in the quarter, and we reported EBITDA of Rs. 1031 million. Our consolidated PAT registered impressive YOY growth of 22% for this quarter and stands at Rs. 553 million with a

PAT margin of 13.6%.Our Mature market EBIDAT stands at Rs. 1085 million with EBIDTA margin at 31%.

DBCL's radio business remains on track showing consistent healthy growth. Advertising Revenue stood at Rs. 185 million as against Rs. 149 million of Advertising Revenue same period last year reflecting a growth of 25%. EBITDA margins stood at 37% with EBITDA of Rs. 69 million.

We now move on to DB Corp's financial performance for FY13. Our Advertising Revenues have expanded by around 7% to touch Rs. 12075 million for the fiscal against Rs. 11281 million in the last fiscal. Our Circulation Revenues for FY13 expanded by 16.5% and stands at Rs. 2823 million as compared to Rs. 2422 million in FY12. Our total revenues have grown by around 9.5% in FY 13 to reach Rs. 16137 million from Rs. 14755 million. EBITDA has grown by about 10.3%, having expanded to Rs. 3974 million compared with Rs. 3604 million in FY12. PAT for FY13 grew by a healthy 8% at Rs. 2181 million agst Rs. 2021 million in FY 12. The Board has considered and recommended final dividend of Rs. 3.50 per share, to make it total 5.50 per share of Rs 10 each for FY 12-13 which is 46.2% payout as dividend.

Our digital business continues to progress and we developed several platforms to strengthen our connect with audiences.

On the whole, we ended the fiscal on a positive note, especially in a scenario which was impacted by contracting economic activity and slow GDP growth at a macro level and restrained consumer spending. We maintained our focus on our business fundamentals which continue to be strong and witnessed a healthy growth in our topline and overall profitability driven by our growing internal efficiencies, continuous product enrichment and market development. We are confident of our business strategies that have visibly yielded very positive results and we are taking this time to refine our competitive strengths. The way ahead is exciting and we are sure that the government's focus on the second phase of reforms and speedy execution will provide the much needed boost to the industry. We continue to emphasize our efforts to invest across resources in people, technology, innovation, marketing and infrastructure. Across our cultural history, DBCL has been noted for leading change in the industry and we are well poised to capture all opportunities to take the organisation forward and deliver greater shareholder value.

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

Moderator Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from Shobhit Khare of Motilal Oswal Securities. Please go ahead.

Shobhit Khare Sir my first question is on the national markets. If you could share what has been the contribution? What has been the growth? Has it turned positive in the fourth quarter? And what is driving the improvement therein? Secondly, in the balance sheet the receivables days seem to have gone up on a YOY basis. Can you comment on that? and my final question is, what kind of circulation growth in terms of copies are we planning for next year?

Girish Agarwaal On the national advertising front, we have been able to witness a growth of around 14% in Q4, and our overall ratio between the national and local has been around 65:35. So national compared to last year is still yet to pick up in true sense. Furthermore, local has been able to show a better growth. And on the news copies this year , as of now, we are focusing on select markets like Madhya Pradesh or Rajasthan. We will be launching one more edition in Maharashtra from Akola. So we will see some copies coming from there and a specified growth coming from various markets wherever we feel we can further penetrate the market.

Shobhit Khare Should we expect a mid single digit kind of a number?

Girish Agarwaal Yes, looks like that.

Shobhit Khare And you said that national is still lower. But you had mentioned a 12% growth therein versus an overall growth of 13%?

Girish Agarwaal National has started growing since the last two quarters. So we hope that this growth should continue and they should resume their earlier status.

Shobhit Khare And can you answer my question on the receivables days?

Girish Agarwaal On the receivables front, if you were to compare Q3 and Q4 , the no. of days have come down from 75 to 70 in Q4 because the number has gone up due to the government advertising. Our overall government advertising has grown pretty well and the same takes some more time than the retail advertising for recovery.

