



## DB Corp Limited

Q2FY20 Earnings Conference Call Transcript

October 17, 2019

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**Moderator:** Ladies and gentlemen, good day and welcome to DB Corporation Limited Q2 FY2020 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. I now hand the conference over to Ms. Hina Agarwal. Thank you, and over to you Ms. Hina.

**Hina Agarwal:** Thank you and Good Morning to everyone. We welcome you to the Q2 and H1FY2020 conference call of DB Corp Ltd. We have with us today the senior management team of DB Corp Ltd. Mr. Pawan Agarwal- Deputy Managing Director; Mr. Girish Agarwal- Non-executive Director; Mr. Mushtaq Ali- Vice President (Finance and Accounts), Mr. Lalit Jain-CGM (Finance and Accounts) and Mr. Prasoon Kumar Pandey- Head Investor and Media Relation will represent DB Corp Limited on the call. We will be sharing the key operating and financial highlights for the quarter ended September 30, 2019, followed by a question and answer session.

Before we begin, I would like to state that some of the statement made in today's discussion may be forward looking in nature and may involve risks and uncertainties. Document relating to the company's financial performance have already been e-mailed to you.

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

**Pawan Agarwal:** Thank you Hina, and Good Morning to everyone. Let me begin the call by highlighting the key financial performance for the quarter ended September 2019, followed by key developments in the business and various growth strategies implemented by the company to maintain and strengthen the leadership position across markets.

Beginning with our latest Bihar performance. As per the latest published ABC, January-June 2019 results, Dainik Bhaskar became the formidable #2 player of overall Bihar and the largest market of Patna with over 6 lakhs copies in circulations in the state. This is icing on the cake as Hansa Research has already established and accepted Dainik Bhaskar as #2 newspaper of Bihar in their last readership report. Moreover, the gap between #1 newspaper and us is mere 16%, which is a major achievement in such a short span of time of 8 to 10 months of entire Bihar launch.

Further, Dainik Bhaskar continues to be the largest circulated newspaper of India with leadership position in Madhya Pradesh-Chhattisgarh, Rajasthan, top 6 cities of Gujarat, Haryana, Chandigarh, 4 major urban cities of Punjab and have maintained close #2 formidable position in other markets.

Coming to our financial performance during Q2 FY2020, the company reported advertising revenues of Rs.3670 million and circulation revenues of Rs.1286 million. The total consolidated revenues stood at Rs.5336 million. EBITDA for the quarter stood at Rs.1006 million accounting to an EBITDA margin of 19%. The reported PAT stood at Rs.756 million with PAT margin of 14%, after considering the Forex loss of Rs.27 million. The PAT is arrived after tax provision working with revised tax rate as per newly announced corporate tax rates guidelines.

We are happy to share that along with the success of our ongoing circulation expansion drive, some of the recent initiatives taken in the areas of editorial and product enrichment are also yielding favorable results. Our recent focus on extending our editorial philosophy of being reader-centric, that is Kendra Mein Pathak to Knowledge and Ideation approach, which is, Har zaroori khabar mein hoga aapke kaam ka knowledge has helped in establishing a deeper connect with our audiences and the recent survey results by credible industry associations like IRS and ABC validate the same. As per latest IRS survey, we maintained our position as the largest newspaper group of urban India, and we are also the highest growing Indian language newspaper groups of India for the second quarter in a row. We have improved our leadership position in Chandigarh, top 4 cities of Punjab and Haryana and strengthening our lead in Jaipur. In Gujarat, we are now a clear #2 player of top 6 cities of Gujarat.

DBCL radio business continues to maintain leadership position in all significant markets. Radio advertising revenue for the quarter stood at Rs.316 million, EBITDA stood at Rs.69 million with an EBITDA margin of 22%. PAT stood at Rs.50 million with a margin of 16%.

Lastly, on the business environment in India, the market conditions are challenging led by economic slowdown and tapered consumer spending, which has had an impact on the overall industry. However, our prudent, yet aggressive approach helps us to not only maintain leadership in existing markets, but also increase penetration in newer markets. Additionally, our overall cost control measures, softening of newsprint prices and synergies between business segments has aided in delivering improved results.

