



DB Corp Ltd

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Q3 and 9M FY 2011-12 Investor/Analyst Earnings Conference Call Transcript January 24, 2012

Moderator Ladies and gentlemen, good day and welcome to the DB Corps third quarter earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should 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. I would now like to hand the conference over to Ms. Malini Roy from CDR India. Thank you and over to you ma'am.

Malini Roy Thank you Marina. Good afternoon everyone. Welcome to the conference call of DB Corp Limited. We will be sharing the key operating and financial highlights for the third quarter and 9 month ended 31st December 2011. We have with us today the senior management team of DB Corp Limited Mr. Pawan Agarwal, Non Executive Director. Mr. Girish Agarwal, Non Executive Director, Mr. PG Mishra Group CFO, Mr. Ashok Sodhani, Chief General Manager - Finance & Accounts. And Mr. Prasoon Pandey, Head of investor relations. Before we begin, I would like to state that some of the statements made in today's discussion may be forward looking in nature and may involve risks and uncertainty. Documents relating to company's financial performance have already been emailed to you. I invite Mr. Pawan Agarwal to please share his outlook on DB Corp's performance for this quarter. Over to you Mr. Agarwal.

Pawan Agarwal Good afternoon everybody and welcome to DBCL's third quarter earnings call for the fiscal 2011 - 12. I trust you have studied the numbers already. I will walk you through the financial performance of the third quarter and appraise you with some of the strategic actions taken to strengthen our business. Following our opening comments, we will be happy to respond to your questions.

The overall macro environment remains challenging which has led to lower consumption across the sector. In the current environment, we as a group continue to adopt a cautious and pragmatic approach for our businesses. This quarter our primary focus was in consolidating Span India leadership position as we have strengthened our lead in core legacy markets of Madhya Pradesh, Chhattisgarh, Haryana, Punjab, urban Rajasthan and Gujarat. As revealed by the quarterly IRS data released in December 2011, DB Corp continues to be the largest read newspaper group with 19.2 million readers and this quarter we expanded our readership base to 0.8 million readers which has significantly widened our lead and deepened our penetration with 64 editions and 191 sub editions.

We have also maintained our leadership as the largest read newspaper in urban India. Additionally Dainik Bhaskar has also demonstrated a commendable debut in Jharkhand, while our 4 emerging editions of Dainik Divya Marathi continue to bolster our presence in Maharashtra.

Our legacy and mature markets are expanding well. In Madhya Pradesh and Chhattisgarh, Dainik Bhaskar now has collective readership of 5 million reflecting a market lead of 2.65 times over nearest peer in both regions combined. In Chandigarh, Punjab, Haryana, (CPH) Dainik Bhaskar continues to enjoy a lead of 17% over nearest competitor in overall CPH with a strong lead position of 64% in Chandigarh over the nearest competitor. In Punjab, Dainik Bhaskar added 14,000 new readers and continued to maintain its number 1 position in 3 major cities of Jalandhar, Amritsar and Ludhiana. In Jaipur city we have a lead of over 41% over nearest peer and Bhaskar is also at number 1 position in major cities of Rajasthan, Jodhpur, Udaipur, Kota and Bikaner with a combined readership of 1.73 million. In urban Rajasthan, we continue to be an undisputed leader, with a lead of over 13% more readers than the nearest peer. The group continues to consolidate its presence in the Gujarati market by adding 55,000 readers in this quarter. In Gujarat, Divya Bhaskar is the only newspaper to have demonstrated growth compared to its peers who have either remained stagnant or have declined. In Ahmedabad, it has increased its lead to 29% to its nearest competitors. Divya Bhaskar also continues to maintain its lead position as a number 1 player in 6 major cities of Gujarat.

