



## **DB Corp Ltd**

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#### **Investor/Analyst Conference Call Transcript October 21, 2011**

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**Moderator** Ladies and gentlemen, good day and welcome to the D B Corp Limited Q2 & H1FY12 Earnings Conference Call. As a reminder for the duration of this conference, 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 pressing '\*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Ms. Malini Roy. Thank you and over to you.

**Malini Roy** Thank you. Good afternoon everyone. Welcome to the conference call of D B Corp Ltd. We will be sharing the key operating and financial highlights for the second quarter and half year ended September 30, 2011. We have with us today the senior management team of D B Corp Ltd., Mr. Pawan Agarwal -- Non-executive Director, Mr. Girish Agarwaal -- Non-executive Director, Mr. P.G. Mishra -- Group CFO and Mr. Ashok Sodhani -- GM Finance and Accounts.

Before we begin, I would like to state that some of the statements made in today's discussion maybe forward-looking in nature and may involve risks and uncertainties. Documents relating to the company's financial performance were already been e-mailed to you. I request and invite Mr. Pawan Agarwal to please share his outlook on the D B Corp's performance for this quarter. Over to you Mr. Agarwal.

**Pawan Agarwal** Thank you, Malini. Good afternoon, everybody and welcome to D B Corp second quarter earnings call for fiscal 2011-12. We shall first share with you our operating and financial highlights for this quarter. Following our opening comments we will be happy to respond to your questions. We are happy to report that this quarter our strategy continues to deliver consistent in comparative growth. Our Advertising revenues have expanded by around 18% Y-o-Y to Rs.5,567 million for the first half of 2012 against Rs.4,716 million in the corresponding period of the last fiscal. Our total revenues have grown by about 18% in H1FY12 to Rs.7,077 million from Rs.5,997 million. Our mature market EBITDA margin stands at healthy 32.5%. Our expansion in mature markets continued on course where we maintained a leadership rank.

Over the last five months we launched four editions in Maharashtra and made strong inroads in those regions, which we believe hold high potential for us. Our Foray in Maharashtra has been an exciting execution challenge for us that tested and acknowledged our abilities in resource mobilization, meticulous planning and

final roll out of a strong unbiased content-oriented product appealing to diverse leadership categories.

Over the last four months we also launched editions in Aurangabad, Nasik and Jalgoan. Most recently, we launched Dainik Divya Marathi, 4th edition from Ahmednagar on October 16 and all new editions in the Maharashtra region are steadily strengthening our brand presence. Therefore, this quarter our growth was led by a combination of innovations, market expansion and a relentless focus on education. In an overall challenging business environment we are managing our business dynamically with strong focus on operational efficiency to ensure that we remain competitive and cost-efficient.

The highlight of the quarter was our expansion in Maharashtra. We are very encouraged by the results of the IMRB survey as within four months of launch, Dainik Divya Marathi was declared No. 1 Newspaper of Aurangabad City by IMRB, taking a sizeable lead over established peers.

We continue to be at the forefront of the Indian print media industry as the largest and the most widely read print media group with 18.4 million readers, now in four languages across India's fastest growing markets, as revealed by the Quarterly Results of IRS that were released in September 2011.

This quarter, our readership witnessed a growth 300,000 new readers. With the launch of the Ahmednagar edition, we now have All-India 64 editions with 199 sub-editions.

We are happy to report that all our major markets are recording impressive growth in readership in response to a high quality product. Our growth has primarily been driven by strong performance in Madhya Pradesh, Chhattisgarh, Chandigarh, Haryana, Punjab, Rajasthan urban and Gujarat. In Madhya Pradesh and Chhattisgarh, Dainik Bhaskar is in a dominating position with a market lead of three times over nearest competitor. In Chandigarh, Punjab, Haryana, Dainik Bhaskar continues to enjoy a lead of 17% over nearest competitor in overall CPH with a lead position of 61% in Chandigarh over nearest competitor. In Punjab, Dainik Bhaskar maintains its No. 1 position in three major cities of Jalandhar, Amritsar and Ludhiana. In Rajasthan, Dainik Bhaskar has added over 113,000 new readers on a Q-o-Q basis. In Jaipur, Dainik Bhaskar is a leader of around 41% over nearest competitor, while in urban Rajasthan it has increased its lead to 13.2% over its nearest competitor. It has also maintained its No. 1 position in all major cities of Rajasthan, Jodhpur, Udaipur, Ajmer, Kota. In Gujarat, it continues to be a No. 2 player with lead in key markets with a lead of over 26% to nearest competitor in Ahmedabad. It has also maintained its lead position as No. 1 player in six major cities of Gujarat. Therefore, on an overall basis we have maintained a growth momentum this quarter as reflected by our financial performance on a robust top-line in ad revenue growth which continues to be one of the most consistent and strongest across the Indian print media industry.

Our fundamental continue to be strong in all growing markets and DBCL is a long-term growth story. The growth potential in Tier-I and Tier-II and key urban towns continue to excite us, as we observe several growth indicators such as India's effective literacy rate that has reported a 9.2% rise to reach 74% according to 2011 Census Data.

The market is for most product and services is large with more people entering the middle and higher income group every year. A high proportion of youth and increasing exposure to better lifestyle are all making the market undoubtedly a dynamic space driven by quick changing certainties and rising aspirations. This

quarter we saw exciting ad revenue tractions from sectors such as Education, Automobile, and Lifestyle. Therefore, our outlook continues to remain optimistic as the Indian media industry is on an accelerated consumption-driven growth trajectory driven by Tier-II and Tier-III cities and we believe that DBCL is well-positioned in this segment, as we are aggressively strengthening our foothold to monetize existing potential.