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. Prasoon Pandey for any requests and queries.

**Moderator:**

Thank you. We will now begin the question and answer session. The first question is from the line of Abneesh Roy from Edel. Please go ahead.

**Abneesh Roy:** My first question is 8% dip in the advertising for the print. Do you see state-wise any difference among say Gujarat, MP, Rajasthan, Bihar and Jharkhand. Is there any difference or everyone is broadly in that minus 6 to minus 9 kind of number?

**Girish Agarwal:** So I would say couple of states have shown better results, for example Madhya Pradesh and Bihar, and part of Rajasthan has shown better results, there dip is not that sharp, but other states have shown a slightly higher decline. But if I can answer your question based on the segment, that will give you more color actually. So for example, if you see the category of government, which contributed last year 20% to our overall revenue in this quarter, that particular category of government has degrown by 18%, from Rs. 756 million it is down to Rs. 616 million. So that is one category, which has really taken a beating and I am happy to respond that other category like education, there is a single-digit growth. Automobile, though we all were worried about automobile, but our decline in automobile is hardly 4%. In lifestyle category, we have actually grown by almost 10%. So other categories have shown a much smaller decline compared to government and I think that is the reason why the impact in most of the state is largely is the same because government advertising across India has taken a beating.

**Abneesh Roy:** This government advertising sharp dip, is it always seen that post-general elections it slows down and within your states, again, is there any divergence here or across the states it is 18% kind of a dip?

**Girish Agarwal:** So this large impact is from the national government because national government advertising is much, much lower; state-wise, it is still better.

**Abneesh Roy:** Sir second is HUL reported results. They saw 8% ad spend increase. So how has FMCG done for you?

**Girish Agarwal:** FMCG for us registered decline a very low single digit.

**Abneesh Roy:** So are you losing share? Print, is it losing share, is that a concern? I know your market share is either expanding or at the same level in most markets, but is print losing again shares because FMCG, if Bellwether is spending 8% higher, industry decline seems a bit difficult to understand?

**Girish Agarwal:** Yes, I think that is only happening particularly with FMCG category, but in other categories that may not be the situation actually.

**Abneesh Roy:** Sir, next question is on custom duty, which was increased in the budget. So what is the situation on that? Have you been able to take any measure, which is allowing you to work on that and the industry?

**Girish Agarwal:** The newspaper industry through our various associations through Indian language newspaper, INS, etc., have taken up the matter with finance ministry and other ministries and they have given us a very positive response and we are hopeful that we will get some respite very soon.

**Abneesh Roy:** But till now you have not done any kind of increase in cover price or cutting down on the newsprint consumption, you have not done that right?

**Girish Agarwal:** So we have taken a small increase in the cover price in Madhya Pradesh edition of around Rs.8 per month. So from Rs.126 overall monthly cost, we have gone up to Rs.134 cost only in Madhya Pradesh. In rest of the market we have not taken any cost increase so far.

**Abneesh Roy:** Sir, the next question is on recovery in advertising. So liquidity, we are seeing signs of improvement. Rainfall, monsoon has been good, yes, floods were there initially. So are you expecting recovery in Q4, or it will be more in FY2021 when recovery will start in advertising for you?

**Girish Agarwal:** Our debtors are okay, the ratio is same largely. So there is no major change. Sorry, you are talking about the recovery of the advertising market coming in?

**Abneesh Roy:** Yes, yes, advertising growth.

**Girish Agarwal:** Okay. I misunderstood you, how is the recovery of the debtors. So recovery of the market, I would say, we are seeing in certain segments, like the month of October, this is a festival month, so far we are doing okay, but not too great to be very honest. So I think recovery is happening, but overall, I really cannot call it a growth model back.

**Abneesh Roy:** No but Q4 you expect or difficult to predict as of now?

**Girish Agarwal:** As of now we are looking at Q3 month-on-month. So let us see how we close the October, and then we look at November and December.

