



**DB Corp Ltd**

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Q1FY21 Earnings Conference Call Transcript

August 13, 2020

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**Moderator:** Ladies and gentlemen, good day and welcome to DB Corp Ltd. Q1 FY2021 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. I now hand the conference over to Ms. Hina Agarwal. Thank you, and over to you Ms. Hina!

**Hina Agarwal:** Good evening to everyone. We welcome you to the Q1 FY2021 Conference Call of DB Corp Limited. We have with us today the senior management team of DB Corp Limited: Mr. Pawan Agarwal, Deputy Managing Director; Mr. Girish Agarwal, Non-Executive Director; Mr. P.G. Mishra, Group CFO; Mr. Mushtaq Ali, Vice President, Finance and Account; Mr. Lalit Jain, CGM, Finance and Account; and Mr. Prasoos Kumar Pandey, Head Investor and Media Relations, who will represent DB Corp Limited on the call.

We will be sharing the key operating and financial highlights for the quarter ended June 30, 2020, followed by a question-and-answer session. Before we begin, we 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 uncertainties. Documents relating to the company's financial performance have already been e-mailed to you.

Now I invite Mr. Pawan Agarwal to share his outlook on DB Corp's performance for the quarter. Thank you, and over to you, Sir!

**Pawan Agarwal:** Thank you, Hina, and Good Evening to everyone.

As we are getting used to the new normal, we hope that everyone with their families is safe in the current situation. As we usually do, we will begin the call by highlighting the key financial performance for the quarter ended June 30, 2020, followed by our operational updates during these challenging times.

The outbreak of the COVID-19 pandemic followed by a preventive nationwide lockdown has impacted the all over economy and our business was no different, and the impact of this is reflected in

the financial results during the quarter gone by. While continuity of operations to reach to normal level has been the key area of focus, we have continued our cost rationalization drive to safeguard our bottomline. It is said that every adversity also presents an opportunity. The current situation too led us to look at cost optimization in every possible department from a new perspective. The resultant cost saving in many of the identified areas has not only benefitted us in the short term but also likely to remain in the long term and bringing bigger advantages in the coming year.

Further, the zero-debt balance sheet obviously adds tremendous strength to our financial position. And this is aided by the strong liquidity position that we continue to enjoy. We are hopeful that this will not only enable us to run our operations smoothly but will also be the pivot for future growth.

Now coming to our financial performance. The consolidated advertising revenues stood at Rs.1,070 million in Q1 FY2021, the circulation revenues stood at Rs.928 million, and the total revenues stood at Rs.2,157 million. Company reported a loss of Rs.278 million at the operating level and a net loss of Rs.480 million.

Dainik Bhaskar Group Radio business continues to maintain leadership position in all significant markets. Radio advertising revenue for the past quarter stood at Rs.80 million with operating loss of Rs.61 million and a net loss of Rs.84 million in Q1.

I would also like to update you that our Digital business has been doing very well. Our app users have gone up by almost 4x with one of the highest times spent by users. During the past couple of months, given the COVID situation, while most of the media company in India pushed advertising on their digital platforms, to optimize revenue on their digital platforms, we remain focused on our strategy of building best-in-class reader experience on our digital app with no ads even during COVID. We continue to invest in Digital business and our focus on our app daily active users.

I would now request Mr. Girish Agarwaal to update on how the organization is morphing to take on the challenges thrown by the new environment.

**Girish Agarwaal:**

Thank you, Pawan, and Good Evening to everyone, and I hope that everyone is staying safe and healthy.

Further to our last update during our previous interaction on the immediate impact of COVID-19 and various steps taken by us to handle the situation, we are happy to share that our circulation has reached a 67% level in the month of April, 69% in the month of May and by June 30, circulation copies reached to 76% of that in the previous year.

I would further like to inform you that in the July month, the circulation has further improved to 78%. And currently, as we speak, in the second week of August, we are at 81% level in the overall numbers and with a few key markets like Rajasthan clocking even higher at 84%.

The balance 16% or 19% copies which are yet to come back to us are largely from the offices and the markets in the containment zones, which we are confident that as and when the situation can get into control, these containment zones will get relaxed and the offices and the shops will again resume the operations, and the copies will come back.

On the advertising revenue, we are seeing continuous recovery and I would like to break up this entire quarter month-wise for you. So, in the month of April because of the lockdown, our sales were around only 19% of the last year, which improved just by 1% to 20% in the month of May and further improved to 32% of last year in the month of June. And in July, this further improved to 53% of last year despite that there was some short-term re-imposition of lockdown in Madhya Pradesh, Chhattisgarh and Bihar also in the mid of July.

On operating cost front, newsprint rates are continuing to be soft and were lower by around 4% Q-o-Q to Rs.35850 in the Q1 of FY2021. We expect it to further correct by around 2% in the coming quarter. Our other operating cost efficiency measures are effective and helping us in safeguarding our bottomline. And as mentioned earlier by Pawan, COVID-19 gives us the opportunity to relook at cost optimization in every possible department. We expect the benefits rising out of the cost-saving measures will continue in the longer term also.

Our print business operating loss in April was Rs.169 million, which came down to only Rs.40 million in the month of May and turned positive in the month of June to operating profit of Rs.97 million and in July, it has further improved to an EBITDA of Rs.184 million in the month of July with a margin of around 20%. This company is very much focused to meet the losses of Q1 of FY 21 in Q2 itself so that we move on to the net EBITDA positive from the Q3.

As for the recent report published by EY titled "Will non-metros market propel India's recovery?" The non-metro markets show higher resilience than metro markets. The percentage of respondents, those who are expected to spend more post lockdown on majority categories are much higher in the non-metros. So it is a clear divide, which is now visible that the metros are largely shut or even if they are opened up, people are scared to go out and start much of consumption, while the mini metros and the non-metro markets are already opened up, and we see the consumption happening in those markets and there is a higher inclination to spend on categories such as consumer durables, FMCGs, auto and lifestyle in these markets.

