



# DB Corp Ltd

## DB Corp Limited

### Q1 FY 2011 Results Conference Call

August 2, 2010

---

**Moderator** Ladies and gentlemen, good day and welcome to the DB Corp Q1 FY'11 Earnings Conference Call. As a reminder for the duration of this presentation all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call please signal an operator by entering \* and then 0 on your touchtone telephone. I now hand the conference over to Ms. Malini Roy of Citigate Dewe Rogerson. Thank you and over to you Ms. Roy.

**Ms Malini Roy** Good afternoon everyone welcome to the conference call of DB Corp. Limited and we will be sharing the key operating and financial highlights of Q1 FY 2011. We have with us today the senior management team of the DB Corp Limited. Mr. Girish Agarwaal, non-executive director, Mr. P.G. Mishra, Group CFO, Mr. Ashok Sodhani, General Manager, Finance & Accounts 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 the risk and uncertainties. Documents relating to the Company's financial performance have already been emailed to you. I now invite Mr. Agarwaal to please share his views on DB Corp performance and operational highlights for this quarter. Over to you Mr. Agarwaal.

**Girish Agarwaal** Thank you Malini. Good afternoon everybody. It is once again a pleasure to connect with you and my team and I will share the financial highlights for the first quarter ended June 30, 2010. Thereafter we will be happy to take your questions.

As you know that the Indian media entertainment space undoubtedly in a dynamic and an extremely interesting stage and we know that much of this dynamism is being driven by the regional print media. DB Corp's group strategy is centered on capitalizing the high economic growth potential of tier 2 and 3 cities and the rural market -- a vibrant emerging India beyond the traditional metros that have been demonstrating a significant uptake in consumer's consumption pattern.

Evidently the growth avenues and potential in the non metro segment is huge. With our inherent leadership strength and competitive advantage in these markets, we are very well positioned to harness this potential and extend our local reach.

This quarter our performance reiterates our optimism for the growing strength of regional print media in India. DB Corp continues to be the largest print media group among the national dailies with 15.8 million readers across India's fastest growing markets as revealed by the inaugural quarterly results of the IRS that were released in May 2010. The Group's combined leadership reflects a growth of approximately 4.5 lakh readers which we added on over the quarter. Our expansion and consolidation initiatives continue to progress vigorously.

Dainik Bhaskar is all set to extend footprints in North India with launch of Jammu edition in August-Sep, some time and pre-launch activities in Jammu continues to progress with surveys targeting the households and commercial enterprises. As you know that Dainik Bhaskar's Ranchi edition is also said to be launched in Jharkhand sometime in August and September 2010 and we have done the ground work in Jharkhand, for which there has been a very encouraging response so far from the readers over there. DB Corp Limited remains a strong leader in Madhya Pradesh, Chhattisgarh, Chandigarh, Gujarat, Haryana, Punjab, and Rajasthan urban and we enjoy a formidable lead over our competitors in these regions. Our radio business continues to scale up favorably and reports more than 22% growth in topline supported by a robust expansion of the EBITDA growth of around 16 million rupees on year-on-year basis. My FM 94.3 also emerged as the number one radio channel in 15 cities out of 17 cities as per the listener's choice survey and day after listenership according to the study conducted by ORMAL.

I shall now sum up by sharing DB Corp's financial performance for the first quarter. Our advertising revenue for Q1 of the year FY'10-'11 has grown by around 18% compared to the first quarter of the last year and the total number stands at around Rs. 235 Crore against Rs. 200 Crore in the corresponding Q1 of the last year. While on the identical parameter excluding onetime net election billing of the last year of approximately around Rs. 13 Crore, our ad revenue has grown by almost 26% in Q1 of FY2010-2011 on a year on basis. It is like apple-to-apple comparison because this election revenue comes once in five years time. If I take the liberty of taking that money in the last year billing out then the growth actually is 26%.

Our total revenue has grown by around 14% in Q1 on year-on-year basis to reach to around Rs. 298 Crore against Rs. 262 Crore in the corresponding quarter of the last year. Our circulation revenues for the period under review stands at around Rs. 53 Crore as compared to Rs. 52 Crore in the last year quarter. Our EBITDA has grown by more than 21% and have expanded to Rs. 113 Crore compared to Rs. 93 Crore in the corresponding period of the last year. We have achieved an EBITDA margin of 38% in this current quarter as against around 35.7% EBITDA margin in the corresponding quarter of the last year.