A quick review of DB Corps consolidated financial performance for 9 months FY12, that has consistently maintained a strong progression. Total revenues have grown by 16.5% in 9 months FY12 to Rs.11032 million from Rs.9,479 million. Advertising revenues have expanded by around 15% YoY to Rs.8,651 million for the 9 months of 2012 agst. Rs.7,540 million in the corresponding period of the last fiscal. We achieved EBITDA margins of 25.3% in 9 months FY12 which stood at Rs.2,793 million. The same factors our one time pre operative expense of Rs.120 million for Jharkhand, Jammu and Maharashtra launches and ForEx loss of Rs.50 million. Consolidated PAT margins for this period stands at 14.2% at Rs.1,567 million. The same factors one time pre operating expenditure of Rs.120 million and ForEx loss of Rs.146 million. For Q3 FY12 total revenues stand at Rs.3,956 million with a YoY growth of around 14% and reported EBITDA at Rs.1,018 million with EBITDA margins at about 26%. The same factors are one time pre operating expenditure of Rs.21.3 million and ForEx loss of Rs.27.9 million. Our advertising revenues for Q3 has grown to Rs.3,059 million as against Rs.2,815 million in the corresponding quarter of last year reflecting an expansion of around 9% on a high absolute base of last year where in we grew YoY by 33% as revenue on an apple to apple basis. The EBITDA margin for our print business for this quarter is about 26% at Rs.976 million, the company also incurred loss on foreign exchange of Rs.27.9 million. Our consolidated PAT for this quarter stands at Rs.554 million reflecting a PAT margin of 14% which includes one time pre operative expense of Rs.21.3 million and Forex loss of Rs.87.3 million.

DBCL's radio business continues to demonstrate steady progress and reports around 22% growth in advertising revenue to Rs.157 million in the current quarter as against Rs.127 million of Q3 last year. This business achieved EBITDA of about Rs.44 million with EBITDA margins are at 28%. As you are all aware that we have diversified our offerings to other areas which are ramping up steadily. In Q3 FY12 both our online and mobile business have shown promising progress. Dainik Bhaskar.com is the largest Hindi site and third largest consumed news site in the country as per data of November 2011 from Comscore. Total page views for the site in December 2011 were at 130 million and have attracted 6.3 million unique visitors. Our properties are also available on the mobile platform through our VAS 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 our interactions and please do contact our investor relationship department headed by Mr. Prasoon Pandey for all further request and queries. Thank you.

- Moderator** The first question is from Abneesh Roy from Edelweiss, please go ahead.
- Abneesh Roy** My first question is on the sharp growth in subscription revenues which came at 17%. Wanted to understand the revenues came from which markets and how much leeway further we have in this segment?
- Girish Agarwaal** The growth largely has come from 2 areas. Our circulation over a period of 9 months has grown by almost 5.5 lakh copies. So this growth has come from 2 areas. One is from the new copies which we have been able to get and also we have increased the cover price in few markets of Madhya Pradesh and Haryana. So some kind of a number growth has come from there also.
- Abneesh Roy** How has competition reacted in MP and Haryana?
- Girish Agarwaal** I think we have decided to do it together in those 2 markets.
- Abneesh Roy** Could we expect the cover price to increase further in other markets like Gujarat or may be even Jharkhand etc?
- Girish Agarwaal** It depends on our strategy. Say for example, in Rajasthan and Gujarat we are still in an expansion mode. We want to grow more copies in Punjab also. I don't think we will be increasing any cover price if we want to increase more copies there.
- Abneesh Roy** How do you see the advertising scenario going forward? For FY13 any numbers that you can share in terms of your growth and the industry growth?
- Girish Agarwaal** Frankly speaking the GDP number now is looking at around 6.8 – 7% growth, which is a concern for all of us, looking that there is bit of a slowdown in the advertising revenue. The market is sluggish. I really can't say, because it all depends on the markets. For example, today's decision of dropping down CRR. It's certainly a positive sign in the market. We need some more of such good news to come up. If that happens then the overall market will look good and advertising will happen.
- Abneesh Roy** A follow up question on this, what is the break up of the corporate and retail ad and what is the overall growth you are seeing in terms of volumes and rate hike if any?
- Girish Agarwaal** The break up is 60 – 40. Corporate in national ad is at 40% retail is 60%. And largely the growth is coming mainly because of volumes. In advertising the rates are not going up. In some cases the rates have taken a beating. But the volumes have grown because of that the growth is there.
- Abneesh Roy** Within corporate, which are the segments which are cutting, and which are the segments which are holding still?
- Girish Agarwaal** The automobile, electronic and lifestyle are the 3 segments clearly saw a jump even if I compare 9 months or even the quarter. The segment like a real estate is taking a beating. In the Government sector nothing great is happening. I guess there is no major exciting growth in any of the segments coming in and even if it is coming in it is at very time bound, like in Diwali months, the growth came in 3 – 4

segments and then November was a dull month. There is no clear hitting on the market and we can say okay this particular segment would grow steadily.