The report also stated that newspaper led the trust index. 35% respondent said that they trust newspaper more compared to any other medium in terms of news from the trustworthiness point of view. As metro markets are still struggling to recover back from their circulation numbers also, regional markets that have recovered almost 80%- 85%. And this is expected to further shift the revenues from the metro print markets to the Indian languages markets, and DB Corp will be the larger beneficiary with circulation leadership in many key markets and also one of the largest offering by any media company in India.

Recently, Government of India has announced the new Advertising Print Media Policy, where they have mandated that 80% of the space or the revenue must go to the Indian language newspaper. This will have a positive impact on us. And we are very confident the state governments will also follow the same policy as it has been made by the DAVP central government, and that advantage will further come to us also.

This is all from our side. My colleagues and I will now be happy to respond to your questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Depesh Kashyap from Equirus Securities. Please go ahead.

**Depesh Kashyap:** Thank you for taking my question. Sir, your other expenses have seen almost 50% reduction in this quarter as compared to last quarter. Can you please explain what all expenses did you cut and how much is sustainable?

**Girish Agarwal:** As you remember, we announced in the last call that we believe that Rs.115 Crores is the cost what we have cut for this year of 2021 from our overall operating expenses. This 50% reduction what you have seen is on the multiple accounts because the number of copies also went down to almost 70%. So, the printing expenses, distribution expenses were less on that. But what we can say, out of that Rs.115 Crores, what we are planning as annual savings, almost Rs.30 Crores we have taken in this quarter out of that. And the balance will come in the other quarters.

**Depesh Kashyap:** Okay. So last year, your other expenses were at Rs.550 Crores. So, you are saying this year, it should be around Rs.430-odd Crores other expense?

**Girish Agarwal:** Yes, it will go down by Rs.115 Crores. So last year, if I see the overall numbers, YTD number, yes, around Rs.557 Crores will come down to Rs.430 Crores, Rs.435 Crores. You are right.

**Depesh Kashyap:** Sir, your circulation levels are still at 84% of the pre-COVID levels. Can you highlight which all cities the circulation levels are still low? And do you think there can be a permanent reduction in circulation due to changing habits?

**Girish Agarwal:** See, the market where we are still struggling in terms of copies is Maharashtra because in Maharashtra, the containment zones are much higher. And because of that, the Maharashtra number is below 70%, while every other market has already crossed the level of 73%, 75%. And some markets are even higher at 100%.

Coming to your second point of that how much copies may not come back, frankly speaking, we do not think that any of the copies may get permanently reduced because, as and when the markets are opening up, we are seeing the copies coming back.

**Depesh Kashyap:** Sir, what is the average pagination that you are having currently? And what was the normal levels that you used to have?

**Girish Agarwaal:** Yes, normal level used to be around 23-24 pages. But right now, we are doing the average pages of around 14-15.

**Depesh Kashyap:** 14, okay. Sir, lastly, can you please comment about the Radio segment? Like what is the trend here? And do you think July numbers are better? And when do you expect it to improve?

**Girish Agarwaal:** Sure. So, in Radio also, I am happy to announce that. I will give you the number break-up also. So, Radio revenue in the month of April, May was in the range of around 20%. In June, it came up to 25% of last year. And July, they are also at 55% level. In terms of their EBITDA, they suffered a loss of almost Rs.6 Crores in the month of April, May. June, there was zero loss. And in July, they are positive by Rs.1 Crores.

**Depesh Kashyap:** Very helpful. Thank you. I will come back in the queue.

**Moderator:** Thank you. The next question is from the line of Abhishek Jain from BP Wealth. Please go ahead.

**Abhishek Jain:** How are we doing in the digital footprint right now? So, do we have any online subscription? Or how exactly we are doing at that level?

**Girish Agarwaal:** So, we do not have any online subscription on the Digital right now, but we are doing well, as mentioned by Pawan. We have seen 4x growth on our total users, those who come on to our site. And the time spend has also increased to a very high level. And we continue to invest in the Digital. As we also mentioned that during this four months' time, there was an opportunity for the advertising on Digital in a big way. We could have got some revenue over there. But we decided that we wanted to create a world-class, user-friendly environment and the experience, and hence, there is no advertising on our app there. So, we want to create that experience for readers and, going forward, think of monetizing it.

**Abhishek Jain:** Sir, one more question. I have seen in one of the newspapers today, it is, I think, 50-page newspaper, which is much higher.

**Girish Agarwaal:** So, let me give you that news. I am happy to inform you that today Dainik Bhaskar Bhopal celebrated its 63rd anniversary. And team thought that this is an opportunity to motivate advertisers and advertise in print, so they initially thought they will do a 64-pages newspaper. But with the overwhelming response, they were able to do 72-pages newspaper today in Bhopal edition, where all the advertising categories responded, right, from FMCG to electronics, to real estate, to consumer durables, 4-wheelers, 2-wheelers, automobile, all of them. So that is a very encouraging sign there.

**Girish Agarwaal:** By the time you take the question queue, I would also like to give some information about the newsprint. As you are aware that in the Q3, our newsprint rate was Rs.38,250 per ton, which came

down in Q4 to Rs.37,223 and in Q1, they are down to Rs.35,864. So, we have seen a decline of almost 4% in the newsprint price Q-o-Q. And furthermore, we believe that around 2% more savings can come on the newsprint. Also, another advantage we have seen in between the Q4 and Q1 is that in Q1, our quantum of newsprint went down to almost half because the copies went down to 70% but more because the number of pages went down. So, our per-copy loss, as we speak, is almost zero in terms of number of copies. So, I think that is also helping us to contribute to the EBITDA. Yes. Can you further go to the next question, please?

**Moderator:** Thank you. The next question is from the line of Siddharth Kothari from JM Financial. Please go ahead.

**Siddharth Kothari:** Could you just give us an idea as to which segments of customers are coming back in terms of advertisement?

**Girish Agarwal:** So, it is a mixed basket. If I see the Q1, education has taken the biggest beating. I would not say beating, I thought I would say education got shifted because, generally, what happened, April, May, June is the biggest education season for everybody in India. But because of the results got delayed, most of the results are now coming in the month of July, August, and certain board exams have been postponed. So that is the reason this entire category advertising got shifted to the month of July, August and probably in September, October also. Because as of now, government has not allowed the colleges and the coaching classes to open up, so all this advertising is waiting for their physical classes to start so that they can start advertising. That is one.