A quick review of D B Corp's financial performance for H1FY12 which has consistently maintained a good uptrend, AD revenues have expanded by around 18% Y-o-Y to Rs.5,567 million for the first half of 2012 against Rs.4,716 million in the corresponding period of the last fiscal. Our total revenues have grown by around 18% in H1FY12 to Rs.7,077 million from Rs.5,997 million. We achieved EBITDA margins of 25.1% in H1FY12 which stood at Rs.1,775 million. Consolidated PAT margins for this period stands at 14.3% at Rs.1,014 million. For Q2FY12 total revenues stand at Rs.3,539 million with a Y-o-Y growth of around 18% and reported EBITDA at Rs.771 million with EBITDA margins at 22%. Our advertising revenues for Q2 has grown to Rs.2,735 million as against Rs.2,359 million in corresponding quarter of last year, reflecting a growth of around 16%. The EBITDA margin for our Print business for this quarter is 23% at Rs.770 million, which factors our pre-marketing and survey-related expenses of around Rs.37.3 million for launch of Aurangabad, Nasik and Jalgoan, which have booked in the revenue accounts instead of capitalizing or deferring the outlay for future quarters considering the long-term effect of these conditions. The company has also incurred loss on foreign exchange of Rs.58.2 million. Our consolidated PAT for this quarter stands at Rs.403 million reflecting a PAT margin of 11.4%.

DBCL Radio business continues to demonstrate steady progress and reports around 26% growth in Advertising revenue to Rs.127 million in the current quarter as against Rs.101 million of Q2 last year. This we have achieved EBITDA of Rs.11.4 million with EBITDA margins at 9%.

We had already diversified our offerings to other platforms which are ramping up steadily. In Q2FY12 both our online and mobile business continued to demonstrate robust growth led by consistent emphasis on continent user engagement. Our portal dainikbhaskar.com and dainikdivyamarathi.com and dailybhaskar.com have accomplished the 100 million mark having registered 110 million page views in September 2011. Unique visitors to our website have grown by almost 30%. Our properties are also available on the mobile platform through our WAP portals and dedicated apps for iPhone and Android devices and ours is the first regional newspaper to have apps for iPhone.

My colleagues and I will now be happy to take your questions. We look forward to continuing interaction and do contact our Investor Relations Department headed by Mr. Prasoon Pandey for all further requests and queries.

**Moderator**

We will now begin the question-and-answer session. We have the first question from the line of Abneesh Roy from Edelweiss, please go ahead.

**Abneesh Roy**

My first question is on the Advertising side, where we are seeing good growth. Could you break it between the corporate and the non-corporate and how much growth you have seen in both the segments and the future outlook on both the segments?

**Girish Agarwaal**

In this quarter what we have seen there is a growth of almost 20% plus in the retail segment, what we call the local segment, and a single-digit growth is in the national verticals. In fact we are finding that there is a sluggish approach in the marketers mind for the national advertisers and hence overall which came out to

be 15-16% growth. But in the retail market, the advertisers present in our states like Gujarat, Rajasthan, Haryana, Chandigarh, Himachal, and Punjab, they are pretty good so far. Because 20% plus growth is coming from there and we are very hopeful in this Diwali also there is a decent growth. We are hopeful that this growth will continue at that level.

**Abneesh Roy** And sir what is your split between retail and national?

**Girish Agarwaal** Almost 62% is retail and 38% is national.

**Abneesh Roy** And this 20% plus growth in retail and single-digit in national, is it across the states similar to some of the markets that are growing faster than Maharashtra, Jharkhand and Rajasthan?

**Girish Agarwaal** Obviously, Jharkhand and Maharashtra are smaller newer markets so their growth is much higher. But otherwise I think the two large markets, i.e Gujarat is doing decent with us and well as even Rajasthan is doing well, and in Punjab we saw some surprise in numbers in terms of growth.

**Abneesh Roy** **Sir, our second question** is on the newsprint side. What have we done to fight the higher newsprint price especially imported ones as there is a currency issue also? So have you cut the pagination level, is there a reduction in the overall circulation, any insight you can share on that?

**Girish Agarwaal** See what is happening is that our pagination level has not gone down because October month has been a Diwali season month, so the pagination was actually on a higher side right now but we are keeping an eye on that, we are ensuring that the pagination unnecessary should not go up, number one. Number two, as of now regarding the newsprint what we see that in the next two quarters we have a indication that the prices may even go down by a couple of percent, but at the same time there is a dollar impact, which is happening in this quarter itself, we lost around 6 crore on the Forex account. So that is something which is not in our control, but what the trend we see is that there is an indication that the newsprint prices are going to go down.

**Abneesh Roy** Are we trying to cut the imported newsprint because of the Forex issue?

**Girish Agarwaal** Going forward, yes, because we had a lower ratio, but I think in the last quarter our ratio went up, because we had imported some foreign material that is 43 GSM, which is used by us and it was cheaper than one of the Indian mills. So going forward I think we will try to see what is best in terms of economy, if we getting the imported cheaper we will use that.

**Abneesh Roy** So, you are saying that it is cheaper in spite of the Forex impact or without the Forex?

**Girish Agarwaal** This one which we bought was a earlier deal, which was almost 5-6 months old, it came out to be cheaper than one of the Indian companies, but currently with our dollar prices these are imported expenses.

**Abneesh Roy** And what is the ratio currently 90:10?

**Girish Agarwaal** No, it was almost 80:20, it went as low as 84:16 then went up because of this old newsprint of which almost 30% was imported because of the cheaper price.