Our print business EBITDA margin for Q1 FY2010- 2011 is around 39.5% and our consolidated PAT has grown by 35% on year-on-year basis at Rs. 695 million from Rs. 515 million of the corresponding quarter of the last year. It is worth mentioning here that the above reported PAT is without considering the tax benefit impact, which is going to accrue out of the demerger of the radio business with retrospective effect from April 1, 2010. This growth in the operating margins can largely be attributed to the various initiatives and the cost control measures that we have taken in the last few quarters. We aim to continually make endeavors to achieve greater operational efficiency while capitalizing on the opportunities in under penetrated regions. Therefore, we are extremely enthused by the potential and the opportunities presented by the regional print media environment and on behalf of the Bhaskar Group, I would like to reinforce our commitment to continue to deliver greater values to our shareholders, business associates and the partners in growth. My colleagues and I will now be happy to take your questions. We look forward to interacting with you more actively and request you to continue to reach out to our investor relation cell for any further queries and request. Thank you.

**Moderator** Thank you very much. Our first question is from the line of the Siddharth Goenka of JM Financial. Please go ahead.

**Siddharth Goenka** **Congratulations on the very good set of qtr. Numbers** My first question is on the other expenses component, which is down sequentially quarter-on-quarter by almost 11%. What has led to this kind of a reduction?

**Girish Agarwaal** The large amount which has come down was from the circulation promotion expenses, by almost Rs. 6 crore. Last year, we were into the Punjab and Gujarat markets doing expenses on the circulation promotions. As the number got stabilized we have withdrawn those expenses this year, so a large part of that is because of that.

**Siddharth Goenka** Mr. Agarwaal, you did mention that there was no such tax benefit coming from the radio business. Is it the same case with the minority interest because minority interest is quite high this quarter if you include the radio business to the parent entity? Negative Rs. 16 million, most of the losses I believe is coming from the radio business. My question is pertaining to the minority interest component of Rs. 16 million?

**Girish Agarwaal** I think you will appreciate that the radio business company has now demerged and merged into DB Corp and we are awaiting the high court approval which is going to happen sometime in the months to come. So that will give us the tax benefit because there was a Rs. 98 Crore loss in the radio business, in that company and the tax benefit would be roughly Rs. 32 Crore, so that will come to us retrospectively from April 1 2010, that was what I was mentioning.

**Siddharth Goenka** So, going forward we can assume a very low tax because this time the tax rate was at around 34%. For the remaining three quarters and our tax rate will come down substantially, which will be evenly spread or the entire impact will come in Q4 only?

**Girish Agarwaal** It would be an average of around 26%.

**Siddharth Goenka** On the advertising growth we did register very good growth of around 18% on year-on-year basis, can you give us any guidance if for FY'11?

**Girish Agarwaal** Frankly speaking, what we are seeing on quarter-to-quarter basis, if you really compare it with the sequential quarter for example, January, February, March to April, May, June we see that there is a growth of actually 24% over these two quarters. It is important to calculate it this way because last year the market and dynamics were totally different compared to this year, so I am more concerned about this quarter to quarter growth, which is around 24% which is a decent number. So the way things are looking if you look at the sales figure of most of the companies like automobile, electronic, lifestyle, there sales are up and when their sales are up, they are actually out in the market to hunt for a customer and as a media company we help them to look for that customer, so I guess they are willing to spend in the market and that's how my numbers are looking better. So I guess if that's the way the economy is growing at 8.5% GDP and they will continue to grow like that, I think we have all the reasons to grow slightly higher than this number.

**Siddharth Goenka** We are already more than double in the first quarter at 18%, not an issue I will come back if I have more questions. Thank you so much for the information.

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

- Vikash Mantri** Just two questions, one is how do we see newsprint prices going up and how should our newsprint cost behave going ahead and in terms of our initial pre-operation exercise in Jharkhand and Jammu, have we booked any cost on that or is it capitalized in PE operated expenditure?
- Girish Agarwaal** Let me answer your second question first; we have booked a cost of around Rs. 2 Crore so far on the Jammu and Jharkhand expenses in this current quarter. Now apart from that coming to your newsprint prices question - last year if you look at Q1 FY2009-10, my newsprint cost was at Rs. 25,644 and this quarter my number is at Rs. 25,629, so there is hardly a percent growth over the newsprint. Though in between the newsprint went down a bit, for example my average cost went down to as low as Rs. 24,700 and it has come back to Rs. 25,000. So I guess looking at the number this Rs. 25,000 – Rs. 26,000 kind of range in the Indian rupees kind of looks doable, at least for the next quarter. In Q2 FY2011, I can assure you of this number because you already have the contracts and the inventory in at this number.
- Vikash Mantri** More on next year basis we know that most inventory is blocked in December for many of you but what are the prices we are looking in the market in terms of going ahead may be January to March and after that because there has been a steep increase in newsprint prices as per interaction within industry participants.
- Girish Agarwaal** We have been talking to various people including suppliers but no clear indication has come out because if you remember almost six months back, it was indicated that Q1 and Q2 FY11 number will go up drastically but it has not. I really don't know how to comment on that but what I can say is that this is what I have in my hands and the next quarter is in the bag, so based on that, the numbers are not going up. We have no indication on Q3 and Q4 FY 11 but whatever is there I feel we have taken some margin in our projections going forward to be secure on that.
- Vikash Mantri** Another one small question on the bookkeeping side on your selling and distribution expenses, which are sequentially down. What should be a proper number to take in for further quarters? Should we take in a similar amount given that we will not be doing promotional activity further?
- Girish Agarwaal** We might have to come back to you Vikas on specifics on this number because I do not have the projected number for the next three quarters with me on this but it would not be any drastic change either way.
- Moderator** Our next question is from the line of Abneesh Roy of Edelweiss. Please go ahead.
- Abneesh Roy** Great set of numbers – congrats. Could you break up the 18% ad growth in terms of volume growth and yield hike?
- Girish Agarwaal** There is nothing much to break up in that -- 90% has come from the volume and hardly anything has come from value. Because what has happened is typically when the volumes starts coming back in the industry, most of the media companies would like to take the volume and haggle on the rates later on, so I guess right now the entire growth is on the volume. We have taken some rate increase on the advertising rate in the month of June but we have not yet seen the implementation of it in toto, so that is another opportunity, which we think we have in our hands, that if the market continues to grow we would be able to take that rate hike also in picture.
- Abneesh Roy** Sir, in Q2 do you expect some slow down in the growth rate because last year the festive related growth was in Q2 while this time it is going to be in Q3.