I think one of the categories which has responded very well in the month of July onwards is the automobile, 2-wheelers and 4-wheelers. Every possible advertiser has come back to us in the month of July.

FMCG was doing still good in the month of April, May, June also because that was a thing which was allowed by the government from essential point of view. So largely, in the Q1, most of the categories were subdued. But in July, most of these categories started coming back. Even real estate has started coming back in the month of July and August.

**Moderator:** Thank you. The next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

**Sanjesh Jain:** Thanks for the opportunity. Good afternoon everybody. One thing on the advertising side, now the worst is behind, and we are approaching the festive season, what is your discussion with the key customers suggest in terms of the revival in the advertisement revenue? Can Q3 be a Y-o-Y growth quarter for us?

**Girish Agarwal:** I think so. Good thing is that the festive season is starting from October 16 this year because there is Adhik Maas in between this time. The whole of September is non-festive this year. Diwali is on November 14 or 15. So we still have enough time. And the way it looks like that the situation may

improve in India and worldwide also. In that case, we are very confident that the Q3 should be on a growth.

**Sanjesh Jain:** Got it. Any update on how the government advertisement is right now? And is it seeing any material uptick?

**Girish Agarwaal:** So, government advertising, what we have seen in the Q1, the decline was not very sharp. There was 26% decline in the government revenue in Q1. And July was slightly better. So fortunately, government has not really pulled off from the advertising.

**Sanjesh Jain:** Look, it is coming on a very low base, right? Last year, we had a steeper decline. So, on a low base, it has been declining any reversal possible there on the government advertising side?

**Girish Agarwaal:** So, when we are talking to the government department, they are also struggling on the same thing that what to advertise. They need to have more projects to come, where they can release their tenders about it. They need to have more things happening, where they can talk about it. So, I think they all are waiting for such things to happen so that they can start advertising on that.

**Sanjesh Jain:** What are the number of average copies you sold in Q1? And what was the gross and net realization?

**Girish Agarwaal:** Okay. Average copies sold in Q1 is almost 40 lakhs. And the realization in terms of rupees was Rs.2.64 per copy.

**Sanjesh Jain:** That is useful. Thank you and best wishes.

**Moderator:** Thank you. The next question is from the line of Jay Doshi from Kotak Securities. Please go ahead.

**Jay Doshi:** I think my question was around circulation, which partially got answered, and I think you have also shared those details in the press release. Just want to know, 81% that you are at right now, what is the balance 19% which is not recovered? What percentage of that will be commercial as per your assessment? And what percentage of that is not?

**Girish Agarwaal:** I can tell you roughly around 3% is the railway station copies. Because in all 12 states of us, there are a lot of copies get sold on the railway station. Roughly 2% to 3% would be railway station copies. Another 2% would be cash point copies, where people generally sell in the morning in the markets and all that. Then there are certain copies, which we are getting distributed through our railway network. So, for example, there are small villages or towns where I would send my copies to my agent, and agent would use his morning network to send those copies to nearby places. So that has been stopped because even not only the railway, the local state government transportation also has been stopped. So that is some percentage of copy. But a large percentage is the office area and the market area, the shops and all that. So that is all we are hoping that should come back as and when because right now, what is happening, government has a policy that Monday, a lane will open;

Tuesday, a particular lane will open. So those six days, seven days full operation is not yet being confirmed to the people. So that is the reason people are yet to get back to normal.

**Jay Doshi:** That is helpful. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Ketan Chawla from JM Financial. Please go ahead.

**Ketan Chawla:** Thanks for the opportunity. My question is around the Digital business. I understand that our users have increased 4x during this last couple of months. How much of this do you expect to be a sticky user base that post COVID also would maintain? That is one. And second, relating to that, is how do we plan to monetize the Digital business and at what scale. Are we looking more at advertising or at e-subscription model going forward?

**Girish Agarwal:** I will answer your second question, and Pawan will answer your first question about the stickiness. On the second question, frankly speaking, we have not yet decided that the monetization will happen in what format and when. So currently, the focus is on to develop a minimum critical mass with us, where we know that X number of people are really committed to us, what we call DAU, daily active users. So that is the focus. And we are very excited that, that number is happening. And we want to get some more time to it, and that is the reason we are not accepting any advertising on our app. I would urge you to have a look at our app. It is a world-class experience on the app. And we are still doing a lot of innovations and additions in that. Pawan, over to you for the first question about the stickiness.

**Pawan Agarwal:** Yes, so as Girishji just said, if you download our app, you will experience a world-class user experience. And then fortunately, the app with the new team was ready to go live on the Play Store in the first week of April. And because the app was in time and we could remove all the ads from the app and make it much faster, much lighter, it is one of the lightest apps with the integration of videos, so the initial two months, we also thought that probably is a COVID bump, and it will probably go down and we experienced that on the Facebook traffic, on the search traffic, that all those traffic which went up, which were never a priority for us, which went up have sort of started to come down. And we see the Comscore data trend also that the numbers in the last two months for most of the publishers have started to come down, which bumped up during COVID. Because our entire focus was on delivering a very, very high not just user experience but great content experience, so we made sure that we read those trends of not just COVID news but also news which people wanted to read. Be it international, any other segment, we were right there. And that is the only reason we have been able to not lose any numbers, any numbers whatsoever, which we acquired during COVID. It is growing now.

**Ketan Chawla:** Thank you.

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



**Ayaz M:** My name is Ayaz Motiwala from Nivalis Partners. Sir, I have a similar question on the earlier one. Just a little more on the integration side, which is we clearly note that more on the city side but in your markets also, the users will shift in time for which you have clearly got the Digital business going. So the question I have is, the other medium, which are there fighting for the same sort of share of the consumer, whether it is the television, which has now got bandwidth to be able to be watched live, and I am naming a competitor such as, let us say, an AajTak and your live video feeds that you got on your website along with the credibility of the newspaper. So how would you envision a scenario where, over time, there will be four or five massive national players who will have an audience, which will transition beyond the physical borders of the state along with some sort of local coverage? Can you share some light on how you are thinking internally on being able to tap the larger user base of this country? Because I believe you also have a lot of international audience reaching on the Bhaskar website from countries such as the U.S., etc.

