



DB Corp Ltd

CD Corp Limited

Q2 FY19 Earnings Conference Call Transcript October 25, 2018

Moderator Ladies and Gentlemen, Good Day. And welcome to the DB Corp Limited Q2 FY19 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. Please note that this conference is being recorded. I now hand the conference over to Ms. Malini Roy from CDR India. Thank you and over to you, ma'am.

Malini Roy Thank you. good afternoon, everyone. Welcome to the Q2 and H1 FY19 Conference Call of DB Corp Limited. We will be sharing the key operating and financial highlights for the quarter and half year ended 30th September 2018. 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 and Media 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 invite Mr. Agarwal to share his outlook on the company's performance for this quarter.

Pawan Agarwal Thank you, Malini. Good afternoon, everyone. Let me begin the call by running you through our financial performance, post which we can begin the Q&A session.

Beginning with our quarterly performance, our consolidated Ad revenues grew by 4.3% to Rs. 4,132 million from Rs. 3,963 million. However, adjusting for shifting of festival related billings, advertisement revenue registered a strong 17% YoY growth to Rs. 4,132 million from Rs. 3,534 million. Our consolidated total revenue for the quarter stood at Rs. 5,875 million as against Rs. 5,713 million reported during Q2 FY18, higher by around 3%. While on an adjusted basis revenue grew by 13% after accounting last year's one off and festive season impact.

Circulation revenues for the quarter grew 6% on YoY basis to Rs. 1,318 million as against Rs. 1,248 million, which was largely volume driven. EBITDA for the quarter stood at Rs. 977 million as against Rs. 1,456 million reported during Q2 FY18, after



considering FOREX loss of Rs. 58.4 million and circulation expansion strategy related non-recurring expense of Rs. 110 million.

PAT for the quarter stood at Rs. 462 million as against Rs. 787 million delivered in Q2 of last year, after considering FOREX loss of Rs. 62 million and circulation expansion strategy related non-recurring expense of Rs. 110 million.

Moving on to half yearly performance, Ad revenue reported growth of 5% YoY to Rs. 8,681 million as against Rs. 8,297 million reported in H1 of last fiscal. While on an adjusted basis ad revenue grew 10%, after accounting last fiscal's festive season. Total revenue reported growth of 5% at Rs. 12,267 million in current period as against Rs. 11,709 million generated during H1 last fiscal. On an adjusted basis, total revenue registered 9.8% YoY growth, post adjusting last fiscal one-off items and festival season billing.

Circulation revenue for the first half grew by 8% YoY to Rs. 2,664 million from Rs. 2,467 million, largely volume driven. EBITDA for the period stood at Rs. 2,725 million, margin of 22%, against EBITDA of Rs. 3,390 million reported during H1 financial year 2018. After considering FOREX loss of Rs. 83 million and circulation expansion strategy related non-recurring expense of Rs. 168 million, post-adjusting for last year's and this year's one-off related to circulation extension and FOREX losses, EBITDA stands at Rs. 2,977 million against Rs. 3,008 million in H1 of last year.

PAT for the first half amounted to Rs. 1,438 million as against Rs. 1,888 million in H1 of last year after considering FOREX loss of Rs. 93 million and circulation strategy related non-recurring expense of Rs. 168 million.

Our performance this quarter reflects our circulation efforts which we undertook last year and now reflected in Bihar, where we are at number two position with an average issue readership of 9.11 lakhs, based on the commission survey conducted by Hansa Readership Research. This success has been achieved within a short span of time due to initiatives as circulation expansion drive in Bihar.

Dainik Bhaskar has become the largest circulated newspaper in Rajasthan, as per the Audit Bureau of Circulation, January to June 2018.

On our non-print businesses launched Dainik Baskar Plus app, a new app set to revolutionaries new consumption in Hindi speaking market, offers new age features that resonate with the needs of the modern day consumer enhancing their experience of new consumption in Hindi speaking markets.

DBCL's radio business continues to be the largest player in rest of Maharashtra, number one player in Chandigarh, Haryana, Punjab, Rajasthan, Madhya Pradesh and Chhattisgarh. Radio advertising revenues for this quarter stood at Rs. 377 million as against Rs. 348 million in the same period last year. EBITDA grew by 30% YoY basis to Rs. 120 million from Rs. 92 million. The stations acquired during Phase 3 are EBITDA positive on the back of growing program popularity and prudent cost control initiatives.

