



DB Corp Ltd

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Q3 Earnings Conference Call Transcript January 16, 2014

Moderator Ladies and gentlemen good day and welcome to the DB Corp Limited Q3 FY14 Earnings Conference Call. As a reminder all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call please signal an operator by pressing '*' then '0' on your touchtone phone. 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 Ms. Roy.

Malini Roy Thanks Mallika. Good evening everyone. Welcome to the Q3 and 9-month FY14 Conference Call of DB Corp Limited. We will be sharing the key operating and financial highlights for the 3rd quarter and 9 months ended December 31, 2013. 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. PG Mishra – Group CFO; Mr. Rakesh Goswami – CGM, Finance and Accounts 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 risk and uncertainties. Documents relating to company's financial performance have been emailed to you. I invite Mr. Pawan Agarwal to share his outlook on DB Corps performance for this quarter.

Pawan Agarwal Good evening everybody and our best wishes to all for 2014. Welcome to DBCL's Q3 and 9 months FY14 Earnings Conference Call. We thank you for participating with us today and we value your continuing interest in the progress of Dainik Bhaskar. I would like to share some key highlights of our financial and operating performance for the 3rd quarter, post which we will be happy to respond to your queries. We are very glad to report yet another quarter of strong performance. Over the past few months, we have maintained an aggressive stance to ensure that the fundamentals of our business remain strong through various growth-oriented initiatives.

The strategy of growth, market diversification, cost and operational efficiency and content innovation has been successfully undertaken and has delivered visible results and the third quarter our focus on product differentiation, marketing efforts, geographic expansion and execution ability were key competitive advantages that have driven growth. Dainik Bhaskar continues to be the largest read newspaper of urban India and retain leadership positing in legacy markets of Madhya Pradesh, Chhattisgarh, Chandigarh, Haryana, Punjab, Urban Rajasthan and in key markets



of Gujarat while also strengthening presence in emerging regions. We are excited with the progress in newer regions of Jharkhand and Maharashtra where we have been actively strengthening the brand amongst the affluent leadership segment which has an important bearing on the marketing strategies of niche brands in these regions. On January 19, we are set to launch Dainik Bhaskar from Bihar, a key market for DBCL and one of India's dynamic and most rapidly developing states with high per capital income and GDP. We are on course to roll out our Patna edition which is well geared towards achieving a leadership position in terms of daily circulation. Our digital platforms too have been reporting consistent growth driven by strong viewer engagement strategies which has driven a phenomenal growth in page views.

Our financial performance for the quarter and 9 month ended December 31, 2013, is as follows:

Our consolidated total revenues for 9 months, FY14 stands at Rs.14,212 million registering a growth of 18% on YoY basis. Our ad revenues for the period is Rs.10,778 million, expanded by 18.4% YoY and consolidated EBITDA stood at Rs.4,113 million with margins of 29% and a growth of 39% on YoY basis. DBCL's consolidated PAT for 9 month FY14 stood at Rs.2,307 million with margins of 16.2% and YoY growth of 42%.

Our consolidated total revenues for Q3 FY14 stood at Rs.5,254 million compared to Rs.4,429 million in Q3 FY13 reflecting a growth of 19% on YoY basis. Our advertising revenues came in at Rs.4,035 million, reflecting a growth of 18.2% on YoY basis against Rs.3,412 million of Q3 last year. In fact, our ad revenues growth is 20.5% on YoY basis in Q3 if we exclude barter and private Treaty billings in Q3 of both fiscals. DBCL's EBITDA margins stood at 30.9% and we reported EBITDA of Rs.1,623 million. The same factors are one time pre-operative expenditures of Rs.44.7 million for Patna-Bihar launches and FOREX gain of Rs.13.89 million. We also bring to your attention that our mature editions EBITDA stands at about 35% due to our relentless focus on higher performance efficiency. Net profit for the quarter increased to Rs.945 million and net profit margins came in at 18%. The same factors are onetime pre-operative expense of Rs.44.7 million for Patna-Bihar and FOREX gain of Rs.13.02 million. DBCL's radio business continues to report strong growth. Advertising revenues came in at Rs.239 million as against Rs.192 million in the same period last year, depicting a growth of 25%. EBITDA margin stood at 47% with EBITDA of Rs.113 million. Our Bharat consumption concept, 'Unmetro - the market driving India' which has been hosted in Mumbai, New Delhi and Bangaluru has been very well appreciated and accepted by professionals within the media sphere to study the potential of non-metro markets of tier 2 and 3 cities as key marketing destinations and growth centers. At a macro level, the economic environment seems to be taking steps towards recovery as the country gears to re-focus on implementing measures to restore fiscal and economic health. We look forward with cautious optimism as we continue to fortify our competitive strengths to harness the existing potential of the regional print media segment.