Moderator Thank you. Our next question is from Ajay Vora of Enam Asset Management. Please go ahead.

Ajay Vora If I were to look at the CAPEX over the last two years, do you think that we have incurred a high amount over the last two years because of which the same was largely directed towards the emerging markets; as a result, our return ratios were lower? However, now that the losses have also come down, do you think that the profitability will improve and the CAPEX is likely to come down, going forward?

Girish Agarwaal If you were to look at the CAPEX for the last two years, it was based on the new editions. This year, as I've already indicated, we only have one small edition from Akola coming in. So our large amount of CAPEX has already been incurred. There will be some CAPEX on the maintenance account that will continue.

Ajay Vora What can be the CAPEX for the next two years in FY14, '15?

Girish Agarwaal This year, the maintenance CAPEX will be in the range of around 20 crore in addition to whatever little amount is spent on the newer edition(s). So, there is nothing substantial planned.

Ajay Vora Any new geography which we plan to enter or any new thing planned for the next two years that can constitute an incremental CAPEX?

Girish Agarwaal Frankly speaking, to comment on the next two years now will be too premature. But as of now, I can say that in the next two quarters, our launch is only going to happen in Akola and not beyond that.

Ajay Vora And how do you see the emerging market profitability moving forward over the next 3 or 4 quarters?

Girish Agarwaal Our losses for the emerging markets which were at Rs.78 crore last year, have come down to Rs.35 crore this year. This clearly indicates that emerging market losses are going down and the way the revenues are coming back and if we're able to maintain these numbers, we should be able to have a much better number going forward in the emerging markets.

Ajay Vora So can we break-even this year?

Girish Agarwaal We are certainly trying for that.

Ajay Vora As in the morning when Mr. Girish had appeared on TV, he indicated that the overall margins are likely to improve the mature markets. So are we really looking at improving the same dramatically from that of the emerging markets?

Girish Agarwaal The emerging market losses will never become zero, because we are anyway getting into new launches. For example, our Akola launch, which will be later this year or Solapur launch done last year. So, those editions which have not yet completed the age group of four years, they will still showin losses but the ones those who have gone beyond that age or are around that age, they are in positive. So, we have come down from Rs.78 crore to Rs.34 crore in terms of emerging market losses. The next year we assume this amount to go down furthermore.

Ajay Vora And in government advertising, what is the percentage of total advertising expense?

Girish Agarwaal Government advertising generally varies from 10% to 12% of the overall spend. But in a particular quarter it tends to go up. For example, if you were to look at Q4, wherein there has been a good growth in the government spends; the overall percentage of government advertising has gone up to almost 15%.

Moderator Thank you. Our next question is from Nitin Mohta of Macquarie. Please go ahead.

Nitin Mohta My question was from a longer term, if you look at the last year, the ad growth was weak, and I understand that the macro situation was difficult, but we didn't really have even this kind of a weak ad growth during the 2008-09 period. So is there anything that we would like to change in the business model, which makes you more protective or makes you less susceptible to these economic cycles that we are seeing, given that the local obviously, is such a big part? So, it could be directional change in terms of revenue splits becoming different or anything that you are doing to your advertising program.

Girish Agarwaal , We decided that this year we would focus more on the yield improvement based on our learning for the past few years and the current market conditions. If you were to look at our Q4 numbers, my volume growth has been almost flat but the yield growth has happened. So, for example, I would attribute the 13% growth achieved by us, largely to the yield growth. And even if you were to consider the annual number, you'd notice that a large part of our growth has happened on account of the yield growth. The yield growth is a part of our strategy, because we have realized that when we push the yield in the market up, there seems to be a resistance. So, in some places one would lose market share.. However, this time we stood by our stand and one can see that the results have started coming in. So, this will have a long-term impact on us because when the yield goes up it stays there forever, as unlike volume which is controlled by the market ups and downs. So, I think this strategy of ours has worked so far, and we are confident that this is going to work further.