I would like to reiterate that we have undertaken several strategic initiatives across circulations, editorials, cost management, etc, to ensure strong organizational performance. Our focus continues to remain on sharpening our organizational

strength and leading market expansion, enabling us to strive harder in a rapidly evolving and competitive media environment.

My colleagues and I will now be happy to respond to your questions. We look forward to continuing our interactions. And please contact our investor relations department, headed by Mr. Praseon Pandey, for any request and enquiries. Thank you.

- Moderator** Thank you very much, sir. Our first question is from the line of Abneesh Roy of Edelweiss. Please go ahead.
- Abneesh Roy** Sir, my first question is on the circulation revenue. The growth during this quarter was 5.6% while we saw 10% growth during the first quarter, wherein you had mentioned that you expect double-digit circulation growth rate for the entire year. So now after delivering 5.6% during this quarter, do you still expect to clock double-digit growth for FY19?
- Girish Agarwaal** Yes, I think we will be almost there, yes. We are seeing volume growth which should help us attain that level or somewhere very close to that.
- Abneesh Roy** But what's the reason for the slowdown during this quarter? I mean we did expand circulation this quarter in Bihar, Rajasthan, etc.
- Girish Agarwaal** No, you are comparing the growth over last year. If you recollect because most of the copies came from, some of the copies were already rolled out in the last year Q2, especially in Gujarat and Rajasthan and Madhya Pradesh,. If you remember, whatever copies we grew, especially Gujarat and Rajasthan and Madhya Pradesh, that copies started growing from the month of July itself.
- Abneesh Roy** But then its in the base for Q3 also, so have you taken some cover price increase or you plan to take it? Because it is there in the base in the second half then.
- Girish Agarwaal** See, on the cover price I cannot announce anything right now, since it's a confidential matter.
- Abneesh Roy** But you are still optimistic on the growth, 10%?
- Girish Agarwaal** Yes.
- Abneesh Roy** Sir, second question was in terms of the political related advertising, are you seeing more benefit in MP and Chhattisgarh, because that seems to be more of a three party fight while in Rajasthan it is clearly a two party fight, is that trend there or it is uniform all three markets?
- Girish Agarwaal** See, what has happened is, most of the advertising which has come in so far, has been more of the Government advertising, so it is not the political party advertising, they haven't started advertising as yet. The large advertising is of the Government where we have seen the upsurge in all the three states.
- Abneesh Roy** And sir, in the past we have seen the Government ads and political ads kind of balance out each other because they cannot coexist at the same time. So, in the overall scheme of things, how do you see it playing out this quarter, Government

ads are strong now but once the code of conduct is there then it stops. What is your view?

Girish Agarwaal So, code of conduct came on the 4th - 5th of October which was in Q3, and after Q3 the Government advertising stopped. But now since the election is approaching so the political advertising is coming into the picture.

Abneesh Roy And sir, last question, in Q1 also the auto ads were quite slow, Q2 I think that would have continued. So if you could comment on how it has been? And we are getting very negative vibes from the comments from the dealers and the auto companies also that Q3 also the pickup has been below expectation. So, in that context do you see H2 getting impacted from some of the BFSI sector, some of the durables and auto sector?

Girish Agarwaal So, I can share the figures with you for Q2. In Q2 the Government obviously has shown a major growth. There has been a growth in the response category which is classifieds and all that. And big growth has come from the real-estate. So, what has happened, all the efforts what our team has been making in the market, so there has been a substantial growth, though still the numbers are lower compared to whatever base was three year's back, but Real-estate has shown a good growth. But as you rightly mentioned, automobiles, we are still not seeing any positive trend in automobile in the overall category, though two-wheeler category is showing a major growth, but there has been a decline in the four-wheeler category.

Abneesh Roy And sir, Real-estate recovery, essentially of the base getting favorable, two, three year's base?

Girish Agarwaal Yes.

Abneesh Roy And from liquidity point of view we are seeing a lot of liquidity crunch, so that does impact the advertisement also with a lag, So, in your markets could there be a dampener either from the corporate set of advertisers or the retail set of advertisers?

Girish Agarwaal Yes, I can share with you the Q2 number on the advertising so far. As you know our overall advertising growth for Q2 has been around 4.5%. But if I consider the base of the festival overlap in the last year, and if I take that amount out of the last year's base then the growth percentage goes up to almost 17%. But having said that, I have to include some of the Government advertising which came into this year which was not there last year, so I think on that basis we have around 12%, 13% growth apple-to-apple comparison. So, I would say the initial days of festival looks good, and even now the numbers are encouraging compared to the overall markets.