**Girish Agarwal:** Perfect. So, let me answer this. So, two things; one is that in our markets, the 12 states, in the morning, people read our paper, and then we keep them updated throughout the day through our app. Now on the app, if you notice, we are not putting the story, which are already going in the newspaper in the morning and just posting it on the app. That is not happening. The app team ensures that they give us further updation during the day. It is not that the morning story is simply posted there. So that is for our markets.

Within our markets, there are people, those who do not read our paper or do not read anything or read the competitor's newspaper; or in the other markets like Uttar Pradesh or Delhi or Bombay or United States or U.K. or Australia, where people read the newspaper through our app, whether Hindi or Gujarati. Idea is to understand the requirement of the consumer.

Since you mentioned a name of a competitor, so idea is not to compete with somebody. Idea is to understand the requirement of the consumer. So, if my consumer wants to come to me from U.K. for a segment, market and overall, India update also, I need to give him that update. Or for example, within India, a consumer set is looking at particular news, why he would come to me, please understand, I cannot be a generalistic, where I say, okay, I will supply each and everything to you. No, I must be specialist plus giving you the flavor of the general news also.

So, as I told you, we are not trying to compete with any individual, whether you mentioned a name that or any other name. We are looking at that if there are Crores of people, those who want to come on to an app and want to take an update during the day, what they are looking at and how we can engage with them, that is the whole focus about.

**Ayaz M:** Girish, if I were to reframe this question and to learn more from you because, I mean, we are just trying to understand how this would go, if you want to imagine a scenario on the information you are talking on the app on the COVID situation, in the past, 10 years back, when we were not hyperconnected and news was not easily accessible, the credibility of the newspaper in the morning was sufficient in a town like Kanpur or Bareilly or whatever else in other states, where it would be

intact in that town or in that big city, whether it is Lucknow, etc. Now a lot of the general news is transitioned, and it does not matter whether your competitors from another state of Rajasthan or UP carries the same news. So that is the kind of point I am trying to understand. With cross-media in the form of electronic TV also competing and, tomorrow, potentially podcast or telephone companies competing, so your strength is this news gathering ability and writers who are just great sort of ways to tell the story, how are you trying to think of that and, as you said, the need of the customer and trying to think the future changing needs of the customer?

**Girish Agarwal:**

Frankly speaking, I can only answer you a limited portion right now because this is almost like letting out my success mantra and my formula to you on a public platform. I would like to restrict from that. But what I am trying to say, very simply, is that if a consumer is coming to any app, he is going for a particular purpose, either he is going there for a general news or he is clear that I want to go to a particular website to read these kind of news. That we are analyzing. And based on that, we are creating something, which we believe that we can really command upon. There is no point saying that I will give you the best Bollywood news. I am not a Bollywood site. So, I will give you Bollywood news, which is really required and is something big. But if you want to read a normal Bollywood actor, what they are wearing and what they are shopping and what they are eating, I may not be the right site for that kind of consumer. And I do not want to confuse that also. So that is how we are really operating on.

**Ayaz M:**

Related to that, on advertising, quickly, one more quick question, Sir. We learn from people like yourselves in the media business about power scores and how media planners want to buy those eyeballs or those readers. Are you seeing that the power of newspaper is actually going up or down on the last three, five-year basis when you talk to your advertisers, especially in the light of the new campaign on credibility, etc., and fake news in the background?

**Girish Agarwal:**

So, one thing is very clear. You must have noticed that there were companies, those who decided to not go on social media platforms, like P&G in between took a call that they do not want to be in any social media platform because there have been a lot of fake news around those platforms.

So, trust is an element, which is really working for print. And I think it is by design because print takes 24 hours to publish any news, and that is enough time for us to do a check and check again and a sub-editor reading a copy, an editor further editing the copy and all that. So, I think that is working in favor of print.

And we have seen number of copies also of all the newspapers in India going up in last many years. If you noticed, as per ABC, there has been a growth of almost 2%-3% year-on-year in last five years also in circulation. And that is the reason I think that is one important aspect.

Going forward, last four months, because of COVID, there has been a lot of shakeup in terms of people bringing back the confidence of the readers, bringing back the confidence of the advertisers in the market, not about the medium, more in the market because if I advertise in Madhya Pradesh,

Rajasthan, Gujarat, Bihar, will I get the sale or not? So, we have been doing all that excite. And we are happy with the kind of response that clients have got by advertising through print medium as such.

**Ayaz M:** Last question, if you allow me the liberty is when we read the statistics on media spending across the country, across different medium, and we read this stat on newspaper as the medium has declined over a five- and 10-year basis by a substantial number, whereas we are then within that, as you said, the 12 states language press and within that sort of Hindi, Marathi and very focused than you are. So, when the media planner is created from 0% to 35% on digital spending, they have clearly taken stuff out of your budgets partly and partly from other medium. So, in the ongoing forward-going scenario, do you see that, that is tapered off because of, as you said, fake news or credibility issues, etc.? Or we are still not at that sort of point where press as a medium is very solid and it continues to get its fair share of advertising spending?

**Girish Agarwaal:** Frankly speaking, at this juncture, I believe all the mediums, whether it is the newspaper, digital, radio, OTT, television, we all will have to work very hard with the agencies and the client to ensure that their clients get the response from the market. Right now, it is not about which medium is working perceptually better. It is all about which medium is going to give them the sale. And we have been talking to a lot of advertisers.

Like one big 4-wheel advertiser said that I do not think advertising in print will really give me the sale. People are not really going out and buying. They are maybe using their app. And we took the challenge on with him. And just to share a number, pre-COVID, from that number when you give a call and all that, was 218 calls. And in between COVID, we did a campaign with them. We got 193 calls. So, I think that was a big testimony that things are still working in the market.

It is all about the market confidence and then how print and anybody else comes in. So, I think our focus right now is to see how the sale for all these companies comes back to them because once they start selling, they will advertise more with us or with any other medium.