Abneesh Roy Any change in last 3 weeks of Jan? or from November – December or is it status quo?

Girish Agarwaal January has been the same like December, nothing major.

Abneesh Roy A question on the Jharkhand market, if you can tell us the quantum of loss, what is the strategy going forward, by when we can expect break even and we have done quite well in terms of the IRS performance. Just wanted to get a sense on when do you see the IRS numbers actually helping in terms of revenues?

Girish Agarwaal We are over one and a half year old brand in Jharkhand now, there for almost 1.5 years now. And we have done pretty decent work; we have got 4 editions over there. In Ranchi, Jamshedpur, Dhanbad and Bokaro, these 4 editions are doing pretty good. And Bokaro is actually shot out from the Dhanbad itself. So readership wise the numbers are encouraging. Revenue wise also numbers are encouraging. Whatever we had planed for Jharkhand, we were largely there in the line of whatever losses we decided.

Abneesh Roy Breakeven will take further 2 years right?

Girish Agarwaal Yeah that's what our expectations are.

Moderator The next question is from the Siddharth Goenka from JM Financials, please go ahead.

Siddharth Goenka My first question is on the news print prices, what kind of trends are you seeing on the domestic newsprint front and what kind of consumption have been done till date in the first 9 months and what is the likely consumption next year?

P.G. Mishra Whatever we had thought during FY 11-12, the prices have increased and now they are at their peak levels and the price range during this financial year is from Rs.30 to Rs.31. Last quarter the actual price was Rs. 31.77 and the same has been projected for the coming quarter also. And we do not foresee any major price hike in the imported as well as Indian news print prices due to the dollar impact. And as far as consumption is concerned, consumption quantity for this 9 months is around 1,20,000 plus metric ton.

Siddharth Goenka Will we end the year at some thing like 1,63,000 – 1,64,000?

P.G. Mishra 1,60,000 plus.

Siddharth Goenka Another question is pertaining to our Bihar launch, when are we likely to launch in Bihar?

Girish Agarwaal As you know we have currently established ourselves in Jharkhand, we are now looking at a larger market of Maharashtra and we have already launched 4 editions in Maharashtra which is Aurangabad, Jalgaon , Nasik and Ahmednagar and we area also planning our launch 5th edition in Maharashtra sometime in the month of April from Sholapur. Our response from Maharashtra is very good. I think considering that we will take up Bihar only once Maharashtra gets stabilized and Jharkhand gets stabilized.

Siddharth Goenka So that will not happen in FY13? It can even get delayed by another year.

Girish Agarwal I can say from now at least for 6-9 months we are not launching that.

Siddharth Goenka What kind of CapEx plans do we have and what is the plan for the upcoming phase 3 licensing for radio?

Girish Agarwal On the CapEx side, there are no major cash requirements in the company for the next 15 months.

Pawan Agarwal: And for the radio, third round as a strategy we are looking at the smaller stations in the existing markets and the phase 3 bidding will happen in 3 trenches of may be 12 – 15 months. We are investing in smaller markets so that CapEx requirement is not large. At the same time it will help us also consolidate also in those markets.

Siddharth Goenka If you can give us some sense on the ad growth outlook in terms of numbers for probably FY13?

Girish Agarwal I would like to grow by 30%

Moderator The next question is from the line of Rohit Dokania from B&K Securities, please go ahead.

Rohit Dokania What was the mature market ad growth in this quarter?

Girish Agarwal The mature market ad growth for this quarter stands at around 6.5% actually if I take the radio out.

Rohit Dokania Yes I am talking just of print first.

Girish Agarwal Prints is roughly around 6%. 6% of growth also came on a higher base, we had a growth of almost 33% in last December quarter. So based on that we were still able manage it.

Rohit Dokania Sure and on radio, we have shown a very good growth of plus 20% whereas our on the ground feedback says that the radio industry per say itself is facing lot of difficulties. So what really has led to this outperformance?

Pawan Agarwal We are improving our rates on all stations and our market shares across stations and that's the results. If you look at our retail revenue, it is expanding very sharply. Both in terms of market share as well as in terms of rates. And market has accepted our rate increase in radio.

Rohit Dokania And can we expect a similar kind of performance in Q4 as well for radio?

Pawan Agarwal Hopefully.