Moderator Thank you. Our next question is from the line of Aditya Mathur from Citigroup. Please go ahead.

Aditya Mathur Sir, I have got a few questions. Firstly, it would be great if you could give us some perspective on how news print is trending? Clearly prices have been stuck quite significantly this quarter, it will be good to get some perspective on how you are seeing the rupee per ton you spend cost in the second half. And also, I think, just a bit of a follow-up from Abneesh's question on cover pricing, while I understand you cannot make an announcement right now, it will be good to get some perspective

on what you are really thinking around cover price hikes, could that be a lever that the industry could utilize?

Girish Agarwaal

So, on the first question I will give you the pricing chart. So, in Q1 our price was around Rs. 40 per kg in terms of blended price, which in Q2 has gone up to Rs. 44 plus some paisa. And as per the indication in the contract we have in the market and the inventory which we already utilize in Q1 and Q2, I think Q3 will be anywhere around Rs. 46 – Rs. 47. So there may be a 3% to 4% price increase from Q2 to Q3. Compared to the last year Q2, we were at Rs.36 in Q2 and this year we are at Rs. 44 in Q2, so there has been a growth in that. But good thing is that, when we spoke to the mills around the world, consumers around the world, few indications are looking comparatively positive: one is that the overall consumption of newsprint is declining, this will continue happening. Number two, a couple of the mills which are making the packaging paper, writing and printing paper, they have started shifting to newsprint considering the overall supply position. And also there is a mill which was producing almost 0.65 million tons, they are going to restart the production. So, considering all this, we believe, going forward the rates are softening. And as of now, when we are talking to you, we have indication for the contract which we are discussing with the suppliers for next year, we already have indication of anything around \$50 to \$70 softening indicated now, which we believe will go further higher in terms of softening the prices.

Aditya Mathur

So, basically, even on a Y-o-Y basis if you are saying the third quarter could be Rs.46 - Rs.47 which will probably mean a 24% increase in newsprint in the second quarter would moderate to about 16% or so?

Girish Agarwaal

Yes.

Aditya Mathur

And secondly, it will be good to get some perspective, you have given the ad growth ex of the festive season. What I see you have done is you have adjusted the base quarter. So have you just removed the nine days in the second quarter of FY18 and got the number of 17%? Or how exactly have you calculated this?

Girish Agarwaal

What happened, for example, on those regular nine days if I do a billing of say Rs. 100, but because of the festive I have done Rs. 140, so I have taken the Rs. 40 out of that.

Aditya Mathur

And what would have been the growth festival-to-festival, if you could provide some color?

Girish Agarwaal

You are talking about the growth in those nine days only?

Aditya Mathur

That is right, which basically would have been in Q2 this year, I mean, has that seen growth?

Girish Agarwaal

Yes, there has been a growth in that, yes. Coming back to your question about the cover price, so frankly speaking, we have not taken any call on the cover price. Even on the circulation, as you know, we have increased the copies last year, and got a great response in the market. So, we believe the copies which we have acquired in the last one year's time we want to consolidate those copies now, because the average age of a reader with us is almost five to six months, those copies which we have acquired. So, we want to kind of stabilize these copies with us, mature these readers with us, and then decide going forward that how we should go about the cover price.

Aditya Mathur I know in the analyst meet you had sort of mentioned that going forward you would prefer the dividend route rather than the buyback route for any distribution of excess income. Would it be possible to give us some sense around any major CAPEX that you have planned for the next one year or so? And if we could see some dividend, if the Board could consider some dividend in fiscal year 2019, do you think that there is a possibility?

Girish Agarwaal So, I can talk about the CAPEX. Apart from the routine maintenance CAPEX there is no CAPEX planned in next 12 months time. And for next six month, like we are sitting in October, from October to March if I have to see, maximum around Rs 15 crore to Rs. 20 crore CAPEX, which is a normal routine CAPEX will be incurred.

Aditya Mathur So there is a possibility of dividend going forward?

Girish Agarwaal Yes.