**Girish Agarwaal** Yes. It could be because what happens is Q3 generally is the Diwali period and because Diwali was in mid - October last year so some of spillover month before came into the Q2 of FY2009-10. This year Diwali is in November, so that is the reason Q2 may not have the benefit of Diwali in to it.

**Abneesh Roy** In circulation - what is the increase we have taken in terms of actual circulation or in terms of revenue Y-o-Y?

**Girish Agarwaal** If you look at the revenue it is just 2% growth because in most of the places we have not increased the cover price but in the circulation also, the numbers are almost stagnant because we did not take any major circulation drive in last one year's time so I think the number is almost there is no major difference either way.

**Abneesh Roy** Any increase in competitive intensity that you are seeing, any cut in cover prices that you have taken in MP?

**Girish Agarwaal** Yes. We have taken a cut in the cover price in MP because we realized that in certain markets the cover price can be played and there is a potential further more, to extract that opportunity. So we have taken a call that we will take up that opportunity and grow the market furthermore in Madhya Pradesh especially in light of advertising coming back in the market. We have taken a price cut in Bhopal, especially in the upcountry market we have taken the price and we are seeing the benefit of it coming to us as copies are looking to grow up there.

**Abneesh Roy** Lastly in terms of Jharkhand Ranchi you said that August, September broadly is the date you are looking at. Any regulatory problem in that, anything you foresee in that region?

**Girish Agarwaal** There was a court stay taken by somebody on some thing but that has been vacated by the court, so now I do not think there is any such problem over there. Looks like the hurdles are over.

**Abneesh Roy** A lot of people say that Bihar and Jharkhand can be offered as a package together to the advertiser only then it will impress them. Do you agree to that and what will be the game plan when you are pure Jharkhand?

**Girish Agarwaal** I simply work on one strategy that if you look at Punjab or Gujarat all these we need to see that how we are able to become EBITDA positive over a period of three to four years time. Now if that is my ultimate game plan, whether I offer it as a package or I charge a premium that is irrelevant. I need to have my healthy top line and a bottom line in a period of three or four year's time. It will all depend on that.

**Moderator** Our next question is from the line of Amit Kumar of Kotak Securities. Please go ahead.

**Amit Kumar** I just wanted to clarify this point which was asked previously, given the fact that you will be launching in Jharkhand, wont your advertising and promotion expenses go up on that count?

**Girish Agarwaal** Jharkhand almost Rs. 5 Crore what we have estimated over a period of 12 months time will go up. As you know, Jharkhand is getting launched sometime in August and September first week, so the impact of that Rs. 5 Crore will be limited in this year, and rest will be in the next year.

**Amit Kumar** Next year itself or second half?

**Girish Agarwaal** Next year because if I have taken a Rs. 5 crore target for 12 months and launch is happening in September. Before launch it is a pre-operative expense which I am already booking in, after that the sales promotion or what you are calling it, will be starting of September going on till next year September, so it will be half and half.

**Moderator** Our next question is from the line of Ritesh Poladia of Almondz Global. Please go ahead.

**Ritesh Poladia** Is our print ad revenue Rs. 225 Crore? Sequentially that has seen about 18% growth in Q1FY'11 over Q4FY'10 and as you said it would be largely volume driven, is Q1 the leanest quarter of all four quarters?