- Abneesh Roy** Sure. So Finally on the new market, how was the competition responded in Maharashtra? I believe there is no aggressive cover pricing. So if you can share some insight on the Maharashtra competition and our own experience.
- Girish Agarwaal** We are very, very encouraged and excited by the response which we have got from Maharashtra. In fact, the kind of response we have got from Maharashtra reminded us of our old Rajasthan win which we did in 1997. As per the IMRB we have a huge lead in Aurangabad over the erstwhile leader. And similar kind of response we have got in Nasik and Jalgoanalso. And also the retail advertising in Maharashtra was very, very encouraging. In fact our last three months ad revenue is one of the best ad revenue locally we have seen in our so far launches of the size so far. We are very, very excited about this month and kind of response we have got is very best.
- Abneesh Roy** And what is driving that?
- Girish Agarwaal** Two things largely; one is our approach to the market and second thing is the quality content of the paper, because you would know in Maharashtra, some newspaper was politically aligned, so our being neutral is really helpful for readers to hold us larger world in a better format and also for the other quality aspect of the newspaper. I think the overall experience of the reader not only from the quantity point of view even the quality point of view our experience has been, in fact in our survey it was indicated that almost I think 69% people said that the delivery of Divya Marathi was better than their expectations.
- Abneesh Roy** In fact could you share a similar insight on Jharkhand? And is Bihar being planned in FY13, if not then what is the Plan B for Jharkhand because Jharkhand plus Bihar is normally how the sales happen?
- Girish Agarwaal** See, what we have decided in Bihar and Jharkhand and kind of our circulation numbers are done. We have stabilized our circulation, we are doing almost 3.2 lakh copies in Jharkhand, and our numbers are taken care of. Advertising response also has been encouraging so far. Now Jharkhand and Maharashtra are two different markets. Maharashtra is an established market and Jharkhand is yet to be stabilize. As far as Bihar is concerned we are not launching any new editions for next six months. So may be post-March we will see how the market conditions are and then we will take a call.
- Moderator** The next question is from the line of Manoj Behera from Equirus Securities, please go ahead.
- Manoj Behera** You said that ad revenue growth was 18% y-o-y and 26% quarter-on-quarter, right?
- Girish Agarwaal** No. Our ad revenue has been quarter-to-quarter 16% on y-o-y and if you look at the H1, it is 18%.
- Manoj Behera** Could you tell me what would be the yield and volume contribution on the ad revenue growth?
- Girish Agarwaal** Frankly speaking right now it is a mix of both. In certain categories we are able to hike up the yield, but largely it is a volume growth.
- Manoj Behera** Okay, largely, it is a volume growth. The personnel and SG&A expenses have gone up this quarter. So could you throw some light on that?

- Girish Agarwaal** It also includes the cost of our newer editions We have launched in Maharashtra, we have launched in Jharkhand, so there is a cost of the newer market. Also, in our existing market, for example, we have paid almost some Rs. 9 million for the medical policy premium for our existing staff. There is an increment also which we made effective from April, but some of them were not because of the delay in the process. It came effective later, so the impact has come from this quarter.
- Manoj Behera** Coming to Forex loss, could you tell us whether you are hedging this or what is the cost of debt for Forex loans?
- P G Mishra** The cost of debt on Forex is around 2.5-3% and we have two exposures in Forex. Our machinery loan which is roughly of Rs.126 crore and yearly installment are at Rs.18 crore. And our import is, almost 20-22%, which is not a big chunk, but 30-50% we are normally hedging in Forex, but unexpectedly the currency went from Rs.46-50.
- Manoj Behera** Basically you said the machinery loan is Rs. 123 crore and the yearly installment comes at around Rs. 18 crore.
- Girish Agarwaal** Yeah, but the machinery loan which we have taken at that time the dollar was anywhere at Rs. 49.9, we didn't hedge that and whatever the Forex cost is there on the machinery is capitalized in the asset side. It is not a P&L item, there is an impact on the Forex loan, it is a CapEx item.
- Manoj Behera** Could you share your CapEx plans for FY12-13?.
- Girish Agarwaal** As of now we are not looking at any new launches anymore in the next six months time, barring out the routine maintenance of CapEx I don't think there is any CapEx to be bought.
- Manoj Behera** EBITDA margin guidance?.
- Girish Agarwaal** We have done 18% top-line growth in the H1, we are very hopeful that this kind of number should continue, but there is a rider about the market growth because suddenly there are concerns about the national advertisers. We are also equally worried about the national advertising. Retail is largely in our control and we can operate with them but national advertiser is slightly difficult. Based on that we are hopeful that things will improve further more.
- Moderator** The next question is from the line of Siddharth Goenka from JM Financial, please go ahead.
- Siddharth Goenka** My first question is on your performance on the matured edition. What kind of growth did we deliver for this quarter on y-o-y basis and what is the reason for decline in EBITDA margin?
- Girish Agarwaal** If you look at y-o-y in the mature business, we have our EBITDA margin of almost 32.5%, which has been pretty good, and if you look at the H1, we have a margin of almost 34.5%.
- Siddharth Goenka** But the margin if you look at quarter-on-quarter basis, it went down from some 37% to 32.5% which is a quarter-on-quarter decline of more than 450 bps, so what is the reason for this decline? And also if you look at the mature EBITDA revenues, which are at Rs.627 crore and if you analyze it with some kind of a growth and if you compare with the F'11 number what we delivered at around Rs.12 billion, we are not getting a growth of more than 8-9%. The incremental growth that we are

getting on the overall revenues is primarily coming from an emerging edition and our mature Edition growth has been at around 8-10%.

**Girish Agarwaal**

No, I think if you look at my numbers, it clearly indicates that we have a quarter-to-quarter growth of almost 11% from our mature editions.

**Siddharth Goenka**

So if you look at the number we did around Rs. 623 crore in first half as revenues.

**Girish Agarwaal**

I don't have the exact number with me on this, but just to tell you there is a growth of 11%.

**Siddharth Goenka**

11% is the y-o-y growth.