**Ayaz M:** Thank you. I have a few more. I will come back in the queue. Thank you.

**Moderator:** Thank you. The next question is from the line of Pawan Nahar, individual investor. Please go ahead.

**Pawan Nahar:** Thank you gentlemen. Fascinating answers and really restores confidence. Thank you so much. You made two points. Basically, one, you said there are a few markets where it is more than 100% in terms of circulation and if you can mention that. And the second thing you mentioned there in Maharashtra is it 70% or lower?

**Girish Agarwaal:** Yes, Sir.

**Pawan Nahar:** Also, if you can just talk about your positioning in Maharashtra because we have not heard much about this market from you.

**Girish Agarwaal:** Yes. So, let me take up that 100% numbers on. So, these are the markets, for example, Alwar, Bharatpur, I think Pali, so one or two markets in Madhya Pradesh, one or two markets in Haryana. So, these are the single city editions in various states, those have already crossed the number of 100% or 95% as such.

Coming to Maharashtra, as you know, Maharashtra, large area is still the containment zone and we have a big presence in Aurangabad, Nashik, Jalgaon, Solapur and all these markets. And it is not about only us. Most of the publications are suffering in Maharashtra. In fact, Bombay and Pune are the worst.

**Pawan Nahar:** Sir, leave the circulation. 70%, that is great. I mean I wanted how to do you stack up there in this market? I think we heard you are already like #2, you say, in most cities. So, if you could just talk about Maharashtra.

**Girish Agarwaal:** In Maharashtra, we operate in a place called Central Maharashtra, Khandesh and all that. In these markets, we are largely at our #2 position in most of these markets. So, whether it is Jalgaon, Nashik and Aurangabad, they are 3 key markets for us. We are #2 in these 3 markets.

**Pawan Nahar:** The second question is, look, there has always been this discussion about pledge. Frankly, the absolute amount of underlying loan now is small, as you mentioned, in the television channel today, Rs.130 Crores.

**Girish Agarwaal:** Rs.140 Crores.

**Pawan Nahar:** Sorry, Rs.140 Crores and in 12 months you should pay back. But really do not think that is the issue because, time and again, we keep hearing that there are other businesses and no harm, perfectly fine, particularly power, right, which has not been in the best of, whatever, health because of the industry concern. If you can actually just talk a little bit, and I am sorry if this may not be the platform, but it seems that, that is also impacting the overall sentiment because, operationally, you all have been doing exceptionally well.

**Girish Agarwaal:** Since you have brought up the issue, I must clarify that, and you have all the right to ask about it. So, this Rs.140 Crores pledge is there now, which we believe, as I told you, we are targeting hard to pay back the entire money in next one year's time. That is one. Second thing, as you mentioned about the power business, I am happy to inform you that power business is operational from last five years' time, and they have been paying all the bank repayment interest very much on time. That company is A- rated also. So, from the rating perspective also, it is pretty good from the power sector perspective. And the company or the promoters have not invested even a penny in last six years in power business because that is a self-sustaining business as of now.

**Pawan Nahar:** So basically, then I read that power is not a concern for you?

**Girish Agarwaal:** No, they have not taken a single penny from us in the last six years' time.

**Pawan Nahar:** Okay. And is there any other business in the group, which has been requiring a lot of capital?

**Girish Agarwal:** These are making money. For example, our textile business, they have been making money, decent money. Our mall business in Bhopal and Gwalior, they have been very much a cash positive business. Yes, that is it. We do not have any other business apart from this.

**Pawan Nahar:** So, this is again very reassuring because this absolute amount of Rs.130 Crores, Rs.140 Crores is cannot or should not be the concern, right?

**Girish Agarwal:** Yes.

**Pawan Nahar:** But time and again, time and again, these things crop up in the market, so happy to hear these comments of yours. So, anything else you would like to speak in terms of assuring or talking about the other businesses that will be dearly helpful.

**Girish Agarwal:** No, the other businesses, as I mentioned to you, all of them make some money, and they take care of their growth expansion also. And power is also as I mentioned to you, is all taken care of and done on that. And somebody asked me about the dividend policy of the company. I would like to reiterate the fact that the company is very clear that whatever excess cash the company will have, that will be given back as dividend to our stakeholders. Because in the current times or even earlier also, company had no reason to keep cash more than required in the balance sheet.

**Pawan Nahar:** These have been facilitating on those accounts.

**Girish Agarwal:** Yes.

**Pawan Nahar:** I mean both DB and Jagran, these have been fascinating. Just that the other things which keep coming up. Thank you so much. Best wishes.

**Moderator:** Thank you. The next question is from the line of Ketan Chawla from JM Financial. Please go ahead.

**Ketan Chawla:** I have two questions. One is on the cover price hike. Are we looking at doing any cover price hike in either any of our key markets or a broad-based hike? And the second one is regarding you mentioned that we are almost back to breakeven and EBITDA positive in this month any guidance for the remainder quarters?

**Girish Agarwal:** On the cover price, frankly speaking, is that a big driver for revenue, are we looking at it? No. Because, yes, maybe some minor correction of Rs.0.50 here and there, that will be taken. But are we looking at a major increase in the cover price no, not now for a simple reason, because the number of pages has already gone down? And we are not losing any money on the subscription of it. So, we do not want to drive big cover price gain there, to be very honest, this quarter or maybe early quarter as such. And the second point, sorry, I missed out.

**Ketan Chawla:** The second point was regarding you all have mentioned that you have returned to profitability and breakeven in this current month any guidance on the remainder quarters?

**Girish Agarwaal:** So, the purpose I mentioned about July is to bring confidence in all of you that your company is doing good. July, we have seen a Rs.19 Crores EBITDA, which is almost 20% EBITDA margin. And our all effort is onto that, that we should be able to take away the losses what we have incurred in the month of April, May and in this quarter itself.

**Ketan Chawla:** Thank you.

**Moderator:** Thank you. The next question is from the line of Sonaal Kohli from Bowhead. Please go ahead.

**Sonaal Kohli:** Thank you for this opportunity. Sir, my questions were broadly at the industry level. Do you see in next couple of year's industries getting more and more revenues from subscription as compared to what it was getting before? And it is broadly a two-player market in most of the states, so is there any possibility of you to hike prices for advertising or for subscription considering any sort of agreement because in most of the markets, players were challenging each other, and you were a challenger in many states? Some broader picture of any changes in the post-COVID world or any internal thought process the players may have discussed.