**Girish Agarwaal** Not exactly, in fact Q1 and Q3 are the strongest quarter out of the four.

**Ritesh Poladia** Mainly because of education.

**Girish Agarwaal** Q1 has become an education quarter and Q3 is actually a Diwali festive quarter.

**Ritesh Poladia** In the absolute number of these Rs.225 Crore, would this be a base number for another three quarters.

**Girish Agarwaal** Yes certainly in our internal working that will be a base number for the other three quarters.

**Moderator** Our next question is from the line of Gaurav Jain of Baroc Capital. Please go ahead.

**Gaurav Jain** If your ad revenues keep going up in the future quarters, the newsprint prices do not go up as much because you are locked in, then your margins keep expanding from here or are there some other cost items like personal cost or something that might go up in the future quarters that might reduce your margin?

**Girish Agarwaal** We have already taken the annual increment for the staff in the month of April; that has been done. Now, whatever the new launches of Jharkhand, Bihar and Jammu are happening; that will be additional cost but that is very marginal and so I do not really see a big cost element adding on to the whole thing.

**Gaurav Jain** What is the kind of the EBITDA margin that you would not like to go beyond because your competitors are operating at lower levels, so if you are generating a lot of money then potentially you could reinvest that in your business and grow faster than your competitor?

**Girish Agarwal** If you notice this year the result says we are at 38% EBITDA margin but I believe that anything from 29% to 32% is a decent EBITDA margin to operate and to keep growing furthermore because one has to reinvest in the market and we are firm about that.

**Gaurav Jain** You do not plan to put on some extra cost like some newspaper companies have bought some aeroplane and all those stuff. Do you plan on doing anything like that?

**Girish Agarwaal** Not yet, I have not thought about it. Whatever is required in the business to service the business, our Company is anyway putting in it. Tomorrow if I feel my people those who are heading the different businesses, if by flying a charter plane they can deliver better results, better number, I would not mind that because we are a

business Company. If by investing one Crore rupees I can get Rs. 20 Crore back, then I would do it.

**Moderator** Thank you Mr. Jain. The next question is from the line of Vikas Mantri of B&K Securities. Please go ahead.

**Vikas Mantri** What is the CapEx plan for this year and probably next year?

**Girish Agarwaal** Total CapEx plan for this year is roughly around Rs. 40-45 Crore.

**Vikas Mantri** And what would that be split into?

**Girish Agarwaal** This entire CapEx plan is to build up and launch new print editions in the state of Gujarat, Punjab, Rajasthan, and Madhya Pradesh where we feel that it is important to know that if the market is growing we need to service that market better, you need to see how I am able to give more impact and more reach in that market, so we are putting up new print locations. For example, in various markets we are putting up new print locations. We are upgrading the colour facility in certain markets and launching a couple of more editions within our existing system. That is about the large CapEx in the existing system.

**Vikas Mantri** This CapEx is exclusive of the Capex that you will be doing in Bihar and Jharkhand market, am I right?

**Girish Agarwaal** Very much because Bihar and Jharkhand market CapEx requirement has been taken up by the IPO proceeds, which has already been earmarked and this also is a part of the IPO proceed for which we already have taken money.

**Vikas Mantri** How much will Bihar and Jharkhand CapEx be approximately, for the next one-and-a-half to two years or whatever the timeframe may be?

**Girish Agarwaal** Bihar and Jharkhand is in the range of around Rs. 75 to 85 Crore is the total CapEx requirement in those two markets.

**Vikas Mantri** Any estimation that we have done for the kind of losses that we will be making in the first few years from these two markets.

**Girish Agarwaal** We have done certain calculations and if you remember last time in the conference I did disclose the numbers.

**Vikas Mantri** Yes, does it more or less stand at the same level?

**Girish Agarwaal** Very much.

**Vikas Mantri** What is the cash and debt level at this point in time?

**Girish Agarwaal** We have around Rs. 216 crore cash and bank balances and the net debt if I were to tell you is around Rs. 16 Crore after taking out the cash and bank balances.

**Moderator** Thank you Mr. Mantri. The next question is from the line of Ritesh Poladia of Almondz Global, please go head.

**Ritesh Poladia** Any add to equity revenue?

**Girish Agarwaal** Rs.1.8 crore in this quarter.

**Ritesh Poladia** What would be the outstanding revenue to be booked over a period of time?

**P.G. Mishra** For this financial year, we are going to book the remaining Rs. 6 Crore in next three quarters - Rs. 2 Crore per quarter roughly.

**Ritesh Poladia** You are very generous in providing tax provision, last year tax provision was 37.6% and even in this quarter it is 33.9%.

**P.G. Mishra** On Standalone basis, its 32.7%, if you see the consolidated then the percentage will definitely be higher because last year there was a PAT negative in FM. That is why if you add the PAT of DP Corp in FM media the percentage will be definitely higher, but on a standalone basis it is as per income tax laws.