Thank you once again on your interest in the developments of DBCL. My colleagues and I will now be happy to respond to questions. We look forward to continuing our interactions and please do contact our investor relations department headed by Mr. Prasoon Pandey for all further requests and queries.

Moderator

Thank you very much. Ladies and gentlemen we will now begin the question answer session. The first question is from the line of Kalpesh Makwana from Quant Capital. Please go ahead.

- Kalpesh Makwana** Can you just breakdown of the ad revenue growth of 18% in terms of volume growth and pricing, as well as the some break-up of national versus regional ?
- Girish Agarwaal** If I were to break the numbers down, 75% of the growth has come from the yield and 25% from the volume. As for the national and local numbers, there has been a decent growth on the national this time. So the national-local split this time round stands at 66% local and 34% national.
- Kalpesh Makwana** Also, I just wanted to understand the festive impact on these numbers because the numbers are pretty good. So, just wanted to figure out as to what should be the normalized number going forward? Do you see a great impact of festivals on this or are these the kind of numbers that we should look forward to?
- Girish Agarwaal** Obviously, if you were to look at Q3, it has always been a festive quarter throughout because of Diwali and other festivals falling in that quarter., I am sure we are looking at a growth on the number for the Q4 of last year, not our further growth on the Q3 number because Q3 anyways has a higher number.
- Kalpesh Makwana** My last question was on the radio business. We have seen significant improvement in radio numbers during this quarter. Is there a particular reason for that?
- Girish Agarwaal** It is largely due to the festivals. If you were to look at the 9 month average, we are at around 20% but the Q3 number has been at 25%,.
- Moderator** The next question is from the line of Srinivas Seshadri from CIMB. Please go ahead.
- Srinivas Seshadri** My first question is on the growth trajectory. Obviously, you pointed out earlier on television that the adjusted growth ex elections would be around 15% and for the quarter may be around 18%. So just wanted to understand whether you see these numbers as sustainable growth from a) an environment perspective and b) with regard to your proactive actions in terms of price hikes as well as a new geography entry etc. It would be great if you could shed more light on it.
- Girish Agarwaal** As you know the Q3 number are always a higher number because of the season. For example, this year we have done net revenue in print of around Rs.375 crore, in the Q3. But if you look at the number for the Q4 of last year, that was roughly around Rs.277 crore. So, whatever growth we are referring to be calculated taking Rs.277 crore as the base and not the Rs.375 crore number because the number for Q3 is anyway a higher volume and value number. In terms of percentage growth, you'd notice we are at 18% in this quarter and even the 9 month average is coming to almost the same number. So we are confident and hopeful that the way things are looking, we should be able to continue the same kind of numbers since the Lok Sabha Elections are going to be held in sometime in April or May. So, there will be some build up happening in March for that. So that advantage should kick in during the Q4 as well.
- Srinivas Seshadri** And beyond that if you could shed some light in terms of how the next year is shaping up? Is it looking better, if not quantitatively then qualitatively? Also, if you could help us understand your strategy as to how you are approaching the next year.
- Girish Agarwaal** There have been two good things that have happened in the last one year. One is that we have been able to establish that cover price is not a deterrent to increase the circulation. For example in Madhya Pradesh, we have taken a cover price hike



of 10% in last one year's time and in spite of that we have been able to grow at a rate of 52,000 copies in Madhya Pradesh. And the same case in the few other markets too. So, that very clearly indicates that if you are able to offer a real quality product, then people are willing to accept the pricing to an extent. So that is one advantage that we have seen. Second advantage would be seen in the last 12 –13 months' time that we have been able to increase the advertising yield in the market. So, whatever discount we are offering, we are able to rationalize it. So, there has been a yield improvement in the last 12 months every year, on month on month basis. So that I think that is an advantage we have clearly gained and we are going to work further on that.