**Girish Agarwaal**

Yeah, there is a slight impact on the margins. It is for two reasons, one is the, as we were mentioning there is a Forex impact of around Rs. 6 crore because of the newsprint dollar pricing going up. Second thing in our existing market also we have grown, we have increased the circulation in our existing market. For example, we have added on a couple of 1000 copies in Rajasthan, Gujarat and in Punjab. We have launched one more edition in Hoshangabad, Khandwa these two of the places, Nagor is launched by us. So please understand we are equally trying to put the growth in our existing market because we firmly believe that the market like Punjab, Gujarat, Rajasthan, we still have room to grow over there because if we have higher circulation, the kind of lead which we have in Madhya Pradesh, and if that is the kind of lead we are able to achieve in Punjab, Rajasthan and Gujarat, our revenues will get further jumped based on that. So we are putting all the efforts to grow the circulation apart from the newer market also in the existing market.

**Siddharth Goenka**

In your press release you mentioned that emerging edition losses also include Rs. 33 million from new printing centers opened in the mature market, it is covering part of the emerging edition losses and even if you add back the Forex loss to your EBITDA, then still our EBITDA margin is at 34% from the mature edition which is still down on Q-o-Q basis.

**Girish Agarwaal**

That is true, but please understand when these editions are launched in these markets, the numbers we have indicated to you is about the newer markets like Khandwa. But we have increased the copies within Punjab. We have increased the copies in Amritsar edition and Ludhiana edition. Similarly, in Rajasthan, we have increased the number of copies in Jodhpur, Udaipur and Kota, there is almost a 6% circulation growth in our existing market, compared to what we had last year QoQ.. So those circulation in fact also takes away some of your bottom-line but we believe very strongly that this is an investment which we chose to make and we continue to be positive about that because in these markets like Gujarat we still see the overall situation in regions like Ahmedabad we have a decent lead over our competition, almost 25% plus. In Surat, Baroda and other markets, I am almost at par or maybe I am No. 2. So idea is that if I get another 1 lakh copy in Gujarat, another 50,000 copies in Punjab, another 1 lakh copy in Rajasthan that will give me a clear lead and hence my advertising number can also go up. So we will continue to invest more in our existing editions also going forward.

**Siddharth Goenka**

Then what kind of margins can we expect from our mature editions, may be if you exclude the ForEx losses at some 34%. Are we hoping to achieve the same 37-38% EBITDA margin in the second half?

**Girish Agarwaal**

Our endeavor is certainly that, but there are various market conditions also, for example, the advertising scenario currently, though we have done good number and I am really happy about my team that they could perform. I have challenges in the market, especially in national market. If you look at the MNCs they are in a very

- sluggish mode right now. So there are challenges and if these challenges are taken care of, then the number what you are talking about is certainly doable.
- Siddharth Goenka** When are we hoping to breakeven in Maharashtra and Jharkhand market, if you can give us some time line?
- Girish Agarwaal** Our experience in Punjab says that it takes us around 3-4 years time I would say to have EBITDA positive and considering this Maharashtra and Jharkhand should be around that level because the initial numbers are pretty encouraging over there.
- Siddharth Goenka** Just one last question ForEx loss which we have reported at some Rs. 6 crore, which item have we taken it under in the above EBITDA?
- Girish Agarwaal** It is taken in general admin over there and also something small is in the finance cost.
- Siddharth Goenka** Is that one of the reasons why our interest cost has jumped this quarter?
- Girish Agarwal** Yes.
- Moderator** Thank you. The next question is from the line of Amit Kumar from Kotak Securities, please go ahead.
- Amit Kumar** The advertising revenues that you have reported in this particular quarter, Rs. 2,735 million, how much of that would be print, I presume this would include the radio as well?
- Girish Agarwaal** Yeah, Rs. 261 is print.
- Amit Kumar** 261 is print, that is fine. Sir, would we have some sense of what were the revenues and operating losses in these emerging editions in second quarter of FY11 which will sort of allow us to do a like-to-like comparison?
- Girish Agarwaal** Can we discuss the same, off line? Because I don't have the final number right now.
- Amit Kumar** In the release you have noted that the digital business from an operating perspective is growing reasonably fast. I don't think this breakout has been given separately in the segmental revenues. So, could you just give us some sense of how this is done financially?
- Girish Agarwaal** If you look at these from the region wise we have crossed 110million page use, I think that is a great achievement we have done, we feel very good about it and as far the numbers are concerned which is called IMCL, in IMCL in six months' time the total revenue is around Rs. 33 million, and our total expenditure is around Rs. 66 million.
- Amit Kumar** The Writers and Publishers acquisition that you have done, how much has that added to revenues and EBITDA in this particular quarter?
- Girish Agarwaal** In this quarter, Rs. 2-1/2 crore.
- Amit Kumar** 2-1/2 crore in terms of revenue?
- Girish Agarwaal:** Yes very much and Rs. 23 lakhs of the EBITDA, it is a 15 days number.