Girish Agarwal Most of the operators are selling very cheap. And that's the reason why most of operators including us are not able to get the real value of the radio from the advertising markets. We took a stand and we hope other also join in and start charging a respectable rate in the radio. Because most of us having our inventory almost sold out. Nobody can say, even any competition can't say inventory is lying with us. So there is no point selling inventory so cheap.

Rohit Dokia And sir just wondering if there is any ForEx loss that is below EBITDA line item other than the one which is disclosed? If yes what's the quantum?

PG Mishra Total ForEx loss was Rs.14.67 crore during these 9 months.

Rohit Dokia I am talking of the quarter sir particularly?

P G Mishra It is Rs. 28.78 mn In EBITDA it is Rs.2.83 crore and below EBITDA it is Rs. 5.94 crore Total amount is Rs. 8.78 crore.

Rohit Dokia And sir could you also highlight as to what leads to this ForEx loss or is it just the newsprint or the foreign loan that we have or I suppose the foreign loan soon would be flown to the balance sheet, if you could give some light on that?

P G Mishra Forex loss is at Rs. 10.73 crore for this quarter. That has been booked in capital assets as per the accounting standards. The entire loss is due to our newsprint mainly buyers credit. The total figure was of Rs. 8.78 crore booked in P&L and Rs. 10.76 crore booked in capital assets.

Rohit Dokia If I look at your segmental consolidated revenues, your printing and publishing of newspapers says about Rs. 373 crore for this quarter and for the sequential quarter September it was Rs. 333 crore. So now I understand the increase in advertising and also the increase in circulation but I am just not able to understand there is a Rs. 10 crore of incremental leaving these 2 line items. So what has actually led to Rs. 10 crore of incremental revenue if you could throw some light on that?

Girish Agarwal This is a job work done by MP printers if you remember we had taken over printing set up 2 quarters back and this revenue actually comes from job work done by that printing set up called MP printers.

Rohit Dokia So basically , this a sustainable revenue, what we are saying?

Girish Agarwal The whole purpose of taking this unit was we felt that we bring some synergies to the business and can grow the business

Rohit Dokia Just one last final thing on MP printers, is it possible for you to disclose some sort of margin picture at the EBITDA level?

Girish Agarwal 24% is the EBITDA level margin at the MP printers.

Moderator The next question is from Pratish Krishnan from DSP Merrill Lynch, please go ahead.

Pratish Krishnan I just want to understand in terms of the retail segment, any weakness that you are seeing there? We have seen even in this quarter probably you grow in double digits on a year on year basis?

Pawan Agarwal One of the largest categories in retail which is real estate is going slow.

Girish Agarwal The overall growth in the retail what we have seen in the quarter is around 11%. National market which is not able to pull on the growth, and that's why the overall number has come down and in the retail segment except the large segment which is the real estate, all other segments are growing. Some are growing at a higher pace. But most of them are in single digits unfortunately.

Pratish Krishnan You expect the growth in the retail segment to accelerate or decelerate and what will be the change there?

Girish Agarwaal It is very difficult to say but looking at the scenario we feel that retail will still continue to grow because retail advertiser doesn't take a decision on a 6 monthly basis. He does it on a weekly basis. So he feels the market pulse, if something is good in the market, he will take a call and do some thing while the national advertiser, they take a 6 monthly call or 3 monthly call. At times they also miss the bus. So that's the problem. But we are hopeful that retail will continue to support us.

Pratish Krishnan When you compare this with overall sentiments today with the 2008 – 2009, any differences in trends when compared to 2 – 3 years back?

Girish Agarwaal If I have to really compare this to those days, I guess national markets is likely more pessimistic but retail market is not at all pessimistic. Like when you go to the smaller markets or the markets of Jaipur or Ahmedabad or Jodhpur or Chandigarh, I think now people are happy. Nobody is depressed over there so as to say. But in the national market there are concerns.

Pratish Krishnan Sure and lastly in terms of newsprint, now that the rupee has kind of appreciated, would you benefit in the next quarter or you yourself are carrying sufficient inventory that you won't realize the gain for so long.

PG Mishra We normally keep 3 month as stock as far as imported news print is concerned and around 15 – 21 days, as far as Indian news print is concerned. Mark to market gain will come. The amount which we have already booked in P&L as well as in CapEx that will definitely give us the boost in this quarter as well as in coming quarter.

Moderator The next question is from Namrata Sharma from Pinc Research, please go ahead.