**Abneesh Roy:** Sir, last question, when advertising is dipping 8% and your radio advertising has dipped even more, so if you could discuss that part, but my question is, in terms of circulation, is it right time to expand in some of your market, you said the expansion of circulation continues. Because we always see print companies cut down on circulation when advertising dip happens or advertising growth does not happen. So should not you reverse your strategy? Or are you betting on a recovery in advertising that is why it does not make sense to reverse the circulation expansion?

**Girish Agarwal:** So 2 things very clearly, advertising dip, we firmly believe it is a temporary phenomena, it is going to come back soon. That is one. Second thing, circulation growth. as an organization, we do not believe to stop the circulation growth or wherever we can get the market. Unfortunately, in this quarter, because of heavy monsoon in our markets, we lost few thousand copies because in Madhya Pradesh, there were markets where we were not able to reach for almost weeks, including Bihar, some part of Gujarat and all that. So that copy has totally got disrupted. We are hoping that, that will come back in the month of October-November, we will be able to resolve those copies and I believe we should, see, one is that, are we looking at 10% growth, No, that's not the number what we are looking at. We are looking at 2%- 3% circulation growth year-on-year that must continue.

**Abneesh Roy:** Sir, radio 16% dip. What was the reason?

**Pawan Agarwal:** So radio, the commercial business degrew by about 3% and the government actually degrew by about by over 50%, and while the commercial degrew by 3%, we have seen the overall market actually going down in terms of the total sector by about 24%, while we only degrew by 16% as in overall market. So we improved our market share during this period in the overall segment.

**Abneesh Roy:** Any particular segment which has impacted more in radio because that is a very sharp...

**Pawan Agarwal:** So government was one, which was the largest impact and real estate was of almost a flattish growth and there were segments, which grew, the automobile had a double-digit growth, FMCG had a double-digit growth. So various segments had a double digit to a single-digit growth and government was the biggest dip.

**Abneesh Roy:** How much is government as a percentage of radio and as a percentage of print for you?

**Girish Agarwaal:** So DAVP, about 10% to 15%.

**Abneesh Roy:** For both?

**Girish Agarwaal:** Yes, DAVP, about 10% to 15% of the total business. That is for the radio. If I include state government, about 15% to 20% including state government.

**Abneesh Roy:** And print?

**Girish Agarwaal:** In print, our total contribution of government last quarter was 20% and this quarter it has come down to 18%.

**Abneesh Roy:** That is all from my side. Thank you.

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

**Yogesh Kirve:** Sir, continuing on the ad revenues. Based on the how festive season has fared so far, the Navratri is already behind. So do we have a comfort at least the Y-o-Y decline in the ad revenue should stop in third quarter or the things are more challenging?

**Girish Agarwaal:** See, as of now October is doing okay. So there is like a very small single-digit growth happening. So on the back of it, we believe that this quarter we may not see a decline.

**Yogesh Kirve:** Right. Sir, second question regarding the receivables. So if you see the revenues are down by about 8% on Y-o-Y basis, whereas the receivables have been flat. Now this is despite the government contribution only coming down on Y-o-Y basis. So can you throw some light on this?

**Girish Agarwal:** So what is happening is commercial recovery is intact. So commercial actually there is no issue. Only the government recovery is an issue. So I think that is the reason why you are looking at that number.

**Yogesh Kirve:** Sir, but on Y-o-Y basis the government revenues have only declined. So given that at least there should have been some decline in the receivables, but it has actually, in fact a marginal increase has been there?

**Girish Agarwal:** Yes. So we have been able to recover our commercial advertising well on time, and government number, as you know, it generally gets delayed a bit. So that impact has been nullified by the commercial, in terms of recovery.

**Yogesh Kirve:** Okay. So finally the newsprint, I mean, where do we see that heading? I think in this quarter there has been a small decline on quarter-on-quarter basis. So going ahead the newsprint prices should be flat or there is some more decline which could happen?