- Moderator** The next question is from the line of Vikas Mantri from ICICI Securities, please go ahead.
- Vikas Mantri** Wanted to check what is the outline of more editions coming up in Maharashtra for the near future and our expansion plans thereafter going into Bihar? And how do we see our performance in this quarter in terms of Advertising related to the industry and how do we see the industry going forward in the second half of this year?
- Girish Agarwaal** As a company we have taken a call that from now till March there will be no new editions launched.
- Vikas Mantri** Is this because of the Maharashtra market does not require it or we don't want to do it?
- Girish Agarwaal** No, we have done the four editions in Maharashtra and we need to give some time to settle down those editions and then we will start the journey again in Maharashtra to launch newer editions, number one. Number two, also considering the market scenario in the national market, where advertising is bit sluggish, we have taken a call that for six months we should consolidate whatever we have launched and need to put more focus on that, we try to get some more revenue out of them and then start working, re-planning again for the next year.
- Vikas Mantri** And Bihar, what is the time line as of now?
- Girish Agarwaal** As of now as I told you till March we have no plans, so Bihar would not be done now. After that we will see how the market goes and then we will take it from there.
- Vikas Mantri** Okay and on the Advertising front?
- Girish Agarwaal** On Advertising side as you know the numbers we have delivered shows that we have a largest market share. In fact in couple of market our market share has also gone up . So we are confident that the way things are, our team is working and if the market will support, we will continue like that.
- Vikas Mantri** How do we see the second half panning out?
- Girish Agarwaal** Diwali month should be good as during this time, the retail has been good, but national has been sluggish
- Vikas Mantri** Can the industry show similar growth returns as in first half and the second half?
- Girish Agarwaal** Generally speaking, the second half is a better half than the first half in our working, so we are more hopeful about the second half.
- Vikas Mantri** Now coming on to the newsprint front given that the Rupee-Dollar has moved the way it is, the domestic investment prices track the landed cost of imported newsprint and therefore the domestic newsprint may increase going forward?
- P G Mishra:** Number one, the imported consumption of D B Corp is not so higher in number, almost ranging from 18%-22%. And I am just giving you the idea, because in Q2, it was higher percentage as we have bought some 43 GSM imported newsprint 3-4 months before. And due to the grammage and the currency fluctuation, it is difficult to cope up with 43

GMS newsprint. But going forward, seeing the Indian condition and the international condition of the newsprint prices and the consumption, we foresee that there may be a 5% decrease in the newsprint prices. Coming to the US Dollar, everybody was hoping from that it would stabilize at Rs. 44-43 levels, but it has gone to Rs. 50 without giving any chance to anybody. And now again, we are thinking to get it at Rs. 47 level

**Vikas Mantri**

No, sir, my question was, will the domestic newsprint manufacturers not increase their price with respect to the landed cost of imported newsprint? Because now that rupee has moved this way, it is not cost-competitive to go for imported, so the domestic guys are likely to increase to match up.

**Girish Agarwaal**

I got your question, but it is a temporary phenomena. No Indian newsprint supplier will increase the price for 15 days or 20 days, it is temporary phenomena. Also, Vikas, what is happening, sluggishness seen in the national advertising market, the consumption of newsprint is slightly maintained or taken a beating. For example, October month, Diwali month, all the national newspapers, especially English newspapers used to be running in large number of pages, this time it's not the case. Even the Indian manufacturers are realizing the fact that the consumption is slightly on the down side.

**Vikas Mantri**

Any increase in our realizations in terms of circulation from sequentially quarter-to-quarter?

**Girish Agarwaal:**

No, we have actually kept that as a last resort, in fact, that's the advantage we have, today most of our newspaper in most of the states are priced at average of Rs. 2 around, that's the advantage we have. Unlike other publications, those who have already revised the rate in last one year and taken it to Rs. 3, 3.5, 4 level, if we see that the market is really dying, we can think of increasing the cover price and recover some money received from there, but as of now, we are not doing that.

**Moderator:**

Thank you. The next question is from the line of Pratish Krishnan from Bank of America. Please go ahead.

**Pratish Krishnan**

Do you think Q3 as such probably the situation has deteriorated Vs the Q2 or this is just the same?

**Girish Agarwaal:**

October has not been very encouraging for the national advertisers. And November is a dull month anyway, after Diwali. our hope is from the national advertisers in the month of December, and we hope things will improve.

**Pratish Krishnan**

In terms of the balance sheet, there has been a significant reduction in the cash balance on a sequential basis. I understand there was some CapEx, but what is the relation with mismatch in terms of that?

**P G Mishra:**

In cash balance?

**Pratish Krishnan**

Yeah, it's come off by around 100 crore?

**P G Mishra:**

Number one, we have paid a dividend of Rs. 42 crore. We have taken a printing job business paying Rs. 35 crore and 29 crore is CapEx for existing market as well as the new market.

**Pratish Krishnan**

In terms of the ForEx losses, this is mainly in terms of the creditors or this is because of the import, what is the key? Is this a cash outlook for you or it's just a mark-to-market title?

- PG Mishra:** There are two components, one is CapEx loss, it has moved under the balance sheet item. And the total foreign currency fluctuation resulted around Rs. 6 crore;
- Pratish Krishnan** My question was in terms of what is this accounted for?
- PG Mishra:** There are two types of creditors in our book, one is the foreign currency loan and second is the newsprint creditors.
- Pratish Krishnan** So this would have been a cash loss for you, it's not a mark-to-market, something which will reverse going forward?
- P G Mishra:** No, it is mark-to-market.
- Moderator:** We have a next question from the line Hiren Dasani from Goldman Sachs. Please go ahead.
- Hiren Dasani** Just one question in terms of print order, what's the average print order for the September quarter and what's the exact print order for the September quarter?
- Pawan Agarwal:** We are now averaging about Rs. 44.5 of the quarter. We are exiting September at a number of Rs. 45.4.
- Hiren Dasani** Assuming that you are not opening any more editions for the next six months, this Rs. 45.4 should remain largely stable?
- Pawan Agarwal:** We don't see a major increase in this number. There will be few thousand copies which we planned strategically to be added in some key markets, but that's not going to be substantial, there will be routine growth.
- Hiren Dasani** If I do the math correctly then basically the newsprint consumption between let's say December and September quarter should go up by only about 2% because of difference between Rs.44.5 and Rs. 45.4. But there will be some higher pagination in the December quarter, because of the festive season in the October month, so actual consumption may be little more than 2%, will that be right assumption to make?
- Pawan Agarwal::** When I have to optimize, the consumption would have gone up, the highest pagination would have gone up, the month of November is a lower pagination month and going forward we don't see a major increase in the number of pages because also the price of advertising. It is close to about 1% growth in the coming quarters in terms of consumption.
- Hiren Dasani:** And just to understand the ForEx thing, assuming that Rupee stays where it is let us say close the September quarter then we shouldn't expect any ForEx loss in the December quarter?
- PG Mishra:** No, not at all, it will be at par, because it was on the peak on Rs. 49, Rs. 50.
- Hiren Dasani:** But so it's mark-to-market in September quarter end. And how much would be the balance sheet adjustment on the borrowing related ForEx loss?
- PG Mishra:** Rs. 12 crore was above and it is moved under the CapEx.
- Hiren Dasani** So is it capitalized?