Srinivas Seshadri I had one more question on the employee cost. If I were to look at it on a year on year basis, despite having entered into green field operations, in some part of Maharashtra as well as Patna now, the employee cost increases at just about 4.5%. So I just wanted to understand as to why the inflation in employee cost is so low and if you could maybe provide some outlook again on that.

Girish Agarwaal Firstly, we have been able to rationalize the manpower required internally. So, there has been some reduction in number of manpower which we employ in various markets. Also, we may have had to shift some of them from the older locations to a newer location, especially in the case of the production staff and the sales staff. Editorial staff obviously has been hired new for particular locations. Also, in the case of some of the cost employees, where we felt that the productivity was a concern, we have asked them to move on. So, with all that we have been able to control the cost further.

Srinivas Seshadri Do you see that as sustainable or has the best of the cost reduction come through?

Girish Agarwaal I think starting April next year, we will be able to give further hikes to our employees and if any more number needs to be added in terms of making the organization more effective, we shall do so.

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

Abneesh My first question is on the Gujarat market. We are seeing a new launch happen from The Times of India, Nav Gujarat Samay. They are selling a 5 month package only for Rs.100, although the cover price is at Rs.3. How do you see this impacting your market? They will obviously piggyback on The Times of India distribution, to an extent. So, if you could share from a longer term perspective i.e. 2 – 3 years, how much of a shift in market share could happen?

Girish Agarwaal Let me answer it this way. We are pretty alert with respect to that market also. And the price offered by them is Rs.90 for 5 months. And most probably, they may offer one month extra also on that. They launched the paper, in fact, this morning itself and they have done a lot of sampling too in the market. There are 2 aspects to look at here, one is their quantity aspect and the other is the quality aspect. As for the quality aspect, it is too early to comment. And on the quantity aspect, the number is not very significant. Having said that, we are pretty alert on that and are keeping a close eye on everything that they are doing and further pushing our efforts too in the market.

Abneesh What is your cover price in Gujarat, currently?

Girish Agarwaal We are priced in some markets at Rs.2 and in some markets at Rs.2.5.

Abneesh My next question is on the corporate advertising, which has recovered from Rs.32% of sales to 35%. So in which segments are you seeing this and if you could also comment on the key sectors like education, Real Estate etc.? And then how has the FMCG done; because we are increasingly seeing that the sector's own volumes are slowing down. Are you seeing some initial impact of that?

Girish Agarwaal I am happy to share with you that in the national market, FMCG is one of the 4 categories which have really shown a significant growth for us, where if I compare FMCG in the Q3 to, Q3 of last year, there has been almost a growth of 52% in terms of absolute numbers. Similarly, the automobile category also has shown a decent growth, though in a single digit and also furthermore the lifestyle and hyper market category have also grown in double digits. There has been a growth in various segments in the national market which has led to this higher growth coming from the national market. In the local market, the real estate has responded very well. There has been a huge growth in the real estate category. So, real estate is one category which once comes up stays there for at least the next 2 quarters. So, unless interest rates go up or something else goes wrong, the category should continue that way.

Abneesh In the initial remarks, you said on the advertising front, you have a cautious optimism and we have seen national advertiser share increase too. But if you see the underlying growth of auto and FMCG, that is weak currently and it may have turned weaker versus the previous quarter. So why are you so optimistic and, from where is your optimism stemming from? Does it come from a stronger government post elections or is it due to the current reforms taken by the current government?

Girish Agarwaal Frankly speaking, it's a mix of all. Some of the realities which we are seeing on the ground, and some of the efforts our team are taking, and the confidence of our team along with interaction with the clients and the indications what they are getting. I agree with your point that the automobile is a category which we expected would grow in double digits, but it has not grown in that manner so far. But for example, real estate, FMCG has and the lifestyle categories have done very well. So, we feel this mix of various categories will take us ahead further. One thing is very clear that now the dependency on one particular category or focus on one category alone will not help. So for example, our classified category also will be a small category but would need to be focused upon. So, even if I am able to get some 12 – 13% growth from that category, it is helping me. So now the focus is not on 1 or 2 large categories. The focus is on every possible category into detail.

Abneesh My last question is on the subscription growth. You have got good growth this year. So how are we seeing FY15 in the light of increasing competition in the market? Also, in Bihar for example, although it's a new entry for you, the overall cover prices have been cut. So if you can comment on that. And specifically in Bihar, we have seen now existing players have also cut their cover price. So how difficult will it be for us to get that initial, incremental market share? So, if you could please comment on that part.