**Girish Agarwal:** So let me give you the detailed number on the newsprint. In this quarter, our average price in Indian rupees is 39.50. While if you look at the quarter 1 of this year, it was Rs. 40.50, while the Q4 of the last year, it was Rs. 44.50. And the way we look at like that, maybe in the next quarter, which is Q3, there may be a Rs.1 saving further coming in the newsprint. The newsprint is clearly indicated to be on the coming down trend. Also what has happened, the newsprint demand is declining in North America, Europe and Asian countries, and also in China. In China also, the newsprint prices have gone down. So because of that, we believe that the international prices for the newsprint will be on the downward trend only and because of that, the Indian newsprint manufacturers also adjust the pricing accordingly.

**Yogesh Kirve:** Okay. And Sir, finally, could you also state what was the circulation number for the quarter?

**Girish Agarwal:** So we were in this quarter at 55.66 lakh copies, and if I compare it with in the Q1, last quarter, there has been a decline of only 15,000. So from the Q1 to Q2, there has been a 15,000 decline, as I mentioned, largely because of the monsoon, because in lot of areas in Madhya Pradesh, Bihar and Gujarat, we were not able to supply copy for weeks together.

**Yogesh Kirve:** That is all from me and all the best.

**Moderator:** Thank you very much. Next question is from the line of Vikram Ramalingum from MayBank. Please go ahead.

**Vikram Ramalingum:** I wanted to ask about the pledge share. Sir, now it is around 25%, the promoter group share of the total capital. Can you give me some more color as to what are the plans for them?

**Girish Agarwal:** Sure. As you know, 2 years back, almost 50% plus of promoters holding was pledged, and today it has come down to around 23%-24%. So there has been almost a 50% decline in the pledge and going forward, our target is that we should bring this down to a single digit number in next 12 to 18 months' time and in the absolute number, I will just to give you a color on the absolute

number, we were in the 4-digit number in terms of money, which is now outstanding, principal outstanding, which has now come down to a 3 digit, lower 3-digit number. So I think it is a matter of just 12 to 14 months, we will be able to bring it down to practically 0.

**Vikram Ramalingum:** Sir, my next question is on the cost optimization. In 1Q, it was very evident, whereas in 2Q, again it has increased. Any specific expenses that you would like to highlight?

**Girish Agarwaal:** So what is happening, we are working on very diligently on the cost base all through. Whether it is when bringing in more automation in the system and processes, in every area wherever we believe there is a possibility of reducing the cost, we are working on it. But at the same time, I would like to emphasize that the cost optimization does not mean cutting any corners because we strongly believe that we need to ensure a great product to our reader and also unparalleled reach to our advertiser, and we stand committed to all of them for that. Like this year, we believe that in 2019-2020, we should be able to bring down the overall operating cost by almost Rs. 40 Crores versus last year.

**Vikram Ramalingum:** Sir, my final question is on the tax. So usually, we are around 33%-34% tax rate. Now where do we see for the current year?

**Girish Agarwaal:** So I believe the total tax benefit of almost Rs. 34 Crores has taken in Q2 FY2020 as well as H1 of FY2020, and further going forward there will be some more benefit coming on to this.

**Vikram Ramalingum:** Sir, but as a percentage for the year, you think where would we be landing?

**Girish Agarwaal:** Around 25%.

**Vikram Ramalingum:** Okay 14%, alright, that is it from my side Sir. Thank you.

**Moderator:** Thank you very much. Next question is from the line of Keyur Shah from Emkay Global. Please go ahead.

**Keyur Shah:** Sir, my question is your print business degrew by 10%, almost 11% and your print EBITDA it grew by around 9%. So like, can you elaborate on that?

**Girish Agarwaal:** As you know, our top line went down by almost 9% in consol and at the same time our cost came down by almost 12%. So we were able to match up the entire decline of the top line through our cost, and even take a further benefit on that.

**Keyur Shah:** Fine, that is it. Thank you.

**Moderator:** Thank you very much. Next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

**Sarvesh Gupta:** Sir, this cost for newsprint, which was Rs. 39.5 for us this quarter, if the import duty was not there, what it had been?