Namrata Sharma What is our total circulation copy?

Girish Agarwaal We are at around 46,16,000 copies average.

Namrata Sharma How much is for mature editions?

Girish Agarwaal Mature editions, it is around 40 lakhs. If I take Maharashtra and Jharkhand out, 40.17 lakhs.

Moderator The next question is from Bharti Gupta from Sushil Finance, please go ahead.

Bharti Gupta Can you just explain what has been your ad growth in the retail segment as well as your national segment during the quarter?

Girish Agarwaal The retail in a closer double digit. It is around 11%. National is much lower.

Bharti Gupta And when you say the ad segment is slowing down and you said that most of the growth has come from the volume front, can you just explain us the gap between like demands for the advertisement is still there but we are not able to increase the prices for the ad rates, is that the thing?

Girish Agarwaal No typically what happens, when there is a slow down in the market, advertiser wants to cut down his budget. So instead of forced obligation, he would decide he

put pressure on you that fine I have no budget and all that. So in that case you can say okay on your same money, I will give you a much higher advantage in terms of space. We increase the volume offer to him in the same rate. And that's how you are able to either continue the same amount or get a slightly higher share of the earnings coming to you.

Bharti Gupta And I believe Q3 is generally a quarter with a higher ad revenue growth right?

Girish Agarwal Yes because of Diwali.

Bharti Gupta Can you just help us in understanding the sectoral break up of your ad revenue contributors?

Girish Agarwal We have electronics, education, if I give you a figure of say the 3rd quarter December ended, education would have contributed to 6%, automobile around 13 – 14%. Lifestyle is one segment around 11 – 12%. The real estate came down to as about 3%. The same real estate in the last year was around 7 – 8%.

Bharti Gupta Okay and the other segments were?

Girish Agarwal Kind of stagnant, for example automobile was 11 going up 13 – 14 this year but lifestyle was 12 came down to 11. Except the real estate, no one has taken a drastic jump either way.

Bharti Gupta Everything is more or less stagnant, the demand from these real estate advertisers have gone down is it correct?.

Girish Agarwal Yes.

Bharti Gupta I just missed on the ForEx loss can you explain how much was on the operational front and how much was on account of its interest?

PG Mishra Total ForEx loss for this quarter was Rs. 8.78 crore.

Bharti Gupta Okay this is Q3 right?

PG Mishra Yes Q3. In EBITDA it is Rs. 2.83 crore. And in financial expenses it is Rs. 5.94 crore.

Bharti Gupta Okay and for 9 monthly can you give us?

PG Mishra Rs. 5.02 crore in EBITDA and Rs. 9.65 crore in financial, total is Rs. 14.67 crore for 9 months.

Bharti Gupta Going forward which sector is showing traction in terms of growth and demand for the advertisement and overall ground level demand?

Pawan Agarwal In the coming quarter, education sector should go up.

Bharti Gupta Education could be seasonal which comes into Q4 and Q1.

Pawan Agarwal Next few quarters Education should start coming up. Because education is largely in Q4 and Q1. We hope for real estate also because people have a lot of inventories now. We are also hoping them to jump back and so as automobile and lifestyle.

Bharti Gupta Going forward we reported circulation growth of 17% during this quarter. So that circulation growth has come in from the new markets or is it also from the older markets, the matured markets?

Pawan Agarwal It a combination of all. Bulk of it is from the new market. Some if it has also come from a couple of markets where we are strengthening our copies like in Rajasthan and Punjab.

Bharti Gupta Going forward when are we expected to breakeven in the Maharashtra region, if in Maharashtra we have just recently launched in FY11?

Pawan Agarwal We have window of about 4 years to breakeven in all the new launches. That's the benchmark that we set for us.

Bharti Gupta So will it at least take 3 more years to break even in to Maharashtra and Jammu?

Pawan Agarwal We have launched as a window of about 4 years.

Moderator The next question is from Amit Kumar from Kotak Institutional equities, please go ahead.

Amit Kumar I just wanted to have a broad view of any sort of hedging policy that we follow on our foreign currency exposures and what's the rationale behind that?

PG Mishra We normally keep around 20 – 30% of our exposed US dollar in CapEx as well as in buyers sale. But unfortunately, we did not get chance during the last quarter. Normally we keep 30 – 40%.

Amit Kumar Okay but why not more or why not less either ways on a normal basis leaving out the last quarter?