Girish Agarwaal Let me answer your first question. As far as how the circulation prices in the various market can further go up, we have already taken cover price hikes in various markets of ours in last 12 – 18 months' time. Fortunately, the growth has come and at the same time, we have been able to increase circulation. So we are happy that the reader has accepted our cover price hike with the quality input that we are giving them. As you would know, in Bihar, we have offered a newspaper at an annualized booking and my existing competitors over there have already reduced the cover price 4 months before my launch. However, that was very much expected because we have seen this happening in Maharashtra, Gujarat, Punjab



and all the markets. So we have seen such kind of reactions but our working is not based on the competition. Our working is based on the market and the penetration of the market. So we realized in Bihar market, there is a huge gap in the penetration of the newspapers among the people, in terms of those who can read and those who are reading. So with respect to that gap, I am happy to share with you, we have already booked 1,55,000 copies in Bihar for 1 year's time at our offering. Furthermore, we expect another 15,000 copies to come to us which are non-booking copies such as those from government offices or some offices or the stand sales and all that.

- Abneesh** Is there a huge gap in Patna for readership?
- Girish Agarwaal** Yes. As you know, we are launching only in Patna. So, this number that I mentioned is with reference to Patna itself.
- Abneesh** Yes, I know that. My question is that will this be normally the number 2 or number 3 paper or will it be a new audience you are catering to?
- Girish Agarwaal** Just to give you an idea about Patna. Let's forget the literacy and talk about the people who can read. Among the people who can read in Patna, the penetration as of last year was only around 42%. So there was a huge gap. For example, if you look at this number in Jaipur, the penetration percentage is roughly around 70 – 75%, while in Patna it is currently at 40 – 41%. So there is a huge gap there. That is the reason we are able to chip in as an additional player and able to further exploit the market.
- Moderator** The next question is from the line of Himanshu Shah from HDFC Securities. Please go ahead.
- Himanshu Shah** The news print cost have seen a sharp increase during the quarter. So, what is it attributable to and how is the trend looking forward for 4QFY14 and for FY15? If can provide some color on, newsprint prices?
- Girish Agarwaal** If you look at last year's comparison, the newsprint prices have gone up by 11%. There has been a mix of dollar impact as well as the net rate impact of the newsprint - Indian and imported, put together. One good thing is that, recently it has been informed to us that there has been a \$15 average reduction in the imported newsprint being offered in the market. And accordingly, the Indian suppliers may also follow suit. So, there could be some softening in terms of the newsprint prices going forward.
- Himanshu Shah** Is the sharp increase that has taken place sequentially attributable to only rupee depreciation during the quarter?
- Girish Agarwaal** No, it is both the rupee as well as the per ton price offered by the supplier in imported as well as Indian newsprint.
- Himanshu Shah** What would be the percentage of imported newsprint for the 9 months or may be for the quarter, in value terms?
- Girish Agarwaal** It is at 21% for the quarter.
- Himanshu Shah** And could you also provide the average realization per copy and the circulation number?

Girish Agarwaal The total circulation number for the Q3of 13 – 14 is 48.92 lakh copies. And the average pagination has been 22.87 for this quarter. The average cover price has been Rs.2.95 and the average realization is Rs.1.87. Furthermore, the, newsprint consumption for this quarter has been 46,300 tonnes.

Moderator The next question is from the line of Nitesh Godhani from Span Capital. Please go ahead.

Nitesh Godhani Can you throw some light on the Patna market? How big is the circulation size of the Patna market? And what is the average cover price of the competitors there?

Girish Agarwaal The average cover price currently being offered by the competitors in Patna is around Rs.2.50 per day. Circulation wise, there are different numbers. I cannot comment on the competitive numbers because they are all ABC listed. , I cannot really give the number out to you, out of respect to my competition. I hope you would appreciate that.

Nitesh Godhani Can you throw some light as to what is the ad size market of the print media in Patna?

Girish Agarwaal Generally, you can't understand Patna alone but the Bihar market as per our estimation is roughly around Rs.350 crore overall a large chunk of which would go to Patna. We are launching with almost 1,70,000 copies overall in Patna. That would as per our understanding make us number one in Patna from the day of the launch.