**Girish Agarwaal:** Two things in this. First, we are not believer of any cartelization. Number two is that the increase of price should not be suiting company. It should be also comfortable for the customer to pay. I can decide to increase the cover price by 100% tomorrow. Nobody can stop us. But the customer also needs to be comfortable with the price hike where he sees okay, I think you want some Rs.0.50, 10%, 20% increase, that is reasonable enough. But if you say, I am looking at a 40% increase, some customers would say, fine, thank you, go ahead. So, I do not want to advocate that kind of situation at all. So rather than looking at whether two of us join hands and do this, we need to see those millions of people, those who subscribe my paper, are they comfortable with that or not. Thank you.

**Sonaal Kohli:** Do you think people in India do not have the ability to pay Rs.0.50 per day more for something as essential as a newspaper and reason?

**Girish Agarwaal:** There are enough studies done by us on the price sensitivity also. You will have to understand that today, our newspaper costs Rs.120 a month already in our case. And in some markets, we are at Rs.130 also, some newspapers are at Rs.150, Rs.170, Rs.200 also. So that is the range. But if you see suddenly from Rs.130, we make it Rs.190, and though it is a Rs.0.50 or Rs.1 and all that, it was like your cable connection cost you almost the same money. So, there is a possibility of cover price increase but not the way some people may visualize that, okay, two people join hands together. And since they are the only player in market and make it 50% higher. I do not think that is more advisable.

**Sonaal Kohli:** And on the ability to increase ad prices, does that exist?

**Girish Agarwal:** There is always a possibility of increasing the ad price by some percentages, 10%, 15%, 20%. But beyond that, if you make it more unviable for the advertiser, he will have to look for more options.

**Sonaal Kohli:** So, sir, if I understood you correctly, there is a scope of some reasonable increase, not a very large increase. But that scope, already, existed. So, what I wanted to ask you is, directionally, has things changed in the industry? I am not talking about cartelization. There is a difference between going for abnormal price increases versus getting something what is reasonable and due, which may not have happened due to highly competitive nature of the industry in the past. So, what I am trying to understand is, is there a scope of a reasonable increase in both ad prices as well as cover prices?

**Girish Agarwal:** Certainly, yes.

**Sonaal Kohli:** Over a couple of years?

**Girish Agarwal:** There is always a scope for a reasonable increase in cover price and advertising price. And as you rightly mentioned, industry is discussing with each other that how can we look at some reasonable price increase, which is still comfortable with the advertiser as well as the readers.

**Sonaal Kohli:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Abhishek Jain from BP Wealth. Please go ahead.

**Abhishek Jain:** Sir, two questions. How much cash is there on the balance sheet at this point of time? Is there any plan for what is the market share? It is like you have gained 80% of your subscribers. How the market has moved up, like the market is also 80%, and we have gained some market share or what exactly is the trend there?

**Girish Agarwal:** So, I think the cash, what we have, let me reconfirm with Mr. Lalit. Lalit, it is Rs.146 Crores, is that right?

**Lalit Jain:** That is correct.

**Girish Agarwal:** Yes, it is Rs.146 Crores cash. Coming to the second point of yours that if we have reached the market at 80% or 84% in Rajasthan, have we been able to increase the market share? Certainly, yes. We have seen this in Gujarat. We have seen this in Madhya Pradesh. We have seen this in Rajasthan also that our recovery is faster and higher than the competition.

**Abhishek Jain:** And last question, is there any plan to reduce the pledge?

**Girish Agarwal:** Yes, Sir. We have been mentioning it again, Rs.140 Crores, which is still to be paid to reduce the pledge. We are all working towards it that, hopefully, in the next 12 months' time, we should be able to bring it to 0.

**Abhishek Jain:** Thank you.

**Moderator:** Thank you. The next question is from the line of Anshul Saigal from Kotak PMS. Please go ahead.

**Anshul Saigal:** Good evening. Thanks for giving me the opportunity. I wanted to understand that in our discussions with companies, it is becoming evident that most companies have deferred or canceled their advertising plans because of COVID. Now does it mean that running into third, fourth quarter of this year, there may be a bunching up of advertising by many of your clients, and hence, you may see some sort of a surge in advertising volumes for fourth quarter and, of course, for FY2022?

**Girish Agarwal:** Sir, in Hindi there is a proverb, “muh me ghee shakkar” may your mouth be full of ghee and sugar I would like to say that God forbid whatever you tell, should be happening. That is what we are looking forward for, that there should be a surge in advertising in the Q3 because that is the festive season, not only because the advertisers would like to advertise just to advertise because they also want to bring the customer back to them. To bring the customer back, they need to advertise, they need to tell people. Because one change what we have seen in the last four months' time in the consumer behavior is that the consumer has become slightly less loyal to a brand, because of the availability issue, because of the price issue and all that, so I think now all the companies will have to ensure that they are advertised and talk about their product perspective, talk about their product offerings and the benefits to the consumer more and more so that he makes up a mind to pay a premium to a particular brand.

**Anshul Saigal:** Which segments do you see this recovery? If it happens in the third and fourth quarter, which segments do you think will probably have this recovery?

**Girish Agarwal:** I think the biggest would be education, automobile and real estate, along with a little bit of lifestyle category also.

**Anshul Saigal:** As of today, our advertising volume, I am not talking about the pricing but volumes per se, how much lower are they on a comparable basis a year ago?

**Girish Agarwal:** Sir, they all are down. To be very honest, the last 4 months, we have not looked at the volume, we have looked at the value only.

**Anshul Saigal:** Value only.

**Girish Agarwal:** How much we can achieve faster because, right now, also what is happening, because of the lockdown, we had to offer a few schemes to the advertiser on some benefit, free runs and all that. So last four months, the focus, to be very honest, has been largely only value, that how we are able to get the value back. Yes, I can give you the volume degrowth is almost 63%, and the realization also went down by some percentages.