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

V. Subbaraman I have couple of questions. Now, when you gave the adjusted ad revenue growth, I see that there is a difference of Rs. 40 crore in the base quarter that you have given. So, in 3Q is it so that because we have these festive days in 3Q this year, and also adjusted for that festivity growth we are seeing 17% growth. So, then on last year's base of revenue we should see 17% - 18% growth, is that what the market is now treating you? That is one thing that I wanted to confirm. Second, on the digital business, till March 2018 you were disclosing the number of unique visitors, and over the last three years, as I have seen it in your own disclosures, it has been progressively increasing from 30 million in June 15 to around 86 million in June 2017, it moderated to 74 million in March 2018. Where is that number at right now? And can you delve into the reasons why you have not been able to grow digital revenue? They seem to be stuck between this Rs. 12 crore to Rs. 15 crore range. If I remember correctly, since FY16 your digital revenue has been stuck in this range. Can you help us understand your digital strategy?

Girish Agarwaal Yes. So, this 17% adjusted growth, what we have mentioned to you, is based on the two basis what we have with us. And so far the festival is looking okay, so we are very confident and hopeful that this growth should continue. But frankly speaking, how the exact months need to be closed, nobody knows. But there are positive trends around, like I mentioned to you, real-estate category there has been a growth, response category there has been a growth, in FMCG minor growth, government has been a big growth and all that. So we are hopeful. But exactly how will we grow, what percentage, we should be able to let you know by in the month of January.

Pawan Agarwal As I shared in the previous conference call, a lot of changes have been made in the platform right from aggregators to Facebook, to Google. And as an effect we have experienced a lot of changes in the traffic. And we reconcile at this time that we need to create our own destination and we need to get people to our own platforms and build our own direct traffic. And as an outcome, what we did was we re-launched our app, it is call Dainik Bhaskar Plus, it has gone top class content now, absolutely curated, outstanding experience, that has been one focus. The numbers I can share with you for September month, as we closed last month, about 70 million unique visitors. And these 70 million visitors, we are under process to now grow direct traffic, this 70 million still includes our traffic from other platforms, but

platforms which are giving us traffic which was not adding to monetization, we are continuously removing that traffic from our numbers. And that is the plan going forward, which is to build traffic which is monetizable.

V. Subbaraman Just a follow-up on the digital side, because I see that there are a lot of new age websites that aggregate news from various sites, also Indian language news, not just English news. So, do you see there been any challenge in the kind of direct traffic aspiration that you have, platforms like Sharechat which seem to be getting a lot of funding and also content. So, help us understand how you plan to maintain this lead in providing Indian language content on the digital side?

Pawan Agarwal So, it is a yes and no. While it is helping to grow interest in the whole entire new segment, what we are happy is that we are curating, our content is curated by our content teams and not by machines. Most of the products that are out there are using machine to basically throw content to a user. And you will appreciate that that is mostly entertainment and not really news. We are focused on news which is knowledgeable, which is useful, which helps people to stay ahead. So, yes and no, I dont have a comment on those products because they are in a different genre, they are mostly playing around entertainment, we are focusing on news.

V. Subbaraman And can you discuss the revenue trajectory also there, because I am just trying to understand that your traffic has been stuck in the 70 million to 80 million range and that is the reason, and that appears to be the reason why your revenue does not seem to be growing. So, now is the only way for you is to acquire direct traffic and therefore drive digital revenue, or how should we think about you digital revenue and monetization?

Pawan Agarwal Actually, in the last five years the traffic moved from desktop to mobile. So when traffic moved from desktop to mobile, the mobile was lesser valued than desktop, significantly lesser valued than desktop by the advertisers. And on mobile when it moved to aggregators it even lost a significant value by the advertisers. And in the last few years, what we have done, we have moved away from the aggregators because they did not add value to monetization, they were not able to make money and hence we were also not able to make money. And that is why we have not build it, not just numbers, we are building deeper interactivity in terms of sessions, in terms of pages from the same users than just adding users who are not loyal. And that will add to the value going forward.

V. Subbaraman And just a last comment, I have seen that a lot of video producers and content owners like Zee, Star, they seem to be leaning on telcos to achieve reach and sampling of content. Do you think that is a strategy that will help you, or is it too cluttered or there are too many providers, therefore it will be very difficult to break the clutter even if you reach the digital consumer through the mobile master apps or something like that?

Pawan Agarwal Yes, we are contemplating that, frankly speaking. And nobody has seen a very successful integration, yet, with telcos. So, yes, we are contemplating it, we are evaluating it whether it will make sense or not.