Nitesh Godhani And like you mentioned earlier in the call that Patna market has around 42% penetration and for the Jaipur market you mentioned it is 70%. So what are these penetration levels in your mature markets such as MP?

Girish Agarwaal Mature markets such as Indore and the like would have the same pattern as Jaipur.

Nitesh Godhani Are they 70 – 75% penetrated?

Girish Agarwaal They would range from 65% to 70 – 74%.

Nitesh Godhani And then going forward, do you anticipate that the un penetrated level turn to a print media?

Girish Agarwaal Are you talking about Patna or are you talking about other markets?

Nitesh Godhani Other mature markets.

Girish Agarwaal You will appreciate that at 75% penetration you have headroom for another 5% because not everybody, including the housewives, who are may be into the can-read category wants to read a newspaper. So, we really can't talk about 100% penetration.

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

- Amit Kumar** I just wanted a sense on the ad revenue growth momentum itself, and 2 points I would want you to comment on. One is the fact that there is some sort of TV ad cap. I know it's not been formally implemented but at least as far as the larger broadcasters are concerned, there is some sort of voluntary ad cap that they started implementing in this quarter and then the fact that the growth of the Kharif crop also was pretty decent due to the monsoon impact. How much of the impact have these 2 factors had on the ad growth?
- Girish Agarwaal** Frankly speaking, I cannot really quantify the suo motto cap implemented by the broadcasters. But yes, there has been a good impact on the market because of the good crop growth. There has been good off take in the market in terms of purchase and hence we have been able to see the growth happening in the real estate and few other categories too. This has not only been the case in bigger cities, but also in the smaller cities for example like Kota, Raigarh, Sagar etc.
- Amit Kumar** Okay. The reason why I am asking about that ad cap also is because of the fact we have seen a much larger chunk of our growth driven by yields rather than the volumes and given the fact that weakness in the economy sort of continues, this is the second consecutive year that we will be getting a double digit yield hike. Given the fact that our national advertising is growing faster. Do we see some sort of a shift from TV to print? Do we see some contribution coming in from that side?
- Girish Agarwaal** Amit, I would really not like to make a generalized statement on this because I have no factual data in my hand to comment on this. But if you are saying so I would like to check with my team and come back in some detail if we can get some answer on this.
- Amit Kumar** On radio, due to the rate hike that you had taken in the beginning of the year we are seeing little bit of growth in radio. However, not as much as you have seen in this particular quarter. So, has that rate hike of around 15 – 20%, been completely passed through advertisers in this particular quarter?
- Girish Agarwaal** I wish it could have been done in that manner, but not exactly. Some of the growth has come because of festive season. Some of the impact has come because of election advertising also. So if you see the Q3 growth has been 25% but the overall 9 month growth has been 20%. So other months have also been doing an okay business, though not anything like 25% growth.
- Amit Kumar** What are your expectations from the new IRS, which is going to come in hopefully by the end of this month or early next month, Is there some sort of major change expected for the print industry?
- Girish Agarwaal** We all are expecting it to have some better perspective of the print industry this time. But unless and until it comes out and we all review it, we really can't comment. Though we all are hoping that since they have promised a lot of things, which will be more factual and on ground. So that should help the industry hopefully.
- Moderator** The next question is from the line of Ankit Kedia from Centrum Broking. Please go ahead.
- Ankit Kedia** I wanted to know about the EBITDA losses of emerging editions. This quarter, we have seen losses get reduced to only Rs. 1 crore excluding the Bihar launch expense. So what is the outlook on that? Have you seen a strong growth in the emerging edition, as well on the advertisement front?