Nitin Mohta What's been the competitive response to that in the market? You obviously operate across a plethora of states. So can you give color on the competiveness to this yield increase thrust of yours?

Girish Agarwaal We don't control the competition. They operate out of their thinking. In some markets, they came along with us because they saw the opportunity. So, when we being the leader were doing it, they came along and followed us. In some markets, some competition did not do it in the hope of some temporary gains. So, it is different from market-to-market actually.

Moderator Thank you. Our next question is from Siddharth Goenka of JM Financials. Please go ahead.

Siddharth Goenka My first question is on the advertising revenue. We have seen a good pick up coming in the second half. So what kind of expectation we have for FY14, if you can guide on anything?

Girish Agarwaal I can't really give expectations but going by what has happened in the Q4 and also during the April–May month along with what we are seeing currently, the numbers are looking encouraging.

Siddharth Goenka So can we expect this kind of a similar growth momentum at least in 1Q at around 10%-12% growth approximately, in a broad range?

Girish Agarwaal Though we are expecting much more, but yes looks like around this number at a minimum.

Siddharth Goenka And which sectors have contributed to growth in Q4 FY13?

Girish Agarwaal The growth has come from almost all the sectors but a large part of the growth has come from automobiles, government, FMCG, lifestyle and real estate.

Siddharth Goenka And when are we likely to achieve breakeven from Maharashtra and Jharkhand markets because in Maharashtra we will be launching in Akola but in Jharkhand we have been present for quite a number of years?

Girish Agarwaal Our internal benchmark is 4 years for a market to break even. If you see from that perspective, the first edition in Jharkhand was launched in September 2010, from Ranchi. After that we launched the other editions. So if you see our average age in Jharkhand is still 2.5 years, and in Maharashtra our average age is just 1.5 year. We still have some time to go but the good thing is that in these two markets, especially in Maharashtra, the numbers are pretty encouraging when it comes to the revenue and the acceptance in the market.

Siddharth Goenka And any plans for the Bihar launch over the next one or two years given that the advertising growth momentum is likely to come back?

Girish Agarwaal We have not yet reviewed Bihar.

Siddharth Goenka Our EBITDA margins from the mature edition have also been encouraging given that we just grew around 6% on advertising. So what kind of margin expectation we have from a mature piece, at least in FY14? Is it likely to see further improvement with advertising coming back?

Girish Agarwaal In pretty good days' time, we went up to as high as 37%-38% of our mature editions' EBITDA margin, and we are now at 31%.

Siddharth Goenka If you can give the state-wise performance for this year especially from key states like MP, Rajasthan or Gujarat as to how they have performed? I am not asking for the numbers but can you just provide a general view on these states and how have they performed overall?

Girish Agarwaal MP has been a very good performer, especially circulation-wise we have been able to grow 51,000 copies in Madhya Pradesh in spite of taking a 5% cover price hike. Similarly, in Rajasthan also, we have seen that the number has improved. On the yield perspective, Rajasthan and Gujarat have been the front runner in terms of yield perspective. The North Indian states are doing okay, but they still have a lot to catch up.

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

Vikas Mantri We have seen a very strong growth in our Circulation revenues. Now can you help me with what would be the outlook for FY14? And in the case of FY13 how much was it driven by increase in copies, and how much by the increase in tariff rate cards or rates per se?

Girish Agarwaal If you were to look at our PO for this year, the '12–13 average, is at 47 lakh copies, which was earlier at almost 46 lakh copies., There has been a 2.5% growth in circulation. And if you were to look at our cover price, we were at Rs. 2.43 which has now come up to Rs. 2.66 on annualized numbers. And even the realization has gone up by almost 12%. Now, going forward we feel that because we have already taken a jump of 12%, we will not look at again a 12% jump. So I would say that this year we would be targeting a single digit growth in Circulation in terms of price hike.