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



Yogesh Kirve Sir, if I look at the other revenues, which basically includes job-work and sale of wastage, so that particular line seems to have declined by about 15% on YoY basis. So, what were the factors? And is this a new run-rate or...

Girish Agarwal No, what has happened in that, we do have one large event during the festival, that got shifted to Q3 this year.

Yogesh Kirve So the full year growth should be largely similar to what we have seen in the preceding quarters?

Girish Agarwal Yes.

Yogesh Kirve Sir, can you also talk about the number of copies and the gross and net realization?

Girish Agarwal So, this quarter we closed at 56.85 lakh copies, average, and the gross realization is Rs. 4.12, and net realization is Rs. 2.63.

Yogesh Kirve If you look at the number of copies, roughly 57 lakhs, there seems to be some decline on QoQ basis, because I think in the fourth quarter we mentioned about 59.6 lakhs and in first quarter we mentioned about 58 lakhs. So, is there sort of a correction?

Girish Agarwal Yes, in Q1 our copies were 57.5 lakhs and we are now at 56 lakhs, so there are around 60,000 – 65,000 copies which has got kind of taken out of the system.

Yogesh Kirve Has it to do with controlling the newsprint cost or...?

Girish Agarwal Not the newsprint cost. What happens when you go into the market you acquire new customers, so almost 8% - 10% customers after a particular time either go back or they stop the duplication and all that.

Yogesh Kirve And sir, at the start of the call you motioned something regarding the contracts for next year for newsprint, did you refer to \$50 to \$70 softening which is sort of expected?

Girish Agarwal Yes, already offered by the suppliers to us.

Yogesh Kirve So this \$50 to \$70 which will on a base would be something like 640 at the current moment?

Girish Agarwal It went up to almost 750.

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

Vikash Mantri Sir, in the last quarter you mentioned that because of summer there was a fall of 1,00,000 to 1,50,000 copies. Now, I would have assumed that we would recover that, but even after sum of all we are even down from last quarter number. Can you help me what are we strategically reducing copies, is that what is happening?

Girish Agarwal No, we are not strategically reducing any copies, let me just give you the numbers so that it is clear. So, our circulation in Q1 was 57.5 and in the Q4 of last year was



57.4 is maintained. And before that, Q3 it was 55; and before that in Q2 of last year was 52.9. So, there has been no decline on the quarter, except this quarter which is Q1 to Q2, from 57.5 we are at 56.85. As I mentioned to you, when we increase this 6 lakh, 7 lakh copies in the market, so around 5% - 10% customers in certain markets wouldn't stay back with you, for various reasons and all that.

Vikash Mantri Over last quarter there was a comment to a question asked by somebody that there was a fall of 1,00,000 to 1,50,000 copies, so I was trying to radiate to it. So maybe that was not the case then.

Girish Agarwal No, I just gave you the numbers of all the quarters.

Vikash Mantri Fair enough. On the realizations front, now you gave out the numbers for newsprint going up from Rs. 36 to Rs. 44 on a YoY basis for us but the realizations are still at the same level, in fact, marginally down from Rs. 2.66 to Rs. 2.63. Now, ideally when we as an industry take such a high raw material hit and we have seen that with the FMCG, they try to recover it from the consumers. But here we are still following a strategy, or we have over the last one year increased the circulation. Doesn't it threaten the overall industry profitability?

Girish Agarwal On a surface answer, yes, on the excel sheet, yes, it does return the overall industry profitability. But if you look at a larger picture, the growth which comes from the market, the revenue which comes from the market in terms of growth going forward, I think that is the right thing to do. But having said that, that does not mean that you keep increasing the copies without taking the other things into stock. For example, newsprint prices are still up, we are already in the third quarter and the prices are still up, prices are going to be up in Q4 also. So considering all that, we would be taking call which are right call for the Company and also supporting the industry.

Vikash Mantri But the strength of the industry is suggested when an industry was hit by such a cost inflation, if they can pass it on to the consumer. And the way I see numbers across your company and other companies, none of you have been able to do so. So, is it that irrespective of what happens on the newsprint we will not be able to pass, or we do not intend to pass.

Girish Agarwal There is no right and wrong or any specific decision which holds true all the time, these are very dynamic business decision which keeps changing depending on the requirement. So, I think going forward we will keep evaluating it on a daily basis, that is what the call should be taken.

Moderator Thank you. Our next question is from the line of Rohan Samant from Multi-Act Equity Consultancy Pvt Ltd.. Please go ahead.