**Anshul Saigal:** On the Radio business, in this period, one would have assumed that Radio should have held up reasonably well because for obvious reasons. But it looks like Radio has also been impacted and not just for you but the industry. How do we see Radio trends going ahead?

**Girish Agarwal:** See, what happened in most of the markets, a lot of people listen to radio while they are commuting, when they are in their cars and all that. So, I think because of this lockdown, a lot of people were not able to go out of the homes, and hence, their listening of radio was not that great. And advertisers always assumed that if you are on the go, then you will listen to my ad. So, he was also holding back the advertising. But if you see the number, they have come back to almost 55% revenue of last year. And so, I am sure they are also back on track now, looking at the numbers.

**Anshul Saigal:** Thank you. Wish you the best.

**Moderator:** Thank you. The next question is from the line of Ayaz M. from Nivalis. Please go ahead.

**Ayaz M:** My question is, one, on the debt. The debt went up for the period ended March 2020. So, can you describe what is the debt at the end of June and the particular use why the borrowing was done?

**Girish Agarwal:** Yes. So, working capital was at Rs.81 Crores in the month of March closing. I am happy to share that in June, it has already come down to Rs.53 Crores.

**Ayaz M:** Sir, the debt position is a long-term debt position, right? It is working capital I am not understanding.

**Girish Agarwal:** So, working capital. There is no long-term debt on the company, zero debt company speaking.

**Ayaz M:** Okay. So, your finance cost, which shows in your 30th June of Rs.7 Crores or Rs.70 million.

**Girish Agarwal:** Because of working capital, Sir.

**Ayaz M:** That is on account of working capital?

**Girish Agarwal:** Yes, Sir.

**Ayaz M:** So that number, time annualized, which was Rs.25 Crores for the period ended March 2020.

**Girish Agarwal:** It has come down.

**Ayaz M:** Would imply a gross working capital level of...

**Girish Agarwal:** It will come down furthermore.

**Ayaz M:** To level of Rs.250 Crores, Rs.300 Crores, Sir?

**Girish Agarwaal:** Yes. It will further go down, Sir. I do not have exact number in front of me. If you give me a minute, I can look for it.

**Ayaz M:** No, I think it is fine. Working capital clarifies that there is no debt, which should build up.

**Girish Agarwaal:** Sorry, Lalit, you are saying something, please?

**Lalit Jain:** Yes. The interest cost, which we are seeing in the results, this includes as per accounting standard, Ind AS 16, there, is Rs.4 Crores entry. You may be aware that rent amount, lease rent is removed from the opex costs, and it is added in interest and depreciation. So, a major part of the interest is not due to the loan, but this is because of the Indian Accounting Standard 16.

**Ayaz M:** Yes. So, Lalit, if you can break that Rs.25 Crores for FY2020 in the form of lease rental, which is accounted as finance, costs versus actual working capital interest?

**Lalit Jain:** Actual working capital interest is Rs.3.8 Crores.

**Ayaz M:** Rs.3.8 Crores out of the Rs.25.1 Crores?

**Lalit Jain:** Yes.

**Girish Agarwaal:** No, it is for the full year or you are talking about quarters, Lalit?

**Lalit Jain:** I am talking quarter.

**Girish Agarwaal:** Quarter. So, can we answer you this off-line with all the details on that quarter-by-quarter?

**Ayaz M:** Sure. Yes, that is great. And the second question that I had, Sir, was on this cost-saving program, about Rs.125 Crores to Rs.130 Crores on that base of Rs.557 Crores, as you read out.

**Girish Agarwaal:** Rs.115 Crores, Sir. Rs.115 Crores.

**Ayaz M:** Yes, Rs.115 Crores, sir. So, this program, you said some amount of gains have already been made in the first quarter. Can you have linked it a little bit to copies and distribution of print, saving on account of that apart from newsprint itself associated with copy? When things normalize on the advertising line, which is always what we are hoping and praying for, some of these costs will rebound a bit, Sir? Or this is what you are going to lower your operational cost structure down by Rs.115 Crores?

**Girish Agarwaal:** So Rs.115 Crores is considering the normal situation, not the COVID situation, normal. But if at all we get into a better situation, where the number of pages goes beyond 20 pages also, then we will have some incurring costs happening. But I will be more than happy to incur that cost because that will be more advertising revenue coming to us.

**Ayaz M:** Okay. Last question, Sir, on the new media initiatives, particularly digital, do you share what have you been spending on it for the last few years?

**Girish Agarwal:** Sir, we took a permission from all of you last year that allow us not to disclose this number for at least a few more quarters so that we are able to invest in that business without disclosing much to the competition and come back to you with the concrete financial numbers.

**Ayaz M:** Thank you very much. Have a good evening.

**Moderator:** Thank you. The next question is from the line of Depesh Kashyap from Equirus Securities. Please go ahead.

**Depesh Kashyap:** Thanks for the followup. Sir, in your initial remarks, you talked about the government will give 80% of newspaper ad spend to regional papers. I just wanted to know what this number before this announcement was. And secondly, does the government also mention how much of their ad spend will come to newspapers versus other media?

**Girish Agarwal:** They have not given any budget that how much they will spend on the print. So, the thing whatever they spend on the print will be 20-80. Furthermore, what they have done, there was a condition stipulated earlier that if you are a small publication below 45,000 copies, then you do not have to have an ABC certificate, Audit Bureau of Circulations certificate. They have reduced that stipulation now to 25,000, which means there will be a lot of smaller publications, those who will not be able to fulfill the requirement of Audit Bureau of Circulations, they may lose out on the circulation certificate and the revenue from the government. So that will be beneficial for all the medium-size and the big newspapers.

**Depesh Kashyap:** Okay. So, 80% will come to regional. And out of that 80%, 50% will come to bigger guys like you, right?

**Girish Agarwal:** That is what we are hoping so.

**Depesh Kashyap:** And Sir, what was the number before this? Was there any proportion that they were decided?

**Girish Agarwal:** We are getting almost 27% to 32% - 33%.

**Depesh Kashyap:** Thank you.

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

**Yogesh Kirve:** Thanks for the opportunity. Sir, two questions. The first is more of a clarification. So, if we go back to our pre-COVID levels in terms of the revenue on a recurring basis, so will our cost be lower by

Rs.115 Crores on a recurring basis? Or is this for this specific year because of the lower volumes and now we are looking at Rs.115 Crores?