Vikas Mantri What would be your exact realization in terms of copies?

Girish Agarwaal If you talk about Q4, then we are at Rs. 1.74 net realization of my cover price.

Vikas Mantri And the full year average is Rs.1.66?

Girish Agarwaal Yes.

Vikas Mantri So there is already a 5% to 6% hike until if we don't cut it short.

Girish Agarwaal Yes. That's the reason I mentioned that we are looking at 6% from the cover price hike.

Vikas Mantri On the raw material cost, what is the outlook there and how are we seeing things moving there?

Girish Agarwaal During the last year, we had consumed almost 1,64,000 tonnes of total newsprint, and the overall price had moved up almost by 5% compared to last year., And the market estimates suggests that there may be a similar kind of number required for this year if at all prices go up.

Vikas Mantri So is the gain or better improvement in gross margins been driven by lower pagination this year?

Girish Agarwaal We were earlier at 21.89. This year we have come down to 21.58. So yes, there has been a reduction in the page but that is only 1.2% -1.4%.

Vikas Mantri During last year in the same period of time, you had given us an internal ad target. What would be that for FY14?

Girish Agarwaal Last year we did not give you a target. Somebody asked me as to what is my wish list, so that was my wish list, and I continue to have the same wish list this year because if one doesn't have that wish list then one doesn't perform. So, I think we should aim for that number and then see as to where we arrive.

Moderator Thank you. Our next question is from Srinivas Seshadri of CIMB. Please go ahead.

Srinivas Seshadri Between MP, Chhattisgarh, Rajasthan & Gujarat, which are the kind of faster growing markets in terms of advertising revenues on a relative basis?

Girish Agarwaal Rajasthan and Madhya Pradesh are relatively faster growing markets. Gujarat is still growing, because there is a lot of correction the state is doing in terms of yields. So, that way there is growth in all the markets. However, Gujarat is improving better on yields. But MP and Rajasthan are doing much better than this, overall.

Srinivas Seshadri So are you seeing both yield and volume improvement there?

Girish Agarwaal Yes.

Srinivas Seshadri I wanted to understand a little more about the local advertising. Of your total no. of sub-editions, how many of them would be currently getting monetized in terms of local sales officers and advertising? Also, what is the potential to improve on that may be from a 2 -3-year perspective?

Girish Agarwaal If you were to look at the ratio, 65% of our revenue comes from local and we are monetizing, working on each and every market of ours within editions, sub-editions, district editions and even at taluka level. But we still feel that there is lot of scope for further growth, as right now we have been able to tap the Tier-2 and Tier-3 markets from the advertising perspective. We feel, going forward, all these smaller Tier-3 and Tier-4 markets need to be further looked at because for example, an automobile companies are now opening up their showrooms even in Tier-3 or Tier-4 markets. So, those markets are consuming directly rather than consuming through our feeder markets. So, they need to advertise furthermore. So we are focusing on that too, going forward.

Srinivas Seshadri What kind of plans would you have may be for the next 1 or 2 years to tap that in terms of number of editions or sales offices increase compared to what you have?

Girish Agarwaal We already have sales offices and number of editions. May be we may spin out some of the editions and make them independent editions, which we keep doing now and then. For example, last year, if you remember, we spinned out some editions in Rajasthan, Chhattisgarh, Raigad and all those markets. It is a part of an ongoing process, frankly speaking.

Srinivas Seshadri In terms of the newsprint cost, what are the expectations on a full year basis for next year versus this year based on whatever you see right now and whatever contracts you have entered into?

Girish Agarwaal As we just mentioned, we have seen a 5% growth in the newsprint cost last year, and we assume looking at the current trend that number this year also should be around the same.

Srinivas Seshadri Sir, are you talking about the pricing?

Girish Agarwaal Yes, I was referring to the pricing of the newsprint which we purchased.