PG Mishra Considering our past experience for past years whenever we are getting 100% dollar book, the dollar is now down or up. Normally we have a Maclay on our board as a consultant and 30 – 40% policy we are keeping say for the last 3 – 4 years.

Amit Kumar My next question really pertains to our new launches going forward. I think management sort of mentioned that they are looking at Sholapur in first quarter of next fiscal, so how much time will it take excluding Mumbai and Pune, the markets that we really don't want to enter. How much time will it take roughly to complete the Maharashtra expansion?

Girish Agarwaal Our strategy in Maharashtra is very clear. That we are doing editions based on 2 things. One is the response from that particular market and also looking at the overall health of the company. Whatever the is cushion available with us as we had mentioned earlier and we would like to deploy only a percentage of our EBITDA in to the newer markets. So considering these two we are saying that how much we are comfortable to deploy that kind of money and also which market it can give and what kind of advantage it will be to us. For example we decided to go ahead with Sholapur. Now after Sholapur which edition we launch we have no idea. That will be decided once we have the number of our entire years closing with us. May we evaluate what kind of money we can invest in newer markets. And then we will take the call on that.

Amit Kumar But given where the financial matrix of the company are trending you are reasonably comfortable that Sholapur will come through by April?,

Girish Agarwaal Yes very much.

Moderator Thank you. The next question is from Mohan Lal from Ellara Capital, please go ahead.

Mohan Lal I just wanted to understand from you that the postponement that we have decided on Bihar launch. Is it to do with the slow down from Ad growth from the mature markets or is there the economics of that target market also in consideration behind this decision?

Girish Agarwaal Our mature markets are showing a very robust growth and whatever growth we have been able to show is visible in our EBITDA of the mature markets which stands at 34%. Mature markets EBITDA is at 34% after including the losses of ForEx and pre-operating expenses. I guess that clearly indicates growth and the robustness of ours in our mature market which is very strong going ahead. Now the reasons why we have decided to postpone the Bihar market is a simple one because we feel Maharashtra is much larger and a better prospect market for our perspective and hence we are focusing on Maharashtra. As and when we feel that company is done with Maharashtra and we have the funds to deploy more in our newer investments, we will too look at Bihar or any other market also.

Mohan Lal Does this basically just depends upon Maharashtra expansion completion and has nothing do with Ad revenue growth in the overall market itself?

Girish Agarwaal No I think you misunderstood us. I clearly told you it depends on 2 things. One is that Maharashtra growth as well as the overall deployment of the resources of the company that is available with us. For example if the market is growing in 9% and in the next quarter my growth goes to 30%, I will be much more comfortable, so that's the reason it can happen anytime. If the market comes back, our growth expectation of 30% comes back to us, and then obviously we can look at more markets beyond Maharashtra also faster.

Moderator The next question is from Miten Lathia from HDFC Mutual funds, please go ahead.

Miten Lathia Just to take the previous question ahead, internally what sort of an absolute EBITDA loss in new markets or what proportion of your EBITDA from mature markets are you willing to invest in to the newer markets?

Girish Agarwaal If you remember in the last con call we had disclosed that out of the total EBITDA, 15 – 20% of that we are willing to invest in the newer markets. For example last year my mature market EBITDA was Rs. 450 crore and the losses from the new market was around Rs. 50 crore. So that was the investment done by us. That was around 10% - 11%. So similarly looking at the market, that is what we have our plan and whenever the EBITDA looks like a particular number we will certainly be able to deploy that.

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Moderator The next question is from Ashish Upganlawar from Spark Capital, please go ahead.

Ashish Upganlawar This quarter there is some high other operating income, what's the reason for that?

Girish Agarwaal We have taken over a unit of printing called MT Printer which has given us the revenue of around Rs. 12 crore in this quarter from that business. And this is a very sustainable and further growing segment for us.

Ashish Uppanlawar On news print, are there any external events which could actually pull up the news print price. Do you see something big coming in the next year, US elections, anything that could pull up?

Girish Agarwaal Our suppliers so far have not indicated any such external events to us. So we really can't comment on this as of now.

Moderator The next question is from Mayur Gathani from OHM group, please go ahead.

Mayur Gathani Regarding radio you mentioned that inventories are going full. Have we taken a price hike in quarter 3 or quarter 2 and the growth that we have seen?