**Ritesh Poladia** How is the economy going in hinterland with the onset of this monsoon?

**Girish Agarwaal** The economy in hinterland is good. First of all I believe that 'hinterland' is slightly a derogative word because the metros are there but apart from the rest of India it is as good, as equal, compared to any other part of the country, so referring to them as tier 2 and tier 3 cities look better. As you know that the market is really booming in those cities and which is evident from the sales figure of most of the companies operating in India whether it is electronic company or automobile company. Large junk of their growth is actually coming from the market beyond metro in fact there has been a recent report of Ernst & Young which also talks about how various companies are putting all the efforts to tap the potential beyond metros. They have been getting very encouraging response from them. And the results what DB Corp has shown is actually backed up by that only, because advertisers are looking at that market more vigorously and we service them on that market.

**Moderator** Our next question is from the line of Ruchit Mehta of SBI Mutual Fund. Please go ahead.

**Ruchit Mehta** In terms of the 18% year-on growth in ad revenues could you split that in to volume and price?

**Girish Agarwaal** 90% is through volume and 10% is through the yield improvement.

**Moderator** Thank you Mr. Mehta. Our next question is from the line of Pratish Krishnan of Bank of America. Please go a head.

**Pratish Krishnan** You had a fairly robust advertisement growth, how much of this was contributed from the national advertisers versus the local retailers?

**Girish Agarwaal** Actually, 58% is coming from the local and around 42% is coming from the national but if you look at the percentage growth, I think national is growing faster than the retail. Simple reason for this because last one to one-and-half years national was down much more than local in terms of growth, so I think national is catching up over there.

**Pratish Krishnan** You expect this trend to continue in the coming quarter?

**Girish Agarwaal** I would pray for that.

**Pratish Krishnan** You mentioned that you had taken a price hike, but you have not implemented this so far.

**Girish Agarwaal** We have implemented it but we have not got the acceptance of it from the market and I am sure in every passing month we are getting the acceptance to some extent over there.

**Pratish Krishnan** Is it that the market is not ready for this hike?

**Girish Agarwaal** Generally as a media buyer or the client, one always wants to negotiate the best. So if I am giving you more money -- I will first tell you that okay take the volume be happy with that increased money and we will talk about the yield slightly later on and I guess we are accepting it for a while.

**Pratish Krishnan** And what are the typical signs that you see before you think that the price hike could probably be effected?

**Girish Agarwaal** When a market is really robust there is constant growth happening, which means an advertiser really wants to penetrate the market and he has no option but to penetrate the market, I guess that is the time when we can really implement our rate growth.

**Moderator** Our next question is from the line of Avinash Agarwaal of Sundaram Mutual Fund. Please go ahead.

**Avinash Agarwaal** You mentioned that you have taken a price cut in Bhopal and other places in MP, how much was the price cut?

**Girish Agarwaal** In Bhopal we were Rs. 2 in the up country where we brought it down to Rs. 1.50, in certain markets we were at Rs. 2.50, we brought it down to Rs.2. So there is no standard fixed number, it depends on the market to market but if you look at the overall impact there it is hardly any number, for example in certain markets in Rajasthan also we have done a price benefit, on a Sunday we were charging higher so we dropped down by 50 paise to see how we can further increase the circulation and penetration in that market.

**Avinash Agarwaal** Do you see a similar potential in the other states as well like you mentioned Rajasthan, are you doing that in Gujarat?

**Girish Agarwal** As I mentioned earlier that we have expansion plans within our state like Rajasthan, Gujarat, Punjab, and Madhya Pradesh where we are putting up new printing centres and launching couple of more editions in these market, so as and when the requirement of that market comes up we would certainly look at it.

**Avinash Agarwaal** You mentioned Jharkhand there would be 5 Crore of promotional expense for next year, so what would it be in Jammu?

**Girish Agarwaal** Jammu, there is hardly any promotion because it is just a couple of lakh rupees.

**Moderator** Thank you Mr. Agarwaal. The next question is from the line of Sangam Iyer from Alfa Accurate Advisors. Please go a head.

**Sangam Iyer** What is the margin outlook that we are seeing for this financial year after a strong margin that we have seen in this quarter?

**Girish Agarwaal** We are not giving any outlook for the future but I was explaining that currently we are standing at 38% margin this quarter. Looking at the new launches, which we have to undertake and the growth which company wants to keep taking from the market, I think an EBITDA margin of around 29%-34% is a doable number.

**Sangam Iyer** So, that is where you will see the margins going and stabilizing and once the new launches are all running?

**Girish Agarwaal** Exactly.

**Sangam Iyer** The effective tax rate for this financial year?

**Girish Agarwaal** Would be 26%.

**Moderator** Thank you Mr. Iyer. The next question is from the line of Ritesh Doshi of First Global Securities, please go ahead.