**Girish Agarwaal:** Would have reduced by another 0.50 paisa.

**Sarvesh Gupta:** Only 0.50 paisa, Sir? Because the import duty was 10%, right?

**Girish Agarwaal:** See we have old stock also lying with us without custom duty. So if I have to take an average of the new stock with the custom duty and the old stock without the custom duty, the impact on the imported newsprint is around Rs. 1.25 and imported and Indian mix put together is around Rs. 0.50 paisa per kg.

**Sarvesh Gupta:** So what is the cost at which you are importing without the import duty right now, the fresh stock?

**Girish Agarwaal:** The current spot prices are in the range of \$400 to \$425 per ton.

**Sarvesh Gupta:** So around Rs.30 is your cost for importing?

**Girish Agarwaal:** Yes, around. Plus there are charges. This is the clearing charges Rs.5,000 and all that.

**Sarvesh Gupta:** So Rs. 35- Rs. 36, and then adding 10%. So current is also being imported at similar prices or maybe Rs.1 lower?

**Girish Agarwaal:** Sorry?

**Sarvesh Gupta:** The current stock is being also imported at maybe Rs.1 lower to Rs.39.5?

**Girish Agarwaal:** Yes.

**Sarvesh Gupta:** So that will become your recurring kind of a cost going forward?

**Girish Agarwaal:** Yes. It will further hopefully go down also.

**Sarvesh Gupta:** Secondly, Sir, because the environment is so tough, so are you also seeing any inorganic opportunities or closures of certain newspaper competitors in your geographies?

**Girish Agarwaal:** Frankly speaking, no inorganic opportunity has come to us so far. In fact that also brings us to the next point that what the company is doing with the cash. So we have decided that whatever cash is lying with the company, since we do not envisage any such M&A happening or any major Capex is required by the company going forward. So we believe that the entire money available in the books will be mostly used for dividend and as you know that our dividend payout ratio historically has been in the range of 50% and we intend to take it to a higher level.

**Sarvesh Gupta:** That is fine, but are there other opportunities like increase in market share because of closure of certain competitors in the geographies?

**Girish Agarwaal:** That anyway we are doing. In every market whatever copies we are able to gain, we are working on that.

**Sarvesh Gupta:** But has there been, for example, in this H1, have you seen any competitor closing down the shop because of the pressures in profitability or anything like that?

**Girish Agarwaal:** Not yet.

**Sarvesh Gupta:** Sir, finally, on the advertisement revenue, while you said that we are seeing a small single-digit growth in October. Any guidance of how things can shape up for the full year?

**Girish Agarwaal:** See, this October, when we speak to lot of advertisers, people are looking a bit positive. They are hoping that this momentum of growth which has come to all of them, or arrest of the decline of the sales for them, if that continues for next 1 or 2 more months, then I think we are in good shape going forward.

**Sarvesh Gupta:** Understood Sir, congratulations and all the best for the coming quarter.

**Moderator:** Thank you very much. Next question is from the line of Gaurav Agarwal from Bowhead Investments. Please go ahead.

**Gaurav Agarwal:** Sir, you know there are many apps like let us say Dailyhunt, which is in the business of aggregating the local news and giving it to their users and they are making money by way of advertising. So do we have plans to do something similar in our digital or have you studied their business model and does it make sense for us to aggregate the local news from other newspapers and bundle it and give it to our users?

**Girish Agarwaal:** As you are already aware about, that we are working very extensively on our digital platform for Dainik Bhaskar, Divya Bhaskar, Divya Marathi. Recently, we have announced the appointment of a new CEO for the digital wing of ours also. Company is really putting all efforts for, so that we get the positive response, result from our readers and great experience for the readers on our digital platform. We do not intend to do any aggregation platform as of now. First, we want to focus on our own platform.

**Gaurav Agarwal:** Great Sir that is it from my side. Thank you.

**Moderator:** Thank you very much. Next question is from the line of Dhiral Shah from Phillip Capital Private Limited. Please go ahead.