Pawan Agarwal The price hike has been happening since Quarter 1. We made our annual plan in our price increase in each market every quarter. We have been progressing, there is still more price hike and the entire growth that we are experiencing now is going to come from radio. As we said earlier inventories are completely full and the advantage is the price hikes that we are doing in radio are being accepted in the market.

Mayur Gathani Other radio players that we have been discussing with, they seem to have a pretty sad scenario in the market for radio business at least and where else what you are saying is a complete contrary.

Pawan Agarwal Yes see our markets are in Tier-2 where we do not have too many competitors and we have established ourselves with a clear lead over the other markets in terms of shares of markets. We almost hold 50% higher share of volume of the market. Which gives us the power to go back to the advertiser and ask for better rates.

Mayur Gathani Any clue on the Phase-3 auctions?

Pawan Agarwal It is still under discussions with a lot of questions around it. However, we are very clear that the company will be investing in Phase 3 in all the current state that we are in that should help us build dominance in the current markets. So we are prepared for it. But no definitive date to commence.

Mayur Gathani Does Quarter 4 also looks like with the price hike you can see and this kind of growth that you have seen in this quarter 3?.

Pawan Agarwal Yes.

Moderator .The next question is from Amit Kumar from Kotak Institutional Equities, please go ahead

Amit Kumar .What was a total circulation figure for the company for this particular quarter?

Pawan Agarwal 46.26 lakhs copies.

Amit Kumar I just wanted to know what was the ad for equity income if any booked during the quarter and what are the outstanding investments on that side?

Girish Agarwaal In this quarter we just booked an income of Rs. 2 crore. To be precise its Rs. 1.8 crore.

Amit Kumar Essentially what is the investment in the balance sheet against ad for the equity?

Girish Agarwaal Yeah total investment is around Rs. 33 crore. And out of which revenue booked so far is almost Rs. 16 crore.

Amit Kumar When do you really expect the first tranche of Phase-3 to begin?

Pawan Agarwal The government has indicated the first quarter of next financial year so anywhere between April to June is likelihood of the first auction.

Moderator The next question is from Namrata Sharma from Pinc Research, please go ahead.

Namrata Sharma What kind of price hike we are looking for Q4 in radio?

Pawan Agarwal It varies from market-to-market but we are looking at a double digit price hike.

Namrata Sharma What kind of price hike we did in Q3?

Pawan Agarwal Double digit. But again it varies from market-to-market but overall the company has grown double digit on the price in Q3.

Moderator The next question is from Abneesh Roy from Edelweiss, please go ahead.

Abneesh Roy Compared to last year same quarter, how is the ad/edit ratio and what is the pagination levels against YoY?

Girish Agarwaal The ad/edit ratio was almost the same. And the pagination if we look at last year, we were at 23.16 page and this quarter we are at 22.26 page. So we were able to bring down the pagination for the cost control and the ratio was almost the same. The color-black and white ratio in fact improved, the color from 67 – 68% went up to 70.4%. Nothing major change.

Abneesh Roy In the previous slow down in 2008, how much was the pagination levels at the most challenging times, how much have you gone down to?

PG Mishra In 2007 – 2008, it was 20.58 pages and in 2008 – 2009 it was 21.24 pages.

Abneesh Roy Both these are obviously higher than the current numbers.

Girish Agarwaal Current is 22.26 pages, by almost 6%.

Abneesh Roy Does it mean that we have 6 – 10% further leeway available or based on current competition we won't do that?

Girish Agarwaal No I think this number of pages we are doing, we are capable enough to handle by almost 8 – 10% volume growth itself. Let's say few editions the pagination may be higher at 26 pages but some editions lower pagination. That is the matter of distribution and economy.

Abneesh Roy My question is can we cut that further because of slow down, can we cut the content and can we keep the hike in the ads that will continue?

Girish Agarwaal Frankly speaking as of now we don't see that's needed to be done. If the advertising is still growing at 9 – 10% then you don't have to look at that.

Abneesh Roy How much is premium of color over black and white?

Girish Agarwaal On an average you can talk about roughly around 30%.

Abneesh Roy And in terms of some of the markets you said could have seen some rate cuts also in the print, how difficult is it to get back the rates and rate hikes when the economy revised in a geography in which rates have been cut?