**Ritesh Doshi** Can you please provide the consolidated revenue breakup for Q1 FY'09?

**Girish Agarwaal** Advertising was at Rs. 200 Crore and circulation revenue was at Rs. 52.7 Crore and the overall top line was at Rs. 262.2 Crore.

**Ritesh Doshi** In the segment you have provided is in printing and publishing radio events and others that would be how much?

**Girish Agarwaal** Events and other operational come in others, which is around Rs. 9.5 Crore.

**Ritesh Doshi** What would a similar break up for Q2 FY09 be?

**Girish Agarwaal** I do not have it right now with me and we would revert back to you on this.

**Ritesh Doshi** Yes, sure. Your employee cost and general administrative expenses have grown 34% and 65%, any specific driver for this?

**Girish Agarwaal** My personal cost if you look at Q1, this year and Q4 of FY2010, there is a total increment of around Rs. 4 Crore and there was regrouping of the personal cost around Rs.1.8 Crore and there is some gratuity and ESOP paid around Rs.1.8 Crore. So the total impact is on Rs. 9 Crore on that.

**Ritesh Doshi** For general administrative expense?

**Girish Agarwaal** The increase is almost Rs. 64 million, it is mainly due to Ranchi, Jharkhand of around Rs. 8 million and provision for bad debts to around Rs. 28 million out of which Rs. 15 million is done for private treaty deals and legal expenses around Rs. 9.6 million which includes the 7.5 million of the demerger cost and traveling of around Rs. 7.5 million and there are smaller minor expenses.

**Moderator** Our next question is from the line of Rohan Advan of Advantage Financial Services. Please go ahead.

**Rohan Advan** What is your long-term view on the newspaper reader within the country given the competition from the internet readership? Does the Internet pose a real threat to the newspaper readership?

**Girish Agarwaal** In the short and mid term, I do not see any great risk from the Internet considering the broadband situation in our country, largely because of that.

**Rohan Advan** But in the longer run you see threat from the internet.

**Girish Agarwaal** I think I will be too junior a person to comment on our long-term country perspective.

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

**Vikash Mantri** I just wanted to know the newsprint consumption for this quarter and last quarter Y-o-Y in tonnage terms?

**Girish Agarwaal** My consumption of the quantity this year is roughly around 32,455 tonnes, in this quarter compared to the last year's quarter it was 31,991 tonnes.

**Vikash Mantri** Have we taken any pagination increase year on year?

**Girish Agarwaal** Yes, we have.

**Vikash Mantri** What would that be?

**Girish Agarwaal** If you look at the average, from 20.6, it has gone up to 21.26.

**Vikash Mantri** This is just a 3-4% increase.

**Girish Agarwaal** But then what happens is for example, I have increased two pages in a particular market; I have taken no pagination increase in particular market. If you look at our overall average it comes to that.

**Vikash Mantri** But if I were to look at your numbers, since of the 18% growth in revenue is more than 15-16% growth in volumes, so have you stretched our ad added ratio significantly in this quarter.

**Girish Agarwaal** Not exactly. For example, my Ad-Edit ratio, currently we are maintaining around 31% While in this quarter, it has gone up to almost around that number, so average of anything from 28% ad to going up to 35% ad in the paper is manageable. So, we are not come to that stage, we are going beyond 35% yet to increase the number of pages.

**Vikash Mantri** Yes but numbers are not reconciling?

**Girish Agarwaal** Please understand. When I get one advertising business only in black and white and I get it in colour I get it on page 3 or I get it on the front page or the back page. This all makes the difference.

**Vikash Mantri** No but I am talking about the volume growth clearly and you have indicated that 90% of the growth came in from volumes, so there has been a significant volume jump. So that would pressurize our ad -edit ratio clearly.

**Girish Agarwaal** Exactly, but that is what I am saying from 27%, I have now gone up to 31%.

**Vikash Mantri** Okay, that's fine, I thought 31% was maintained.

**Girish Agarwaal** I am saying the range is that even if it goes up to 35%, it is doable. I don't have to take up the page hike on an average account, but if you see we have taken a hike in a few markets, like in markets like Jaipur, Ahmedabad, Indore, Bhopal, I have increased two pages as an average in all the papers.

**Moderator** Thank you, our next question is from the line of Amit Kumar of Kotak Securities. Please go ahead.

**Amit Kumar** The first question was with regards to a couple of our markets like Gujarat and Punjab, the consumption potential is there, but advertising is yet not to the level that we potentially see in UP or Rajasthan or for that matter even in MP. Are we somewhere close to actually taking our rates up to the levels, which will sort of reflect the advertising potential and what is happening on that side basically?