Moderator Thank you. Our next question is from Amit Kumar of Kotak Institutional Equities. Please go ahead.

Amit Kumar You mentioned that the average age of Jharkhand expansion is still 2½ years. You still have some time to break-even. But I am actually looking more at this particular territory from a long-term perspective. Do you think you will really stabilize here because with a four player market, all the players are pretty aggressive in terms of pricing, in terms of yields and the market itself is not doing very well for the last few months. The break-even is fine but where do you end up in terms of steady-state margins and revenues?

Girish Agarwaal I understand your concern very much. I am actually not very much worried about the four players operating in the market. My concern is more about the market per se because of the political disturbance therein. Unfortunately, the government keeps changing now and then. So, I think some kind of stability is required in that market. Unless and until that happens, that market will not be able to exploit it true potential. So, I share the same concern as you.

Amit Kumar You are a lot more tuned to the ground. Have you seen any sort of change in the political situation in the market?

Girish Agarwaal That is an unfortunate thing; it changes every 3 months over there.

Moderator Thank you. Our next question is from Gaurav Jain of AltaVista Capital. Please go ahead.

Gaurav Jain Your margins are now expanding. So assuming that next year's macro situation is better and your performance is better and the margins keep expanding, at what point of time do you start spending aggressively again to enter new markets?

Girish Agarwaal Frankly speaking, as we have been mentioning time and again that the idea of expansion does not mean only to expand unless and until it makes some logical sense to enter into a market. There is no point in going and expanding yourself so we would be happier if the company earns more cash. And when there is no expansion required, then you would be able to distribute more dividend. Like this year, if you noticed, we have recommended a final dividend of Rs. 3.5 to make the total of Rs.5.5, which is almost 46% payout as dividend. We are thinking that if we don't need more cash in the company we will be happy increasing the dividend, which we have been doing so far.

Gaurav Jain Are their markets attractive enough to expand or you think that you are already in the markets?

Girish Agarwaal Frankly speaking, the market where we are already present which is Gujarat, Rajasthan, Madhya Pradesh, Maharashtra or Punjab, Jharkhand and that the like. We feel these markets themselves have a huge potential within them. So, if we need to expand we can keep expanding in these markets horizontally or vertically. Like in the case of Madhya Pradesh, I think we need to expand more vertically reaching to lower levels and giving them a better product and a better connectivity. Or in the case of Maharashtra, we still have a few more editions to launch, like the one in Akola, which we are launching now. If required, we may look at Nanded or Kolhapur going forward. So we have enough margins available within our markets for at least the next 12 months to 18 months.

Gaurav Jain Are there any inorganic growth opportunities that might be interesting out there?

Girish Agarwaal We would like to clarify on that. We are looking at some opportunities but not desperately. So unless and until the opportunity comes to us, which makes sense to us in a relevant market and that too at a price which we think is right, we are not going to consider any such M&A.

Gaurav Jain Any impact that you are seeing from Jagran after their acquisition of Nayi Duniya?

Girish Agarwaal I think they are trying to work their best. There are our respectable peers and they are still in the process of revival. So far, we have not seen any impact on us. In fact, as I mentioned to you that in Madhya Pradesh we have been able to grow 51,000 copies in spite of increasing cover price by 5% in those markets. I think things are doing okay for all of us.

Moderator Thank you. Our next question is from Bijal Shah of IIFL. Please go ahead.

Bijal Shah Is my reading correct that local has slightly slowed down over the last 6 months because we were anticipating the 15% to 20% growth in local to continue. Now since, even national has picked up, and we see the overall growth remains only 11%-12%. So does it mean that local has come down from the 17%-18% to 10% to 12% range?

Girish Agarwaal Not exactly. If you see my ratio is 65:35. And if 35% has grown by 12% in a particular quarter and the overall growth is 13%, you can imagine that 65% has grown higher than the 12%.

Bijal Shah I meant it is very clearly not around 18% even if I work out those numbers.