Girish Agarwaal It is not like for geographies specifically you cut the rate, it's the rate you cut on a larger understanding with the clients and so there are no specific geographies as you go out and cut the rate and it's an overall mix. It is difficult and it all depends on the buyer and seller situation at that point of time, demand and supply. So I guess there is no formula for it.

Abneesh Roy And sir for ad for equity do we plan to take it at a higher level because it is obviously a good driver for growth as well?

Girish Agarwaal No we are not really looking very firmly on that. Whatever we are maintaining is fine, if any worthwhile deal comes then you look at it on a case-to-case basis.

Abneesh Roy Lastly in terms of election in Punjab and any other market, any positive or negative impact?

Girish Agarwaal Frankly speaking for our newspaper group we don't see elections giving us a major jump at all. Why because we follow the election code and all the recommendations are given by the Election Commission. So we have to bill every single centimeter which has been published. So frankly speaking we are not seeing any gain to ourselves at all.

Moderator The next question is from Rohit Dokania from B&K Securities, please go ahead.

Rohit Dokania Could you disclose the amount of provisions we have done for the ad for equity till now?

Girish Agarwaal Roughly around Rs. 9.5 crore has already been provided as a provision.

Rohit Dokania And one observation and your comments will be highly valued. After listening to your comments on the Maharashtra market, on hind sight, do you think it would have been better had we launched Maharashtra before Jharkhand. You would say that Jharkhand launch was required?

Girish Agarwaal You will appreciate these are the larger study views by the company and if the company has taken a certain call based on certain decisions or strategy and we are very happy about the decision so far.

Rohit Dokania I was just seeing the kind of revenue opportunity of Maharashtra is around 6 times that of Jharkhand. That's the market we are actually planning to launch. So in that sense wouldn't a right away Maharashtra launch would have been better?

Girish Agarwaal As of now we are very happy about our strategy, whatever we have decided so far and I appreciate your point. Certainly we will take it in our discussion next time.

Moderator The next question is from Siddharth Goenka from JM Financials, please go ahead.

Siddharth Goenka Just wanted to know how much has been the revenues from MP Printers for the first 9 months?

Girish Agarwaal 9 months is not included because this was done on 15th September we took over the business. Quarter is just Rs. 12 crore.

Siddharth Goenka And where do we report the cost line, I mean which line item we report in the cost side?

Girish Agarwaal The line items cost is included in that.

Moderator The next question is from Bharti Gupta from Sushil Finance, please go ahead.

Bharti Gupta What is the general CapEx we keep for any kind of new edition that we plan?

Girish Agarwaal See it all depends on the size of the edition. For example Sholapur kind of edition, our requirement would range anything from Rs. 6 – 9 crore.

Bharti Gupta Generally it should be assumed that for any new edition that we plan Rs. 6 – 9 crore will be required?

Girish Agarwaal No it depends on the edition size, if the edition is much larger edition, the CapEx will be higher. If it is a smaller edition it will be lesser. You really can't generalize actually.

Moderator The next question is from Avinash Agarwal from Sundaram Mutual Funds, please go ahead.

Avinash Agarwal Would it be right to say that the pricing of advertisements for local would be more sticky compared to national players?

Girish Agarwaal Very much so.

Avinash Agarwal In this environment right now have you taken any price cuts even on the local front or has it been only on the national front?

Girish Agarwaal We have not taken any price cut. Let me explain you further. It is not that we go and say okay there is a 10% extra discount to be offered. For example, if there was a client who is spending Rs.20 lakh with me, I would go and tell him instead of Rs. 20 lakh you must spend Rs.25 lakh this year with me and the relative inventory I will increase it more for you. So that's how the discounting happens. Its not that I will say okay on Rs. 20 lakh I would give you more discounts.

Avinash Agarwal Have you done something similar for the retail portion as well?

Girish Agarwaal Yeah that's an ongoing job.

Moderator Ladies and gentleman we will take one last question from Arunabharathi Padmanabhan from Pari Washington, please go ahead.

Arunabharathi P What is the normal maintenance CapEx which you incur for your existing operations?

Girish Agarwaal Around Rs.20 crore a year. This is what we estimate as maintenance CapEx.

Moderator Thank you. Ladies and gentleman that was the last question. I will now like to hand the conference back 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 queries adequately. However, we will be happy to be of all assistance through our Investor Relations Department should you have any further enquiries.

Moderator Thank you. On behalf of DB Corp Limited that concludes this conference call.