Rohan Samant My question is with regards to categories, so which categories are you seeing weakness?

Girish Agarwal So the biggest weakness what we have seen in the lifestyle category which is high style hypermarkets, jewellery and all that. But I guess this could get settled with those Navratra days here and there. But I think the category which is concerning me is automobile, because specially the four-wheelers there has been actually a dip in the overall four-wheeler advertising which has actually come down.

Rohan Samant And I think in the last call or so you had mentioned that because of demonetization and GST some of the local advertisers had actually gone off, so they were not advertising. So, is that trend continuing or you are seeing some improvement there?

Girish Agarwal See, as I mentioned to you, Real-estate this quarter has been a good growth, in spite of festival not there, no Navratra, there has been good growth. So, I think this is an indication that those guys are coming back.

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

Jai Doshi A couple of quick book keeping questions. What is the non-recurring cost component in your current operating cost structure that perhaps may not continue as you sort of go into the next year?

Girish Agarwal So, actually the one-time survey cost, launch cost which we have incurred in some part of Rajasthan, Gujarat and Bihar, one-off advertising campaigns and all that.

Jai Doshi So, in this quarter is that also a component, you mentioned about some Rs. 10 crore – Rs. 12 crore, if I heard correctly?

Girish Agarwal Yes, it is there, Rs. 10.5 crore.

Jai Doshi When should we expect this to sort of go down to zero?

Girish Agarwal Zero, I cannot say, but this is going to go down in every going quarter now.

Jai Doshi Second, what percentage of your real-estate advertising would be through private treaty deals?

Girish Agarwal So, out of the entire first six months we have done around Rs. 10 crore in the barter deal, there is no treaty deal, there is a barter deal, so instead of cash we take the property from them.

Jai Doshi Are you expecting more of that, given that if there is liquidity crunch some of these real-estate developers may...?

Girish Agarwal What we have decided that we will maintain a total number with us. So, unless and until we liquidate the other properties we will not say more on that.

Jai Doshi Third is a little bit more on newsprint, so what is the tenure of contracts that you have signed in today and what kind of visibility you have in terms of next one quarter, two quarter, three quarters, what is the usual tenure?

Girish Agarwal So, usual tenure for Indian contract used to three months, and international used to six months to 12 months also. But unfortunately, because of the newsprint hike, most of the Indian companies decided not do a three month contract, they were actually pushing us for six month contracts because rates were higher. So we have now come down to actually consignment-to-consignment deals because rates, we are hoping, they should go down going forward.

Jai Doshi Now, if you see, a couple of newsprint series or prices that we track, for imported it was showing at \$780 which is about Rs. 55,000 - Rs. 56,000, excluding the freight from the port. And domestic is about Rs. 46,000 per ton, again, excluding some local freight. So, just want to try and understand what does this Rs. 44 per kg, how does it map with the spot prices that prevail today? And when you mention that there is a possibility of \$50 to \$70 softening, from what point do you expect that 8% - 10% softening? Will it be like from Rs. 47 you will probably see 10% softening or from the current levels?

Girish Agarwaal So, let me explain. The newsprint price depending on the grammage, depending on the quality of the newsprint. So, whatever newsprint you are tracking could be the higher GCM imported in a higher...

Jai Doshi That is right.

Girish Agarwaal Based on that we are consuming a variety of newsprint, a different quality print on the front page and third page, and then in fact we may reduce the quality a bit and all that, and also market-to-market also. So, that is the reason our blended price is Rs. 44 and some odd paisa for this quarter. And softening what we are talking about is only imported we are talking about. But once imported happens then Indian guys also follow it.

Jai Doshi Sir, right now the visibility that you have is what I understand is for the next quarter your average cost will be somewhere in the range of Rs. 46 – Rs. 47 and then hopefully there will be some softening the quarter after next?

Girish Agarwaal Yes.

Jai Doshi And that is based on the peak prices that you have seen so far. So, have the prices in the last one or two months sort of trended down or not yet?

Girish Agarwaal No, they have been flat, fortunately been flat.

Jai Doshi In terms of, again, your contracts, are they Indian contracts or whatever understanding is in rupee terms of even if rupee sort of volatility also hits you...

Girish Agarwaal No, Indian contracts all are in rupee terms.

Jai Doshi But anyways, now that there are hardly any long-term contract, it is consignment-to-consignment, I think it would be adjusting to rupee-dollar movement also?