Girish Agarwaal You are right. Not overall,, but some markets are doing that number and some markets are not. For example, I mentioned that the northern India markets are not really doing well or Jharkhand market, for that matter, is not growing with that number. Markets like Rajasthan, Gujarat and Madhya Pradesh are doing pretty good.

Bijal Shah So on local, in FY14, should we expect a 17%-18% kind of a growth? If it is possible to give guidance or some idea on that, it could be helpful.

Girish Agarwaal We can only suggest that if you were to look at this fiscal, it is an election year and in the three states where we have our operations - Madhya Pradesh, Chhattisgarh and Rajasthan., there is a state election as well. So, the government has anyway started increasing their spend on the markets. There are new road projects happening. There are all those schemes which the government was not announcing earlier, which are being announced now. There is a lot of money out in the market. So, the consumption will go up in these markets. Due to the Lok Sabha elections next year, the overall market will also get benefitted. Now with this, the overall consumption goes up and the benefit of the advertising will be seen.

Bijal Shah I also have a slightly longer-term question on expansion. Now, whatever expansion we had earlier done in any state, were largely the expansions conceived at a time when probably the advertising growth was at 15% to 20% in the regional print. There is always a question mark whether there will be a 10% growth next year or not or a 15% growth looks very optimistic. So does it make sense right now to go to any market because it is easier to penetrate the market when overall growth is very good and it is probably very difficult to go to a new market when advertising is not growing very significantly and. So does it matter at all and if it matters, does it change our policy with respect to expansion, going forward?

Girish Agarwaal I think you are able to structure the answer pretty well.

Bijal Shah That probably means we could be a bit slow till the time advertising growth comes back to a 15% -20% range. So, would that be a correct assessment?

Girish Agarwaal Yes, it is correct.

Moderator Thank you. Our next question is from Arun Bharti of Pari Washington. Please go ahead.

Aruna Bharti I just have a bookkeeping question. What's the total debt outstanding including the portion that may be buried in the current liability?

PG Mishra The Secured term loan outstanding is Rs.109 crore. The Secured Working Capital buyer's credit is Rs.29 crore.

Moderator Thank you. Our next question is from Pratish Krishnan of Antique Stock Broking. Please go ahead.

Pratish Krishnan You had mentioned that the growth during the quarter was largely yield-driven. Is that the case even in the 1Q that is in the months of April–May?

Girish Agarwaal No, if you were to see the yield growth, we have seen the same thing in the last three quarters. So yield percentage in a particular quarter grew by a single-digit, then a healthy single-digit and this quarter we have seen the growth as a double-digit one. So, we feel now it is going to stay like that.

Pratish Krishnan . Are the months of April and May, which you said are trending very well yield-driven too or are volumes coming back?

Girish Agarwaal Largely yield-driven..

Pratish Krishnan When do you think volumes can probably come back?

Girish Agarwaal We feel that because of the overall market improvements, due to the government policies, it should start happening now slowly.

Moderator Thank you. Our next question is from Rohit Dokania of B&K Securities. Please go ahead.

Rohit Dokania My first question was on the election-related growth. I just want to know, let's say, if our growth without election is X% in FY14, how much would it be with election? Would it be X+3 or X+5, for instance? If you could just throw some light, that would be very helpful.

Girish Agarwaal Frankly speaking, to put any percentage on that will not be possible for us. We assume that the number will look better than last year because of the environment around. That's our assumption and the current trend that we see.

Rohit Dokania But given the fact you guys had existed when the early elections were happening, and if you could just throw some light as to how the earlier ones had panned out, that would be very helpful for us?

Girish Agarwaal When the last year elections happened, the market scenario was different, now, the scenario is different. So, to really compare both of them will not be a right analogy.