**Dhiral Shah:** Sir, if I see your EBITDA for Q2 versus Q1, there has been drastic fall. So what is the reason for that?

**Girish Agarwaal:** See, quarter 1 number, because of the education season, is always higher, similarly Q3 is always higher. If you see the historical number of our company, the Q1 and Q3 are loaded quarters.

**Dhiral Shah:** Okay, Q1 and Q3.

**Girish Agarwal:** Yes.

**Dhiral Shah:** So where do you see this EBITDA for the full year, Sir?

**Girish Agarwal:** As of now, the 2 quarters number are known to you. We are working towards it, that we should be able to improve on them depending on the market conditions.

**Dhiral Shah:** And Sir, lastly, what is the newsprint average price for FY2019?

**Girish Agarwal:** FY2019 average price was in the range of almost Rs. 44.

**Dhiral Shah:** Rs. 44 and from Rs. 39.5, you are expecting it to further go down in next quarter?

**Girish Agarwal:** A rupee in Q3.

**Dhiral Shah:** By a rupee in Q3, so Rs. 38.5?

**Girish Agarwal:** Yes.

**Dhiral Shah:** Thank you Sir that is it from my side.

**Moderator:** Thank you very much. The next question is from the line of Vaibhav Badjatya from HNI Investments. Please go ahead.

**Vaibhav Badjatya:** Earlier you have indicated that you will be distributing a higher portion of the earnings, dividend payout ratio is expected to go up any broad number that you have in mind or as of now there is no particular number that you have kept in mind?

**Girish Agarwal:** See DB Corp firmly believes in rewarding our stakeholders, and dividend is one of the way for the same and our historical payout ratio, as you know, has been in the range of 50% and we want to state our intent, that we want to take it to a higher level for simple reason because company does not need any major Capex in any of our markets. That is the reason whatever is the cash available in the books, we will use it largely for the dividend payout.

**Vaibhav Badjatya:** I think that is it from my side. Thank you.

**Moderator:** Thank you. Next question is from the line of Anuj Sehgal from Manas Capital Services Private Limited. Please go ahead.

**Anuj Sehgal:** You mentioned you hired a new CEO for the digital business. Can you elaborate what are the expectations on the digital business and what would be the key performance criteria for the new CEO, and what do you expect to achieve, let us say, in the next 3 to 4 years?

**Girish Agarwal:** What I can disclose you as of now is that we are working very strongly on the users' experience. We have reduced our focus on the advertising and that is the reason we have removed certain clutter of advertising on the app, if you see my app on there. Our focus is that, that when anybody who comes to my app or my website he should get the world class experience in terms of product design as well as the content over there. We do not want to cut any corners there and that is the reason the new team has been brought in and they have been given a clear mandate, clear brief that how they need to go ahead. I would be able to disclose more information with you going forward, give me 2-3 quarters to come back to you with some more positive concrete results.

**Anuj Sehgal:** Thank you.

**Moderator:** Thank you. Next question is from the line of Saurab Shroff from QRC Investment Advisors. Please go ahead.

**Saurab Shroff:** Actually, I had a similar question to the one previously asked. If I can just add, how much do you envisage your investment being over the next 3 to 4 years on this digital side and maybe if you could talk a bit broadly about what kind of a model do you think works in India in terms of a digital strategy?

**Girish Agarwal:** There are 2 things. First of all, the investment. To be very honest, we realize that the investment required for the digital business is really nothing major. It is largely about some couple of million dollars overall put together, but what is more required is to understand the requirement of readers, understand what kind of user experience you want to give it to them. Any particular app, for example, my app, why my app should be considered slightly lower with any of the best app in the world. Why we want to say, we want to be slightly better than of at par with somebody, XYZ. No, I want to say my app, whether it is a news app or whether it is a XY app, which you use for any other purpose, that quality-wise, product design-wise, tech-wise, we should be the best in the world. So that is the focus happening on that and for that, believe me, you do not need huge money, it is just couple of million dollars to be invested.