Girish Agarwaal Yes.

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

Rohit Dokania Just two quick questions from my side. Can you talk about the net cash position as of Q2 end?

Girish Agarwaal Rs. 77 crore.

Rohit Dokania This is the net cash?



Girish Agarwaal Yes.

Rohit Dokania Also in light of, sort of, expectations there in terms of costing increase, especially raw material, and also the kind of growth that you are seeing in terms of advertising, could you please talk about where would you see margins for the full year FY19?

Girish Agarwaal So, if you look at the margin as of now, we are at 17% EBIDTA margin, because of that last year base and all that. But if I adjust that, our margins could go to 20%, 22% and all that. Now, since most of the costs have been taken care of, going forward, we believe that we should be able to maintain this margin, trying to improve a bit.

Rohit Dokania So first half margin. EBIDTA margins were 21%. So are you referring to this margin?

Girish Agarwaal Yes.

Rohit Dokania You believe this is sort of, for the full year this is a number that one can work with?

Girish Agarwaal This will improve, yes. We do believe this will improve.

Rohit Dokania For the full year you could do better than this?

Girish Agarwaal Yes.

Rohit Dokania Okay. One last bit was on the ad revenue growth again, so touching upon the first and second question again. So, because of the adjustment that you spoke about in the press release and also in your conference call, so Q3 numbers should look pretty good, I am talking about reported numbers because you will have the positive benefits of election related spends as well, and on top of that the base impact also because part of the festive quote to Q2 last year. So, could it be in the range of about 15% to 20% odd percent?

Girish Agarwaal See, frankly speaking, we are sitting in the month of October right now, and so far things are good. We still have two more months to go. So, we really do not know how the months will pan out going forward, and how the post Diwali comes up. So we are hoping for that, let's see how it goes.

Rohit Dokania So one last bit on this. So basically, this year obviously you will have some sort of, if I may call it, one-off kind of a revenue related to the sort of elections that are there in your specific states and probably also, run-up to the national elections that would be there. Could you quantify what percentage of your growth would be attributable to these elections overall so that we get a good base understanding for the next year? Because sometimes we have seen in the past that the next year performance after the election year is generally bad because of the high base of the elections.

Girish Agarwaal So, frankly speaking, I have mentioned in the earlier calls also, election does not give a major spike, it does not give that major spike. Yes, it does give us a respite for a quarter or two, but not that major that the next year it gets impacted because of that. And we really don't know what kind of spike we will get this year, let's see moving forward.

Rohit Dokania So, basically, next year there will be no adjustment because of the election related expense for the full year? I can understand quarterly, yes, but for the full year...

Girish Agarwaal We are not saying that exactly. It depends on how much we get this year and this based on that we will come to know how much disproportionate benefit we get this year, and then we will talk about it next year.

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

Pavneet Singh My question is regarding the subscription based model for your e-paper. What kind of vision do you have over the next couple of years, maybe five-year timeframe? Because as we can see in the western world, the subscription based model is successful because they have been investing in it for a long, long time. So what kind of vision do you have on that front?

Pawan Agarwal So, yet to see the full cycle. We just converted back to pay in August and September, actually, in Gujarati as well as Hindi. So, I think next quarter we will probably be able to share some numbers with you and move forward with it. But the idea is to basically create a greater viewer experience.

Pavneet Singh So would that be for the premium category of the urban population getting converted to the ePaper readers or the fresh readership getting interacted towards it?

Pawan Agarwal So, frankly speaking, we will not get such data from people when they sign up. So, I see a lot of opportunity, especially in Gujarati from a lot of overseas readers of ours to come and sign up, and that's absolutely fresh readership. In Hindi, there may be lesser number, but definitely, Gujarati there will be larger number from our overseas markets.

Pavneet Singh And with respect to giving you ideas regarding that, who would be the best person? Or could you share some email id so that we can have a meeting on that?

Pawan Agarwal Sure. So Prason can discuss with you. You can reach out to Prason Pandey, who heads the Investor Relations and then we can set up a meeting.

Moderator Thank you. Our next question is from the line of Naval Seth with Emkay Global. Please go ahead.

Naval Seth Sir, my question is on ad revenues. As you stated that political ad spend or election-led spend does not spike much in terms of your overall numbers. But in the past interactions, so it has been suggested that as Government heads toward the election year, there is a lot of spending which happens on ground, and hands economic growth revives and overall ad spending scenario improves. So that has not been seen in the last one year, so growth has been subpar in the last 12 months. And on the blended basis, I don't know how it would happen in these three states where elections are there. So how are we confident now that post-elections, growth can be better off next year? Because new government, new policies, new way of dealings, so what are we sensing over there?