- Girish Agarwaal** Yeah, certainly. If you look at my losses for 9 months for the emerging editions, has been Rs.13 crore compared to Rs.27 crore of last year. And this is before the preoperative expenses. So, we hope that the way it has come down to almost half, this should continue and come down going forward.
- Ankit Kedia** And what would be the expectation of the Bihar edition losses in the first year of launch?
- Girish Agarwaal** As you noticed in Maharashtra or in case of Jharkhand and Punjab, we have been able to achieve our EBITDA breakeven in 3 – 4 years' time. So we are hopeful that Bihar also follow the same pattern rather we are more hopeful of Bihar.
- Ankit Kedia** And have any editions moved out of emerging editions lately, given that the losses are only Rs. 1 crore for the quarter?
- Girish Agarwaal** Last 2 quarters no edition has been moved out. There are editions, like for example Jammu, which is our older edition that moved out of it.
- Moderator** Next question is from the line of Amit Kumar from Kotak Securities. Please go ahead.
- Amit Kumar** Just one small follow up question, when you look at quarter on quarter growth in emerging and mature editions, in spite of the fact that emerging editions, this is about 2 – 3 years old now and still from a very low base, the growth doesn't seem very exciting. The reason why I am not comparing YoY is obviously because some editions have moved out to mature, etc. But on a QoQ basis, we are seeing about 17% growth in mature editions, which is pretty good given the base of almost 300 crores plus of revenue but for the emerging editions, beside a very small base of just about Rs.30 – 35 crores, the growth is only 24%. So why scaling of revenues in Jharkhand and Maharashtra? Is there a challenge out there?
- Girish Agarwaal** No, because please understand that some of the editions which you would assume are in emerging have moved out of emerging into mature. That could be one of the reasons or for example recently the Akola & Amravati editions have been added on to that. So, there has been a decent growth. For example, I can't give the numbers out. But if I have to specify the growth number in Maharashtra, it has been pretty encouraging for us. And more than the expectation what we have taken in our calculated P&L, going forward.
- Amit Kumar** It really doesn't seem to be the case because what I remember is, if I look at the 9 month overall revenue of the emerging editions also, it has been less than Rs.150 crore. Does it mean that we end up with just about Rs.200 crore in total revenue terms, assuming that Jharkhand and Maharashtra are essentially the 2 major, emerging editions ? But our expectation at one point of time was that Maharashtra itself non-Bombay, non-Pune 700 crore advertising market. So we would hope to target Rs.150 - 200 crore kind of advertising revenue number in Maharashtra also. So this Rs.600-700 crores was 2 years back and that would also be growing at 10 – 15% and out of a Rs.1,000 crore odd target, just over 20% of the market. But the overall revenue itself this year ending including circulation and advertising across Jharkhand and Maharashtra seems to be ending at just about Rs.200 crore. So are we yet to see in that sense the inflection point in Jharkhand and in Maharashtra?
- Girish Agarwaal** I would agree with you on Jharkhand. The way things have been there in the last 3 years, have not been very encouraging on the ground because of the various political and economic reasons. But having said that, Maharashtra has done



exceptionally good so far. Coming to the number we talked about, the overall market in that area if you remember that time, we had indicated to you that these are the numbers which have been culled out by us from the undisclosed sources because there is no one particular source for the same. So what we can say is that in those markets the revenue is itself more from the market share of that particular market. So for example in Aurangabad or Nasik or Jalgaon, I see the total advertising getting public and the local newspaper is say 100. So, in that 100, out of the 3 player market am I getting 40 or 35 or not? So when we look at that number, I think we have a pretty decent market share in those markets. Some of the markets where we have launched recently, they are still a work under progress. Having said that, I may be initially getting higher market share also. But the yield of mine would be slightly lesser than that of the existing leader. That, as you know, would take some time to build up the net yield number over the competition. So it's a whole process. And in Maharashtra, as you will appreciate, we are just 2 years old. So we still have some more time to go in Maharashtra in terms of progress.

- Amit Kumar** Now, you're in the non-Bombay, non-Pune Marathi print market in Maharashtra , , for almost 2 years. So can you just give me a very broad sense of what would be the size of this market?
- Girish Agarwaal** I can send the numbers to you later because I don't have the number off hand with me. We can send you the numbers of Aurangabad, Jalgaon, Nasik, the markets where we are operating. As you know, we are not operating in Bombay Pune as well as Nagpur. So those 3 markets aren't included in Maharashtra for us.
- Amit Kumar** What are your thoughts on Nagpur?
- Girish Agarwaal** None, in particular. This is because there are 3 language driven markets i.e. Hindi, Marathi and English. So, we feel even if you do an exceptional job in that market you are in a very segmented market by the languages. So, rather than that I would focus on some other upcoming markets in Maharashtra, which we are looking at, at the moment.
- Moderator** The next question is from the line of Yogesh Kirve from Anand Rathi. Please go ahead.
- Yogesh Kirve** I guess you said the newsprint prices went up about 11% YoY. So, would that work out to something around Rs.37,200?
- Girish Agarwaal** Yes, very much. Your number is exactly the same.
- Yogesh Kirve** So that still marks about 6.5% QoQ growth. And on QoQ basis the currency hasn't deteriorated as much? So there seems to be pretty steep increase in the dollar prices. So based on the trends we have seen in January, where we could we be likely headed to, for the 4th quarter?
- Girish Agarwaal** Generally, for the 4th quarter we already have the large amount of inventory tied up with us. So whatever highs or lows happen in the market, we may not have an impact of that. However, in the Q1 of the next year we will have this advantage of the price softening down.
- Yogesh Kirve** On the balance sheet, we have seen a pretty sharp increase in the trade payables from about Rs. 100 odd crore to about Rs. 140 odd crore. I am comparing the number to March 2013. What is driving that?