**Saurab Shroff:** And you are thinking of digital as being sort of complementing your print business. I am just trying to get a sense on how quickly do you think the transformation is happening because obviously on one side print is still growing slowly, but clearly the faster growth seems to be happening on the digital side or at least that is what our understanding is. So just any color or light that you can throw on that?

**Girish Agarwal:** So what we believe that our readers those who are reading the newspaper in the morning, they are also spending some time on our app during the day and also because app gives me advantage that I can go beyond the geography of my physical publications. So I can operate in all India as well as the Indian diaspora living in U.S. and U.K. so that is the target area.

**Saurab Shroff:** Understood, thank you Sir.

**Moderator:** Thank you. Next question is from the line of Ayaz Motiwala from Nivalis Partners. Please go ahead.

**Ayaz Motiwala:** I just wanted to get clarity if you could just give a complete overview on the newsprint prices? There were a couple of questions raised, and I do not think I have got the correct fact. So if you could clarify on your current imported cost, your cost which were historically carried in 2019, and what you are kind of carrying cost now with the import duty, etc.?

**Girish Agarwaal:** Let me give you the overall picture. I will go quarter-wise. So if you see the Q2 of last year, the price was Indian imported mix put together was Rs.44.50, which went up by Re.1 in Q3 of last year, went down in Q4 to Rs. 44.50 again, but in Q1 of this year, the number came down from Rs. 44.50 straightaway to Rs. 40.50. So there was almost 10% reduction. From Rs. 40.50 of Q1, the number has come down to Rs. 39.50 in Q2 and we are expecting this Rs. 39.50 to further go down by Re.1 at Rs. 38.50 in Q3. As of now the spot price for the imported newsprint is the range of around \$400 to \$425, plus the 10% customs. On the custom, government is being very kind to all of us by accepting our representation and all that, and we hope that they will give us some positive respite in the whole thing. So if that happens then going forward the newsprint prices will further see a decline. And I also want to mention that the newsprint demand in North America, Europe, in Asian countries and China, in all the region the newsprint prices, newsprint demand is on decline, and therefore, the newsprint prices are also coming down.

**Ayaz Motiwala:** Sure. If I just may follow up, Sir, the \$400, even \$450 with 10% duty on a landed cost basis would be closer to Rs.31- Rs.32 a kg.

**Girish Agarwaal:** No, there is a handling charge also in that.

**Ayaz Motiwala:** So what would your landed be in the factory for an imported mix at this, even the higher end of \$450 today be, about Rs. 33- Rs. 34?

**Girish Agarwaal:** Rs. 37, yes.

**Ayaz Motiwala:** So you do not have a significant advantage on skewing that mix because you have been taking about 15%-20% imported and rest as domestic sourcing?

**Girish Agarwaal:** Yes, why because accordingly domestic also comes down to almost 34, 33, 32 and all that.

**Ayaz Motiwala:** One quick question on the business, Sir. This quarter has been a tough quarter. There has been a 9%-10% decline in the print advertising revenues for the company. In terms of the relative data that you have, in terms of other digital or TV or in cinema or radio as alternative media for media planners, how are those type of mediums doing in relation to press, and in particular for you?

**Girish Agarwaal:** See it depends on the category to category. For example, let us take a category of government. In print, the government category contributes say, 18%-20%. There has been decline of 18% in the government business. While in radio, within our radio, and I am sure it will hold good for other radio companies also, the revenue decline in government is almost 50%. Now frankly speaking,

on television, the government business is not that high. While maybe in the news business of television, the government business would be higher. So it depends on which business has what kind of contribution coming from various categories and how those categories are behaving.

**Ayaz Motiwala:** So one final question Sir. The long-term trend of press having lost market share and having stabilized somewhere, is that trend intact or media planners are chipping away some money from newspapers over time and trying to put it in other forms of advertising.

**Girish Agarwaal:** Media perspective in automobile, which is considered to be a huge decline in category in terms of sales, we all heard the news about, read the news about automobile category is going down sales and all that. In spite of all that my automobile category business went down by only 5%. Real estate category, my decline is only 2%. In lifestyle categories, I have grown up by almost 10%. So I really cannot say that people are chipping away the business from print to the other medium.