**Girish Agarwaal** See what happens in a particular market, as you know in Punjab I am a new entrant and also Gujarat I am just a six or seven years old publication and I am a leader in certain cities. I am still working hard on the up country of Gujarat and others; and currently my advertising rates are highest among players in these markets. So I do have a chance to take it up ahead going forward instead of by increasing my strength more in those markets. So I certainly agree with your point that these markets really need rate correction from the advertising perspective and I am actively working on that.

**Amit Kumar** I think you talked about the CapEx plans and some new additions as well, could we have a little bit more color on that, how many additions, what sort of circulation increase are we looking at for this year?

**Girish Agarwaal** As I told you, we are looking at an expansion in Gujarat, looking at two new centers set ups in Gujarat, we are looking at one more center in Punjab, we are looking at around three more centers in Rajasthan and around two more in Madhya Pradesh and one more in Chhattisgarh also. So these are the plans, now the exact numbers for these circulations etc., you will appreciate I cannot disclose it to you right now.

**Amit Kumar** Sure absolutely, my second question was with respect to the cover prices. At one-and-half rupee cover price taking out the distribution cost effectively it becomes very easy for either the distributors or for the end users also to actually just take the paper for scrap itself, so how do we ensure that while we are dropping the cover price these copies do not end up as scrap and they are actually picked up by genuine readers?

**Girish Agarwaal** True, that is the reason if you notice in most of the markets that we operate we ensure that the resale value of the paper in scrap should not be more than the price he is paying for. For example if out of Rs. 1.50 or Rs. 2 with 80 paisa as commission or 1 rupee as commission then the scrap value should not be the balance money. So that is what we really actively work on and we ensure that it does not happen, because by increasing circulation which does not culminate into a readership, is a waste of money for us also.

**Amit Kumar** Given the fact that the newsprint prices are going up and probably second half prices will be definitely higher but we do not know at this point of time how much higher than the first half prices, will the cover prices also follow that trajectory?

**Girish Agarwaal** Yes, but please understand making a cover price from Rs. 2 to Rs. 2.20 like this year if you see my average price has gone up by 10 paisa, from Rs. 2.40 I have gone to Rs. 2.50 and my net realization has increased from Rs. 1.54 to Rs. 1.62. There is an improvement in those numbers and we are actively working on that furthermore.

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

**Abneesh Roy** There are two follow-up questions, the first one is on radio, how much growth you are seeing in terms of volumes and in terms of pricing if any movement has happened towards upwards?

**Girish Agarwaal** The radio business, I would say over there the large working is happening on the pricing because they have already sold a lot of inventory and this is retail business where inventory utilization is pretty decent, though not to the optimum level, but I guess the large working happening in the radio business is increasing the yield. For example, I can share about one specific market, which I was just reviewing last week itself where the average per second price was Rs. 11 and in this quarter they were able to take it up to Rs. 14. So the whole focus in the radio business is to increase the yield and also adding on the new customer. In the radio business there is an inventory issue, because once you have sold your entire inventory you cannot increase the inventory over there.

**Abneesh Roy** But what is the current percentage in inventory utilization?

**Girish Agarwaal** Out of the total kitty available they are almost a 69% of the inventory utilization. But again the question is that you can fill up 100 but at what rate.

**Abneesh Roy** You said in 15 cities you are actually the no.1?

**Girish Agarwal** Yes, as per the ORMAX report.

**Abneesh Roy** Is the industry accepting the ORMAX because it is not an independent body?

**Girish Agarwaal** ORMAX has done for IPL, they did it for Star Plus, they are a decent credible body, though they are not a stock level. They have good credibility though they are not a syndicated body in the industry.

**Abneesh Roy** Lastly, in Jharkhand you must have seen that all players have cut the cover price?

**Girish Agarwaal** Yes, they have now come down to Rs.2 from Rs. 4.

**Abneesh Roy** In such a scenario is there an entry strategy from the cover price point of you at all or can it even go down further?

**Girish Agarwaal** If you remember our strategy in any market is never a cover price, our strategy is to involve the reader. I do not enter a market because it is very simply known to everybody if you remember I made this statement some six months back that whatever cover price I will announce before my launch, my competitor will match up that price two to three months before my launch. The cover price is never a strategy; our strategy is to involve readers. For example as a Company, we are talking to almost 9 Lakh households in Jharkhand in the cities of Ranchi, Dhanbad, Jamshedpur and the surrounding areas understanding their requirement and looking at the penetration in that market. The market is under-penetrated then the growth will come in, in fact the reduction of cover price will further help me only.

**Abneesh Roy** But what we are hearing from the other players in those markets is that it is largely a government ad market, so around 45-50% is government ad, so in that scenario does it become extremely difficult for you compared to say Gujarat or compared to say Rajasthan when you entered?