- PG Mishra** Yeah capitalized, as per the accounting, it is done.
- Hiren Dasani:** And again if there is appreciation, if let's say Rupee moves back to 47, can you reverse back again?
- P G Mishra** It will be reduced from the fixed assets itself.
- Hiren Dasani:** So it will be balance sheet at this point in time?
- PG Mishra::** And when we bought this foreign currency loan, the dollar price was almost Rs.50. We are very much prepared during this quarter.
- Hiren Dasani:** Sure. And when you say 30%-50% hedging, is it only on the newsprint or you have hedged it on the composite newsprint plus loan liability?
- Pawan Agarwal::** Normally, we hedge on the newsprint buying, it was 30% to 50%.
- Moderator:** The next question is from the line of Anup Upadhyay from SBI Mutual Fund. Please go ahead.
- Anup Upadhyay:** I missed small part of the initial call, but I just wanted to understand the details of that acquisition you have made for Rs. 35 crore, if you could have update on where the unit is located, what is the valuation and what is for you as a benchmark for the valuation? If you could elaborate on the acquisition that we have made.
- PG Mishra::** We have purchased the MP Printers business which is printing job work, it's already running and is a profitable venture at Noida
- Anup Upadhyay** If you could also comment on the valuations and what has provided the benchmark for valuation?
- PG Mishra::** The valuation was done by KPMG.
- Anup Upadhyay:** Okay. And what would have been a profit earned by the entity?
- PG Mishra :** In the last year profit was around 5 crore plus.
- Anup Upadhyay :** Do you have the plan to buy anymore units in the coming year from the promoter group entity?
- Pawan Agarwal::** There is no other promoter group entity and because we are also doing the job work D B Corp. We have taken this job work business, our MP Printers to consolidate the position and to leverage that MP Printers business by the context and the business volume of the D B Corp.
- Moderator** Thank you. The next question is from the line of Karthik Mehta from Social Finance. Please go ahead.
- Karthik Mehta:** You said that of the total ad revenue, 60% came from retail and 40% from national advertisers, right?
- Pawan Agarwal::** Yeah.
- Karthik Mehta** So what has been individual growth rate of both the segments quarter-on-quarter?

- Pawan Agarwal:** 62% came from local, local has been growing in the upwards of 20% and above this quarter. National, actually came down to a single-digit in this quarter.
- Karthik Mehta** Okay single-digit in a sense higher single-digit?
- Pawan Agarwal:** Higher single-digit.
- Karthik Mehta:** Since we have a direct correlation to GDP growth rate and the way GDP is behaving as of now, there could be a pressure on the overall expense especially from the national advertisers. So as of now, are we having any indication on the pricing side probably competitor would reduce the price just to maintain our market share, we would also follow the same trend. Do we have any strategy as how to cope for the coming scenario?
- Pawan Agarwal::** Our market shares have been very robust in the past. In this quarter itself, we have grown our market share from what we were in the last quarter, so there is no pressure on the market share. And on the national revenue front, what we see is not an actual numbers because the kind of market that we are in, there is no downfall of consumption, the consumption is still growing. It is just the sentiments of the MNCs in the national advertising fraternity which has affected the growth of advertising. We see that the local will continue to grow and we hope that the national would also come back as consumption is still there in the Tier-II, Tier-III market.
- Karthik Mehta:** what's your experience then in the during uncertain macro environment, your retail portion is more solid on the grounds, or they also ultimately give up compared to nationals which are very strong in terms of financial power?
- Pawan Agarwal:** Retail segment consists of many categories, many kinds of advertisers, right from obituary to a classified to an appointment. Then those are categories which are unaffected. The retail position is definitely far robust and is a segment that we do a lot of inducements to make sure that that segment continues to grow. The only worry has been on the national, but looking at the kind of market that we are in, the national advertising will fall back.
- Karthik Mehta:** If you can just tell me the top five sectors contribution in the national advertisement?
- Pawan Agarwal::** Education, automobiles, lifestyle, government, healthcare are the top categories overall as a company for us.
- Moderator:** Thank you. The next question is from the line of Rohit Dokania from B&K Securities. Please go ahead.
- Rohit Dokania:** What is the growth of the mature markets this quarter in terms of ad revenues?
- Pawan Agarwaal::** The mature market growth would be about 11%.
- Rohit Dokania:** 11% year-on-year?
- PawanAgarwal:** Yeah.
- Rohit Dokania:** Could you give us a number on the number of copies that you are circulating in Maharashtra in the four markets?