Girish Agarwal This is more because the inventory has also increased in the Q3.

Yogesh Kirve And on the trade receivables front, we are doing well. Though revenues are up by about 18 – 19% but trade receivables are almost flat at about Rs. 368 crore.

Girish Agarwal Because the entire election money i.e. the 3% growth number that has come about, is a total advance money - cash and carry.

Yogesh Kirve Okay because my understanding was that it would take a longer time to come in.

Pawan Agarwal No, we learnt that the hard way in the earlier year. So election money is now all cash and carry.

Yogesh Kirve Finally, on the CAPEX, what was the CAPEX in the 9 months so far, any indications?

Girish Agarwal I can give you the break up for the 9 months so far. We have made an overall Rs.50 crore in CAPEX including Bihar and Akola market and the maintenance CAPEX of our running business. Additionally, the company has bought a land in Noida Rs.30 crore for an office along with a Rs.6 crore FOREX exchange loss in the balance sheet. Overall, the number stands at Rs. 98 crore.

Yogesh Kirve What would be the likely CAPEX in the balance quarter as well as in FY15?

Girish Agarwal For the remaining quarter, it may be around Rs.3 crores more towards Bihar and we are expecting an outlay of Rs. 5 crore for routine maintenance.

Yogesh Kirve And what would be the same for FY15?

Girish Agarwal For FY15, as of now, we have not planned any launches, going forward. So, we would assume that the maintenance CAPEX of Rs.25 crore should suffice the purpose.

Yogesh Kirve And you had mentioned regarding that land of about Rs.32 crore.

Girish Agarwal So, this is for the Dainik Bhaskar corporate office in Delhi. Right now, we have some 3 – 4 offices in the city. People have to travel a lot too. And since we are paying rent, we thought it would be better to buy a land and construct a small building for the office purpose.

Yogesh Kirve Okay. So, is this a consolidation of offices around Noida or of our MP offices even?

Girish Agarwal No, this is only for Delhi offices. We are bringing all our news offices, printing offices, radio stations, IMCL etc. all under one roof.

Yogesh Kirve So, what will be some savings of rent?

Girish Agarwal Rs.1.5 crore per year.

Moderator The next question is from the line Ajay Vora from Enam Asset Management Company. Please go ahead.

Ajay Vora I am not wrong, the last rate hike which you took before this was somewhere around the end of March or April first week.

Girish Agarwal Was this regarding advertising?

Ajay Vora Yes.

Pawan Agarwal Yes, we took the rate hike in advertising., But frankly speaking, more important than the advertising rate hike is how you are able to get the yield improvement because just by increasing the rate on the card rate doesn't help. We have been able to convince our clients, of the same.

Ajay Vora So was the last yield improvement that we saw, somewhere around April?

Girish Agarwal It was before that.

Ajay Vora And recently was the one in the month of September, which we guys started looking at rate hikes. Is that correct?

Girish Agarwal See the yield improvement is an ongoing process,. No client agrees to give you 10% up front. It is somewhat like, 'I will give you some money this time' and may be after 3 months, I can go and push for something more. So it's an ongoing process.

Ajay Vora So how much of yield improvement you think can happen going forward?

Girish Agarwal I ideally want to increase it by 25%.

Ajay Vora No, I am saying on a realistic basis which can be absorbed by the market as well.

Girish Agarwal So in a realistic market I would say, we are expecting around 8 – 10% in terms of the yield improvement accepted by the market in the next 10 – 12 months.

Ajay Vora And would the volume growth be around 7 – 8% or less than that?

Girish Agarwal That's what we are working for.

Ajay Vora So would your ad growth be around 20% in FY15?