Rohit Dokania And the other question was on Maharashtra. So, if you could just throw some light on the market potential in terms of ad revenues of the editions that we have in Maharashtra. I would assume that currently we would be mostly targeting probably the local advertising in the markets where we are present. So what is the market potential in those markets where we are present and currently what revenue market share in approximate terms, we would have reached there?

Girish Agarwaal Maharashtra, I believe has an immense potential which we still have to tap. Locally, if you talk about the market where we are already present such as Aurangabad, Nashik, Jalgaon, Ahmednagar and Solapur, in most of these markets our revenue market share is almost at par with the erstwhile leader over there. Now, we are working hard on how that number can further go up.

Rohit Dokania Are you talking of the volumes market share or are you talking of the revenue market share?

Girish Agarwaal No, we operate on the revenue market share. To get volume at a lower rate is a much easier job.

Rohit Dokania And could you also throw some light, on whether the national advertisers started using our Maharashtra product?

Girish Agarwaal They have started but not in the same manner in which the local ones are doing. National takes some time. So, we still have some more time to go for national.

Moderator Thank you. Our next question is from Nikhil Paranjpe of ICICI Asset Management. Please go ahead.

Nikhil Paranjpe Firstly, I wanted to understand the rationale to launch the Akola edition. Also, in general when you spoke about expanding to other cities in Maharashtra, would you be using the OSP model or would you have your own facility?

Girish Agarwaal As a principle, we don't use the model of renting the printing facility anywhere. We create our own printing facility in all the places. We may operate from a rented premise but the printing machines and the set-up is our own. We are launching in Akola, because this is one area where we feel there is potential right now. Some newspapers are serving from other markets but we feel that this market is a potential market in that area, and which will also help us to provide a larger bouquet to the advertiser of a market. When I go to the advertiser nationally, I am able to give him a larger coverage of Maharashtra.

Moderator Thank you. Our next question is from Amit Kumar of Kotak Institutional Equities. Please go ahead.

Amit Kumar Is the jump in terms of government advertising that you are seeing, due to the general DAVP or is this DAVP linked to elections. Are the Governments already starting to take cognizance of the fact that they will be due for elections in some time and have ramped up their strength on that?

Girish Agarwaal It is almost like that.

Amit Kumar A few of your peers are really talking about 1,000 crore kind of war chest for acquisitions etc., Any thoughts on that, given the fact that you are also looking at inorganic growth opportunities? How do we really see the balance sheet playing out? What kind of size of assets would you be looking at? You could just provide a broad color obviously without any details.

Girish Agarwaal I would be keener to decide the target, means can always follow. As I have not been able to see a practical, viable, M&A target in the market in the last so many years. So whether you need Rs.1,000 crore, Rs.500 crore or Rs.200 crore, that I think is immaterial. More importantly, we have to consider if there are opportunities available in the market which are practical and viable. I am not too clear on that, frankly speaking.

Amit Kumar Given the fact that the last two years have been reasonably bad from a macro perspective for print, the valuation expectations have not dropped down to a realistic level?

Girish Agarwaal I really don’t know because not many people have come and spoken to us about their numbers and all that. So, really won’t be able to comment much on that. But I again reiterate the fact that we will be happy looking at M&A opportunities which are practical, viable and makes business sense. We don’t want to do any M&A out of proving it to anybody.

Moderator Thank you. Next question is from Aruna Bharati of Pari Washington. Please go ahead.

Aruna Bharati I just wanted to get your views on the regional language markets in the southern belt, namely Tamil Nadu, Kerala, Karnataka and Andhra Pradesh. Are these markets big and interesting enough to warrant your attention? Your thoughts on this will be helpful.

Girish Agarwaal We haven’t done any thorough homework on the southern market as yet. It will be not correct on my part to comment on the potential of those markets.

Moderator Thank you. As there are no further questions from the participants, I would now like to hand the floor back to Mr. Pawan Agarwal for closing comments.

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

Moderator Thank you very much sir. Ladies and gentlemen on behalf of DB Corp Limited that concludes this conference call.

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