- Girish Agarwaal::** Maharashtra, we have now just about 2.70 lakh copies in the current four markets that we are servicing.
- Moderator:** The next question is from the line of Bijal Shah from IIFL. Please go ahead.
- Bijal Shah:** What is the rational for classifying part of ForEx loss in SG&A and the remaining in interest expense?
- Ashok Sodhani** The part which belongs to buyers credit facility taken from bank is booked in the financial expenses and the part which is direct credit availed in dollar terms is booked in above EBITDA that is in admin expenses or other income. If there is a gain, we will book it in other income. If there is a loss, it will be booked in admin expenses.
- Bijal Shah** But both are related to newsprint only, right?
- Ashok Sodhani** Right. This is as per accounting standards, because the part which is on the bank loan will go to the financial expenses.
- Bijal Shah** In FY12 we are likely to exit in what circulation number in Maharashtra?
- Pawan Agarwal:** The number in Maharashtra is now closing at about 2.70 lakhs, the quarter has existed circulation of 2.70 lakhs.
- Bijal Shah** So will that remain stable through the year now?
- Pawan Agarwal:** Yeah, because for next six months, there are no expansion plans in Maharashtra, so that number will be stable for the next six months in terms of circulation. Revenues will continue to grow, but the circulation number will remain the same.
- Bijal Shah** And from Maharashtra perspective, if market was probably better and advertising spend was okay, then probably we would have seen a few more launches or is this what we try to achieve ultimately?
- Pawan Agarwal:** We have two plans in Maharashtra; these are the four most important markets in the phase one of our plans in Maharashtra, we have done those four. And we have plans for another edition, but they are smaller. We have taken a call as a company that we want to consolidate because the largest revenues will come from these four markets. We are consolidating revenues from these markets. And it's also partly to do with the overall scenario that these editions which will not add much value and have been postponed.
- Bijal Shah** I think one launch has happened after 10<sup>th</sup> of October.
- Pawan Agarwal:** 16<sup>th</sup> of October.
- Bijal Shah:** Okay, so 16<sup>th</sup> of October, then that number should not have been stood at a 2.7 lakhs.
- Girish Agarwaal:** That is right. It is about 18000 copies of Ahmednagar.
- Moderator** The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

- Abneesh Roy:** You mentioned cover price increase will be last resort. So could you tell us what exactly you mean by last resort?
- Pawan Agarwal:** When we do a cover price, say quarter-to-quarter, we also make sure that we remain very competitive in our market, we do not allow the competitor to improve his EBITDA margin, because in fact it ultimately impacts the ad revenues or lowers the capability. In markets where we are No.2 , we are committed that we will not increase the cover price because the money will also be passed on to the No. 2 player. In markets, where we are dominant, we have always taken the cover price increase in the past.
- Abneesh Roy:** So maybe in MP, this looks like a possibility?
- Pawan Agarwal:** MP, we already have a cover price of Rs. 3 and upwards. There maybe in case of a requirement, we will probably increase by another 10%-15% in MP or in all the markets where we have a dominance.
- Abneesh Roy:** What happens if the competitor doesn't do in that dominant market?
- Pawan Agarwal::** If you are sitting in a dominant market, you take the lead.
- Abneesh Roy** If they don't follow?
- Pawan Agarwal::** They will follow us in all the markets. There is no market across country where the competitor doesn't want to increase cover price. We are the ones who say that we do not want to increase cover price.
- Abneesh Roy:** Any sense on radio, because that has not been discussed?
- Pawan Agarwal::** Yes, radio has grown by about 25% in terms of revenue on quarter-to-quarter basis. It has reported EBITDA margin also of about 9% this quarter. Going forward, we are expecting the government to put relaxations to sort out the music royalty issues and with that we are hoping that the costs will come down and the margin will certainly improve further.
- Abneesh Roy:** And what is the sense you are getting in terms of Phase III, any movement there?
- Pawan Agarwal::** We have been hearing that for last two years government makes announcement says it will be done in two months but nothing has happened and years have passed by Hence, no change as of now.
- Abneesh Roy** You said in the month of October , the national corporate advertisers seem to have been in further slowdown. Can you give some breakup? Which sector you are seeing the slowdown, is it FMCG, is it the larger segments for you like maybe education, maybe real estate, auto?
- Pawan Agarwal::** There is some slowdown especially in the MNC companies. Companies such as Tatas haven't slowed down. Majority of the Indian companies have been spending. The MNCs in the national markets have shown signs of slowdown.
- Abneesh Roy** Sector wise will help better because MNCs could be in any segment.
- Pawan Agarwal::** If you look at sector, even in the Auto sector, there is just an Indian company, there is just an MNC. So what we decided to look at is, we have deciding to look at MNC

versus Indian companies' growth. We still see that the Indian companies are growing, MNCs have slowed down.

**Abneesh Roy** FMCG is a smaller segment, but some color on that?

**Pawan Agarwal::** We have met with a lot of progress in FMCG in the national market and that's one factor which we are very hopeful that in times to come with the consumption in our markets will grow. As of now, FMCG doesn't feature in our top 7 or 8 categories. Lifestyle does, but not FMCG.

**Abneesh Roy** No, but has that also seen slow down, say 5%-6% of your advertising?

**Pawan Agarwal:** FMCG plays a very small percentage in our total advertising revenue at this point of time. Even if it slows down by 10%-15%-20%, it doesn't really reflect in the overall scenario, rather FMCG being a sector would have shown increase actually in the last quarter for us, but it's a very small number.

**Moderator** The next question is from the line Pankaj Tibrewal from Kotak Mutual Fund. Please go ahead.

**Pankaj Tibrewal:** Congratulations on advertising revenue being very, very good in tough macro environment. Good portion of your stake is pledged and that has gone on to the funding the power business. Can you give us some sense on the equity funding being completed and how is the situation out there in the power business from the promoter's point of view because that's one of the concerns which is bogging around the street and across the investor community? And second also, can you help us understand on the DNA side, what is the plan going forward from a promoters end?

**P G Mishra:** Power business funding is completed. On DNA the status remains the same. Since last two years there is no any new investment whatsoever from the promoter side.

**Pankaj Tibrewal:** And so no more equity funding further in terms of power project is left from a promoter angle?

**P G Mishra:** Right now, power business funding is completed.

**Moderator** The next question is from the line of Mitul Patel from Laburnum Capital. Please go ahead.

**Mitul Patel:** Have you seen any slowdown in government spending?

**Pawan Agarwal:** There has been slowdown in government spending for the last two years it's not this quarter or it's not this year. Generally, the spends in the government is we have been experiencing in the last two years, so whatever numbers we have now are stable and firm and we continue to grow at the same rate. There has been a slowdown in that segment, reduction in spend on the sector in the last two years.