Girish Agarwal I would love that. We are actually working for it but as you know there are multiple factors in all these things. If everything goes well, then you can push people for rate as well as volume also. But if something goes wrong, then both the rate as well as the volume will go down. So as you know frankly speaking though it's easier for me to talk about as to what we can do in the coming months, however, in such volatile situations, we all are talking weekly numbers.

Moderator The next question is from the line of Vikas Mantri from ICICI. Please go ahead.

Vikas Mantri Can you tell us more about the increase in the long term loans and advances in this quarter of around Rs.30 crore and also about the Rs.51crore jump in inventories?

Girish Agarwaal Yes, there has been an increase of Rs.25 crore towards that, where we have increased the security deposited to the company writers and publishers , as we are using their assets for our offices across the area in 22 places.

Vikas Mantri So out of the Rs.196 crore, how much has gone to writers and publishers overall?

Girish Agarwaal Rs.135 crore.

Vikas Mantri And is there any more amount to be paid

Girish Agarwaal No, because nothing has to be given out.

Vikas Mantri And this has led to savings of how much in terms of rentals?

Girish Agarwaal Rs.14 crore.

Vikas Mantri And can you talk us through the inventory portion?

Girish Agarwaal Inventory has gone up because if you notice, in case of newsprint there were 5300 tonnes of the same amounting to Rs.20 crores. This quantity got delivered to us in the month of October. So, suddenly there has an increase in that. And there has also been a build-up for Patna, Amravati and all other markets put together .

Vikas Mantri So, the Rs. 20 crore order got delivered in October?

Girish Agarwaal No, the one which was to come in the September got delayed and came later in October. So suddenly you are seeing this number going higher because the order was in transit, and the order which was done for the Q4 will stay in Q4 too.

Vikas Mantri But will it normalize for Q4 now?

Girish Agarwaal It will normalize for Q4, provided we don't offer because there has been some movement happening on the newsprint price right now. So if there is a decline in the newsprint price, we may be tempted to offer some quantity at least to book the prices now.

Vikas Mantri Can you help me with the ad growth ex the barter? And if the ad for equity is 20%, so what is the amount in this quarter and what was the same amount in the last quarter?

Girish Agarwaal As you know, we don't disclose this amount individually but I can give you the percentage that if I take these 2 things out, that number is around 20.2% growth. And if I take the elections out which is roughly 3%, that's the number.

Vikas Mantri We have a Rs.3.5 crores number for December '12 which was disclosed.

Girish Agarwaal Yes, but this time the number for the private treaty etc. is Rs.32 lakhs.

Moderator The next question is from the line of Srinivas Seshadri from CIMB. Please go ahead.

Srinivas Seshadri So, this year it looks like particularly in the second half there will be a good election tailwind. So coming to next year, I believe some of the states will have elections.

We are just trying to understand on balance, is it likely to have a bit of a drag on the overall numbers on a full year basis in FY15. If so then would it be possible to quantify as to how much that will be?

Girish Agarwaal We are actually looking ahead for more of a positive environment going forward. We have seen that in the last quarter things improved. So we are assuming there will be a positive number going forward, in all the categories.

Srinivas Seshadri I understand that. I was just asking about the particular election driven revenue. I was not referring to the overall picture.

Girish Agarwaal Election driven revenue only came for this quarter 3, which is going out and hopefully in Q4 some election revenue may also come in because of the Lok Sabha. But we do two different workings. We don't club the 2 together. That's the reason I am able to give you the numbers separately.

Srinivas Seshadri And have the Lok Sabha elections historically been as big as the state elections?

Girish Agarwaal They are almost on the same lines. Because what happens in state elections, there are 3 state going in election while in Lok Sabha every state is in the elections. So compared to that I think is almost on the same scale.

Srinivas Seshadri So can a similar uplift come in the fourth quarter on an year-on-year basis?

Girish Agarwaal We hope so.

Moderator Thank you. I now hand the conference over to Mr. Pawan Agarwal for closing comments.

Pawan Agarwal Thank you for your participation and time on this earnings call. As we move ahead, we seek your best wishes for the impending launch of Dainik Bhaskar's Patna-Bihar edition. I hope that we have been able to respond to your queries adequately today and we will be happy to be of all assistance through our investor relations department headed by Mr. Prasoon Pandey for further enquiries. Thank you.

Moderator Thank you very much. Ladies and gentlemen, on behalf of DB Corp Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.