Girish Agarwaal First of all, we really do not know whether it will be a new government or the same government. New means the new tenure or whether existing or the new party. And

second thing we believe that in certain categories, we are seeing up spend. Like for example, real-estate it is where we see good growth. In certain markets also, we have been able to see good growth from the local market also. So considering all that, we feel that this momentum should continue.

Naval Seth But specifically, these three states, have you seen some kind of uptake based on the thought that, yes, the government used to spend on infrastructure development before the elections and that is percolating into the growth?

Girish Agarwaal Not exactly.

Moderator Thank you. Our next question is from the line of Abhishek Pamecha from Vibrant Securities. Please go ahead.

Abhishek Pamecha Sir, can you put some color on the Bihar market? So in the presentation you have said that we have become the #1 position in Bihar.

Girish Agarwaal #2, sir. Yes. #1 is our wish list but as of now, we are #2.

Abhishek Pamecha Can you put some light on all the market position as of now over there and what are we doing in that market?

Girish Agarwaal So, Bihar has been very interesting, we have got a very good response from our readers. And the latest readership report commissioned by us from Hansa Research have indicated we have a very strong position there, we have the #2 position there. And market is a very competitive market, all of us whether Hindustan, Bhaskar, Jagran, all of us are working hard in that market to grow the market. In fact, Bhaskar and Hindustan has done a joint initiative also, where we have few advertisers that the print reach in Bihar is substantially higher than the television reach. So we are saying that we are fighting for the ground share, that's the separate thing, but advertisers need to look at the print overall. So everybody is trying their best to grow the Bihar market.

Abhishek Pamecha In terms of Bihar, are we taking market share from the #3 or #1 player? I mean, how is it, in terms of readership, I think, we have scaled up very significantly. So, can you give some sort of color on from whom are we taking this market?

Girish Agarwaal So from this perspective, as it happens with us in all the markets, almost 50% is the growth which comes from the new readers, those who may not be currently subscribing any other newspaper, that is one growth. And the balance probably comes on duplication and also take away from the copies from other publication. This is only circulation. On advertising front, advertisers start using us based on the response and feedback he gets from us. And very encouraging response from the advertisers so far in terms of we are getting added on in almost every possible campaign. And I am thankful to all the advertisers for that. Now I think our challenge going forward will be that all of them use us again and again and also give us the better rate going forward.

Abhishek Pamecha Okay. And the way we have entered this market is by effectively competing on lowering the cover prices or are we in line with the existing peers in terms of cover price? If you can comment on that.

Girish Agarwaal We are almost in line with the existing players in terms of cover price.

- Abhishek Pamecha** And I think it seems that in Patna we have become #1 in terms of readership. That is what in the press release which is mentioned. Is it correct?
- Girish Agarwaal** Yes, very much.
- Abhishek Pamecha** Okay. So, that is very, very encouraging because the incumbents there have been for more than 50 years, I mean, the incumbent player there. So effectively we have crossed them also in terms of readership, is that what it means?
- Girish Agarwaal** Yes, very much.
- Abhishek Pamecha** Okay. So generally we don't see such kind of significant market share movement in something like a newspaper which is a very sticky product where customers are generally habitualized of reading a certain kind of newspaper. So, can you just give us some color on how did we manage to attain such a position in a short time? Because quality of the content or, I mean, just some color on the way we achieved this?
- Girish Agarwaal** So, thank you for the compliment. And we have done earlier also in Jaipur, when we launched Jaipur, in Ahmadabad, in various markets, in Punjab, Chandigarh and all that. And I would be happy taking the whole discussion with you off-line. In fact, there was a case study from IIM Ahmedabad on this particular thing. There is a book also written, it is on our website also. So we will be happy to take the discussion with you off-line to explain you how we went about it.
- Moderator** Thank you. Ladies and gentlemen, that was the last question. I now hand the floor back to the management for closing comments. Over to you, sir.
- Pawan Agarwal** Thank you for your participation and time on this earnings call. I hope that we have responded to your queries adequately today. We will be happy to be of assistance through our Investor Relations department, headed by Mr. Prasoon Pandey for any further inquiries. Thank you, and have a great day.