**Mitul Patel:** My question is regarding newsprint prices. I read a few articles where it was spoken to some industry people, might not be factually correct, but the reason why domestic newsprint prices are not going down is that I think this time around last year, the ban on the gutka packaging has come, and now the gutka people are using the same kind of paper to pack the gutkas, the green quality of paper. So that's why the demand from the gutka companies is tremendously high and that's what's keeping the price up, is that true?

- PG Mishra:** No, it is not 100% true, because the quality of the paper which gutka people are using is altogether different. And number two, definitely, gutka market is a very big market, but it is not the only reason of the different prices, plus or minus.
- Mitul Patel** Considering like where the world economy is growing and plus India is experiencing some sort of slowdown. Why aren't the prices moving downwards, what is your assessment of that?
- PG Mishra:** In newsprint?
- Mitul Patel** Yes.
- PG Mishra:** If you have the report on last three years of US and European countries, they have shown a de-growth, their PO and the newsprint consumption has de grown and definitely in India and China, the consumption has gone up. And because various newsprint mills have shut down in US, Canada, I don't think there is any huge impact on newsprint prices in future, whatever happened in the last three years remains unchanged.
- Mitul Patel** Okay, thank you for answering my questions.
- Moderator** The next question is from the line of Ronak Nagda from Value Quest Research. Please go ahead.
- Ronak Nagda** What are the average newsprint prices for the quarter?
- PG Mishra:** This quarter it is Rs. 31.17.
- Ronak Nagda** What was last year or last quarter?
- PG Mishra:** Last was Rs.30.52.
- Ronak Nagda** And last quarter?
- PG Mishra:** Last quarter, Q1'12, it is Rs. 30.52 and this quarter Rs. 31.17.
- Moderator** The next question is from the line of Girish Raj from IFCI. Please go ahead.
- Girish Raj** You referred October was not encouraging, so is 18% ad revenue growth in first half in some way questionable for second half, if I may ask that?
- Pawan Agarwal:** October is a growth month of being the best month of the OND and we are hoping that there would be a recovery in the October month, which as of today, it doesn't seem likely, but we look like to be on course.
- Girish Raj** And what is the sense, we have already passed 21 days in the month, so is 18% first half any way questionable, if you could just give a sense, if not, what exactly do you see that?
- Pawan Agarwal:** What happens is the second half of the year is always better than the first of the year. That traction will be definitely seen in the sector.
- Girish Raj** And if you can just share the ad revenue growth, what was the yield percentage and volume percentage for this quarter?

- Pawan Agarwal:** We have grown both in terms of yield as well as volume, but largely, it has been the volume growth in this quarter. Some little growth on the yield, but largely it has been volume growth.
- Girish Raj** Can you put a number to that?
- Pawan Agarwal:** On the volume growth, it will be in the double-digit numbers, but the volume comprises of new editions, new products, when we say we grow volumes, we don't grow volumes in the main paper itself, we also grow volumes in the smaller sections, it is a combination of all, but largely what we experience is it's the volume by way of adding inventories in the smaller editions.
- Moderator** The next question is from the line of Vatsal Mody from TrustLine Securities. Please go ahead.
- Vatsal Mody** What quantity of newsprint did we consume this quarter?
- Pawan Agarwal:** We consumed about 40,000.
- Moderator** The next question is from the line of Amit Kumar from Kotak Securities. Please go ahead.
- Amit Kumar** We have seen in some sort of a consolidation in the Telecom industry is emerging, so has that also impacted spends from that side for you?
- Pawan Agarwal:** We have been experiencing spends from the new players who entered the market. From the existing players, our ad revenues were not much. So the new guys whoever had to launch in a market, they are already spending like Uninor, Aircel, they have all been spending in our market.
- Amit Kumar** So there is no slowdown from there?
- Pawan Agarwal:** No, once Telecom was in a very big category for us in print anyway and whatever revenue we got was from new players which were not very large, so their slowdown or consolidation hasn't really affected our revenues.
- Amit Kumar** October on a YoY basis, how does it look like right now? I mean it might be a very good month in general
- Pawan Agarwal:** Yeah, it is a growing month.
- Amit Kumar** It is a growing month, but in double-digit, single-digit, what kind of a quantum?
- Pawan Agarwal:** It will be a double-digit growth.
- Amit Kumar** It will still be double-digit growth.
- Moderator:** The next question is from the line of Rohit Dokania from B&K Securities. Please go ahead.
- Rohit Dokania** In the last conference call you had mentioned that the losses from the new editions would be probably between 18%-22% of the EBITDA from the mature editions. Would you want to revise that, would you want to maintain that, could you just throw light on that?

- PG Mishra** It is below that. It was a floor limit, 18-22. It may be 10%, it may be 12% also. It is not a range we have given, it is a range of filling EBITDA of 18%-22%. It may be 9, it may be 10, it may be 15. It will not go beyond ranging 18%-22%. That was not our emphasis that it will be ranging between these two percentages only.
- Rohit Dokania** Could you also give us the number of copies in Jharkhand that we are selling right now?
- Pawan Agarwal:** About 3.2 lakh copies.
- Moderator** As there are no further questions, I would now like to hand the floor over to the management for closing comments.
- Pawan Agarwal:** On behalf of the management I thank you for your participation and time on this earnings call. I hope that we have been able to respond to your query very clearly, however, we will be happy to be of all assistance through our Investor Relation department should you have any other further queries. Thank you and have a Happy Diwali.
- Moderator** On behalf of D B Corp Ltd. that concludes this conference. Thank you for joining us. You may now disconnect your lines.