**Girish Agarwal:** Rs.115 Crores loss this year, considering that we will go back to our circulation original base in this quarter itself. And out of this Rs.115 Crores, we are also hopeful that large amount will also continue to be saved going forward also because we have done some structural changes to cost savings, that will stay.

**Yogesh Kirve:** So right, so there was certain one-off saving in the first quarter at least or the first four, five months?

**Girish Agarwal:** That is only for this quarter. That cannot continue. If my circulation has gone up, the production cost will anyway go up so that we are not accounting in this Rs.115 Crores.

**Yogesh Kirve:** Sir, secondly, regarding the digital metric, so I have not picked up or have you disclosed regarding the absolute numbers in terms of the monthly unit visitors or on daily active users, if you could give us that?

**Girish Agarwal:** So Sir, as I mentioned, we took the permission from all of you that allow us not to disclose our financial numbers and the performance number for a couple of quarters so at least we are able to work diligently on this without giving much information to our competition.

**Yogesh Kirve:** Thank you Sir. That is all from me. All the best.

**Moderator:** Thank you. The next question is from the line of Asim Gorashi, individual investor. Please go ahead.

**Asim Gorashi:** Girishji, you know you are in the front line of seeing how consumer and users are behaving. This is the time of significant change we have seen everywhere. So, I would just want to hear your thoughts for some time on what you were seeing the Indian reader and the Indian consumers change in this time?

**Girish Agarwal:** Indian reader I can start with first. Good thing is that because in last four, five months' time, people were at home, more time at home even now, and the information hunger went up. So, everybody wanted to know what is happening in the morning and during the day also. So, I think this became a quite opportunity for us, our editorial team. Those 3,500 team members, those who work in editorial as reporters and journalists and copywriters and all that, I think they really enjoyed the new phenomena because now every line of the newspaper is being read. And they got a lot of time to innovate, a lot of time to think through because what happened is a unique situation. When I was talking to our journalists our journalists, they go with the events in the day. There are three events happening. You must go and meet so-and-so politician. There is a murder happening, so you must go and report that murder. Now in the COVID, there are no events. Even if there is a crime happening, you are not allowed to reach to the state of the crime and all that. So, every journalist had to think through that what more I can bring to the table, what is different I can bring to the table, not just the number of the COVID patients happening. So our journalists went to hospitals inside wearing a PPE

kit to see how the corona patients have been treated or how a doctor who is in the PPE kit for 6 hours, how does he feel, he or she feels that how you are managing that 6 hours of COVID PPE kit. Or some of them went to the graveyard also, cremation grounds, to understand because there were fake claims coming in between that. There are many people dying, government are not disclosing the numbers and all that. So, they went there and all that. I think last four months have been an amazing journey for all the journalists not only for Bhaskar, I would say countrywide. So that is one big thing happened from the reader's perspective. And readers have got connected more with the newspaper. And this whole truth element came much more in the front because you could not take a chance with the fake news now. So, I think that was one done with experience.

Coming to the normal consumer, as I mentioned earlier, this whole brand loyalty, because of the availability and the price factor also, has come in a bit question mark for any other product. If you are out in the market to buy a tomato ketchup and if your favorite brand was not available, you did not even think twice to buy another one because you wanted to stock up. And after tasting that other thing, you realize not that bad and the price is from \$10 cheaper, so should I think of downgrading, upgrading, whatever. So, I think that has thrown a lot of challenge to the marketers.

Another big challenge, which has come to all the marketers in the country this now, metro, are closed. The six, eight metros in India are partly closed or not consuming much, so a marketer must now focus in the Rest of India. In a loose language, what people used to call in, say, city like Bombay, bahar gaon? Anything outside Bombay is supposed to be a bahar gaon. So now they must focus on that smaller cities, so-called smaller cities. Like there are people, those who must have not even traveled to Rajasthan beyond Jaipur, or UP beyond Kanpur or Lucknow. So, there were these marketers who are forced to now go to each place to understand where the consumption can come through. So, I think the big change happening in country from that perspective.

**Asim Gorashi:**

Got it, Sir. And Sir, just on the competition side, you, of course, talked about having gained market share. But fundamentally, what we are seeing across industries is that this is a time when the big become bigger, the strong become stronger, both from the frontline perspective and like the supply chain and sources perspective. Are you also seeing that trend in your space?

**Girish Agarwal:**

I would frame it differently. It is not that the big become bigger, it is the best becomes bigger. So, if you are a better product, and you can continue giving the better product, then more and more people want to get along with you. That is what we are seeing in our states like Gujarat or Rajasthan or Madhya Pradesh and a couple of more markets also, Bihar, where people feel that if your journalism is better, your newspaper is giving better stories, better layout, truthful news, I would like to read your paper.

**Asim Gorashi:**

Sir, in the places where you were #2 in the market, incrementally, are you seeing signs of gaining over the #1 in this time?

**Girish Agarwal:**

Yes. We are clearly seeing this sign in Gujarat, clearly seeing this sign in Rajasthan also, in various markets in Rajasthan.

**Yogesh Kirve:** And Bihar, Sir?

**Girish Agarwal:** Bihar, to some extent, yes. Unfortunately, from last 1.5 months, Bihar is under flood. So, the number of copies which went up in Bihar suddenly, because of flood, almost 40,000, 50,000 copies are stuck because you cannot even reach out to certain places in Bihar right now. So, I would say Bihar would also start doing this month onward once the situation comes to normal there.

**Asim Gorashi:** Got it Sir. That is all from my side. Thanks a lot. All the best.

**Moderator:** As there are no further questions, I now hand the conference over to the management for closing comments.

**Pawan Agarwal:** Thank you for your participation and time on this earnings call. I hope that we have responded to your queries adequately today, and we will be happy to be of assistance through our Investor Relations Department, headed by Mr. Prasoon Pandey, for any further inquiries. Take care and stay safe. Thank you.

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