**Ayaz Motiwala:** The question on dividend, Sir, you said your business do not need a lot of Capex, so it is just, do you have enough press capacity in both markets in Bihar and Maharashtra, everything is covered?

**Girish Agarwaal:** Yes, very much. Because in last 3 years' time we did decent amount of Capex in Rajasthan, Gujarat, Bihar and all that, and these markets are capable enough to at least take up 10% circulation growth with the existing infrastructure what they have.

**Ayaz Motiwala:** Sir, the stock has come off after your last buyback. Would you revisit buyback apart from dividend, which you have already articulated that you will raise the payout?

**Girish Agarwaal:** We will put it up to board, and board will have to decide on that.

**Ayaz Motiwala:** Thank you very much Sir.

**Moderator:** Thank you very much. Next question is from the line of Vaibhav Badjatya from HNI Investments. Please go ahead.

**Vaibhav Badjatya:** Just wanted to understand the drivers of the government business both at a state level and the central level. So if I understand correctly, last year there was a hike also in the DAVP rates. And in spite of that this contraction has come, so effectively the volumes would have been down drastically. I mean, it can be northward of 30% or so, and that is the volume decline. But excluding the last year impact because of the elections and all, from a longer-term perspective, what are the major categories within government for which the government use the print advertising? And secondly, how the allocation within the government works as to what money they need to spend on advertising and within that how much should go to print, who takes care of these issues and how this decision is made? If you can just throw light on these that would be helpful for us?

**Girish Agarwal:** One thing to explain that the state government advertising decline is in a single digit, but the central government, which is DAVP and PSU advertising, that decline is much, much sharper. That is the reason in spite of the 25% rate growth what we got from DAVP in the month of January this year, the decline is there. Now within the government, there is a policy framework structure, but which is not very explicit to say X percent go on print or radio and all that. No explicit policy of government that what kind of money will flow into what. Based on their requirement on various times, government keeps taking decision of releasing the advertising in the newspaper.

**Vaibhav Badjatya:** In terms of the items on which they spend, whether it is related to the government equipment, whether it is related to, what kind of, what are the specific items they advertise?

**Girish Agarwal:** 5% of government revenue comes as a display ad from the central government because most of their tender advertising has already sifted to the digital platform 2-3 years back. 5% of their advertising is a display ad where they announce these schemes of government. They talk about the good things done by government in various schemes or any other launches, any scheme launched by government or such kind of things.

**Vaibhav Badjatya:** Thank you, I think that is it from my side. Thank you.

**Moderator:** Thank you very much. Next question is from the line of Dhiral Shah from Phillip Capital. Please go ahead.

**Dhiral Shah:** Sir, what was the circulation copy last year, same time?

**Girish Agarwal:** We were at 56.85 lakh copies last year in this quarter, and this quarter we are at 55.66 lakh copies.

**Dhiral Shah:** And Sir, what was the number for full year FY2019?

**Girish Agarwal:** FY2019 total number was 56.79.

**Dhiral Shah:** 56.79 for the FY2019?

**Girish Agarwal:** Yes, Sir.

**Dhiral Shah:** And Sir, today, there is a consultation paper from the TRAI, so they are looking for auctioning a new FM radio channels in 283 cities, so are we looking at any of these opportunities?

**Girish Agarwal:** We will evaluate based on the merit, Sir, and based on the potential in the market.

**Dhiral Shah:** So are we looking at this?

**Girish Agarwal:** We will certainly look into it, it has just come out, we will get into that and see whether it makes business sense or not.

**Dhiral Shah:** Thank you Sir that is it from my side.

**Moderator:** Thank you very much. As there are no further questions, I will now hand the conference to Mr. Pawan Agarwal for closing comments.

**Pawan Agarwal:** Thank you all 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. Praseon Pandey for any further inquiries. Thank you, and have a nice day.

**Moderator:** Thank you very much. On behalf of DB Corp Ltd, that concludes this conference. Thank you for joining us. You may now disconnect your lines.