**Girish Agarwaal** Please understand, you don't have much of clarity about those markets sitting in Bombay obviously, there is a place called Ranchi, it has a population of 10 Lakhs or 8 Lakhs, there are people those who wear shoes, clothes, drive a car. I am sure

they are doing consumption, so if today the advertising companies or the marketing companies are not focusing at those guys, so I think there is a huge opportunity for me to go tell the telecoms and the automobile companies to note that there is a big market over there, they are consuming your stuff, you better advertise and take them more.

- Abneesh Roy** Coming back to radio any comments on phase 3?
- Girish Agarwaal** We are waiting for it.
- Abneesh Roy** So no clarity when it will come?
- Girish Agarwaal** No, we have been waiting for it and it has been quite sometime. The Government of India is yet to take a call on that.
- Moderator** Our next question is from the line of Sakshi Mahlotra of Eureka Shares & Stock, please go ahead.
- Sakshi Mahlotra** I just have one question which is regarding the newsprint prices, like you have already told us that the contracts for Q2 are already done and so you do not see any major movement for Q2, so going forward how do we expect the newsprint prices to move, I mean the overall price movement, can you give a percentage indication?
- Girish Agarwaal** Frankly speaking I cannot give you the future guideline numbers as per the company policy, since the Q2 numbers are with me, the Q2 stock is with me and agreements are signed, hence I was able to tell you that there will be no major impact. However what I can assure you is that in the Q3 and Q4 of FY2011, we have made certain provisions to take care of any jump happening over there to a decent percentage. I really cannot reveal the numbers to you as per our policy; I hope you will appreciate that.
- Moderator** Thank you. The next question is from the line of Apurva Bubna of Equirus Capital, please go ahead.
- Apurva Bubna** I just wanted to get more clarity on your plans around Jharkhand and Bihar, my understanding of that market is that obviously a couple of your competitors there, they are very well entrenched, so what sort of a share you are looking at say over the next four quarters after launch, is there any sort of plan if you can share with us at a very high level?
- Girish Agarwaal** We have plans made to understand how we are entering the market and what all we can take from the market. Idea is not to take away numbers from anybody and as a company at Bhaskar we ensure that we take even our competitors along with us. The idea is not to eat away from them, because I see a huge potential in that market which is lying untapped, so if I am able to work on that number as a result I may have a larger number than my competition over a period of time. But that is not what I am trying to take it away from somebody. Now if you look at my Punjab experience, we launched in 2006 and 2007, by 2010 March which is three years, we are a EBITDA positive company in Punjab, so looking at that experience I think I can indicate to you that we are also looking at Jharkhand in the same perspective.
- Apurva Bubna** The second question would be in some of the existing markets what I understand is that some of your competitors have announced definite plans to enter, possibly if we take the example of MP market, they have announced plans to enter that

market, so any specific strategy that you have chalked out over the next three-four quarters to maintain your leadership position over there?

**Girish Agarwaal** If you look at all my markets, unfortunately or fortunately I have been fighting various competitions in all the market. Whether it is Chhattisgarh or Haryana or Punjab or Madhya Pradesh or Rajasthan or Gujarat, none of the market was available to me on a platter and I am happy about it, because that makes you work harder, it takes away the complacency from you and we have been really working hard. I guess the simple way to move ahead is to keep working in the market, look at the potential if you have a potential in the market, keep exploiting that potential and that is what we are going to do. So whether the new competition is coming or not coming we are working on our part and that is the reason numbers are really growing. For example in the CLR expansion plan, we already have plans to launch a couple of more additions in Gujarat, Punjab, Rajasthan and Madhya Pradesh. We are upgrading the printing facilities in these markets, not because of any competition forthcoming. It is because we see there is a potential in the market which we need to tap for our advertiser so that they can help us grow faster.

**Moderator** Our next question is from the line of Sangam Iyer of Alfa Accurate Advisors, please go ahead.

**Sangam Iyer** During the call earlier you mentioned that we have taken price hikes but the full impact of the hike is yet to come in, do we see Q2 seeing the full impact coming or how do we see this based on your interaction with the customers?

**Girish Agarwaal** Frankly speaking there is no mechanism -- it is all in the market play, we are pushing from our side to take the rate hike, obviously advertisers have their own stand on giving the rate hike, they are suggesting the volume hike. So I guess it is an ongoing process, we have seen some impact of it in this quarter itself and I am sure in the next quarter also we will see more impact of this.

**Moderator** Ladies and gentlemen that was the last question and I now hand the conference over to the management to add closing comments. Please go ahead, sir.

**Girish Agarwaal** Thank you very much all of you for joining us and I hope that we have been able to answer all your queries to your satisfaction. However, if you have further queries we would be happy to be of assistance. On behalf of the management, I thank you all for participating and your time. Thank you very much.

**Moderator** Thank you members of the management team. Ladies and gentlemen, on behalf of DB Corp that concludes this conference call, thank you for joining us on the chorus call conferencing service and you may now disconnect your lines, thank you.