



DB Corp Ltd

“D.B. Corp Limited Q1 FY2025 Earnings Conference Call”

July 16, 2024

Moderator: Ladies and gentlemen, good evening and welcome to the D.B. Corp Limited Q1 FY2025 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing “*”, then “0” on your touch tone phone. Please note that this conference is being recorded.

We have with us today the Senior Management Team of D.B. Corp Limited, Mr. Pawan Agarwal – Deputy Managing Director; Mr. Girish Agarwal – Non-Executive Director; Mr. Lalit Jain – Chief Financial Officer; and Mr. Prasoon Kumar Pandey – Head (Investor and Media Relations), who will represent D.B. Corp Limited on the call.

The Management will be sharing the key operating and financial Highlights for the quarter ended June 30, 2024, followed by a question-and-answer session.

Please note 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 emailed to you and are available on the website of the stock exchanges and the Company's Investors Section. Trust, you have been able to go through the same.

I now hand the conference over to Mr. Pawan Agarwal. Thank you and over to you, sir.

Pawan Agarwal: Thank you very much and a very good evening to everyone. And thank you for joining Q1 FY 2025 D B Corp Earnings Conference Call.

We will begin the call by highlighting the key financial performance for the quarter ended June 30th, 2024, followed by key operational updates.

In Q1 FY2025, we were operating on a relatively higher base, both Y-o-Y and Q-o-Q. Despite this, our advertising revenue grew by 8.4% Y-o-Y, reaching Rs. 4,277 million in Q1 FY2025, which reflects the strength of our brand and the trust of our advertisers place in us. Our average newsprint cost has reduced to Rs. 46,900 per metric ton, representing a substantial 17.2% Y-o-Y reduction in rates. This has played a crucial role in boosting our profitability with EBITDA growing 40.4% Y-o-Y to Rs. 1,909 million, and expanded our EBITDA margins by 700 basis points, taking it to a robust 31%. Profit after tax increased by 49.7% Y-o-Y to Rs. Rs. 1,179 million.

Now let me touch upon some operational highlights across the key segments:

In our core print media business, our strong brand equity continues to drive growth, especially in our key non-metro markets. We have reinforced our credibility as a trusted news source, as evidenced by the accuracy of our recent election results predictions. Turning to our radio segment, I am proud to say that we have maintained our industry-leading EBITDA margins. We are focusing on strategic investment, content excellence and audience engagement to build a sustainable stream of revenue growth in this segment.

Our digital presence continues to flourish. As of May 2024, we have over 18 million monthly active users, cementing our position as the leading Hindi and Gujarati news app. This success is driven by our commitment to top notch content, an excellent user interface and robust technology.

I will now hand it over to Mr. Girish Agarwal, who will provide you with an operational update. Girish ji, over to you.

Girish Agarwal:

Thank you, Pawan. And good evening, everybody. Thank you for joining us for today's call. And I would like to build on the overview you have just heard from Pawan and provide some additional inputs into our performance this quarter.

Last year we witnessed impressive revenue and earnings growth, well supported by our key state elections led consumption growth, as well as softening of the newsprint prices. We have had a promising start to the year wherein our print business has seen promising growth, reflecting the resilience of our offering in attracting both traditional and new age advertisers across various segments.

We continue to work on our circulation, and we are very optimistic about our strategies to enhance distribution and engage with our emerging markets, especially urban nuclear families, high rise communities, offices and hotels. Looking ahead, we are committed to strengthening our market position through enhancing circulation, optimizing cost structure and expanding our digital footprint. These efforts will complement our focus on content and engagement, ensuring we maintain our leadership position in the evolving media landscape.

Thank you very much and now we are open to take your questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Riya Mehta from Aequitas. Please go ahead.

Riya Mehta:

My first question is in terms of what was the Government revenue percentage this term? And what was the growth, both state and center?

Girish Agarwal:

The government grew at almost 20% over last year and the contribution was in the range of around 20%.

Riya Mehta:

20%, this is both state as well as center?

- Girish Agarwal:** Overall.
- Riya Mehta:** And in terms of auto, we were very big almost two years back. Are we seeing the similar kind of traction because the two wheelers and all is back?
- Girish Agarwal:** Yes, this quarter we have shown a growth of almost 35% in the auto category and auto is now contributing almost 8% in the overall revenue.
- Riya Mehta:** And previously when we were seeing peak of auto demand, what kind of contribution was coming from auto?
- Girish Agarwal:** Same, 8%, because that time government was not that high, it would go down. So, this percentage will go up accordingly. Real estate, education; see, this contribution keeps changing quarter by quarter.
- Riya Mehta:** Sure. I understand. Also, in terms of the freight rate increase, since I think 40% to 50% of our newspaper is imported, so how is it impacting and are we seeing any availability challenges?
- Girish Agarwal:** There are no availability challenges. The only thing, as you know, in the news print our rate last year was almost Rs. 56,600 number, which has gone down to Rs. 47,000 this year in this quarter. Because of the international sector, the freight has again started going up. So, maybe in the next quarter we may see a couple of percentages increase in the news print price.
- Riya Mehta:** That would be just an imported paper, right?
- Girish Agarwal:** What happened, Indian mills generally work on the parity. So, if the imported landed price is Rs. 100, accordingly they adjust their prices.
- Riya Mehta:** Also, last question in terms of digital, are we looking to publish the numbers separately or there are a few quarters more for us to actually publish the results separately?
- Girish Agarwal:** I guess a few more quarters.
- Moderator:** Thank you. Next question is from the line of Himanshu Upadhyay from BugleRock. Please go ahead.
- Himanshu Upadhyay:** My question was about a comment what we made last quarter. We stated that historically pre-COVID we used to do a lot of events to drive readership and more copies in particular markets for increasing our circulation. But what we are seeing is the paper prices have come off, but the circulation has still not picked up for us.
- Girish Agarwal:** I think Himanshu Ji, what you are saying is just bang on and I am appreciating your thinking in the direction where the management is already thinking. We ourselves believe that since the newsprint prices are down, revenue is up, this is the time for us to go to the market and start pushing all efforts in the circulation. And I am happy to share with you, we have already started the exercise. We are running various schemes for our distribution agents to encourage them. We are running certain readership scheme for our readers so that they are motivated

more to read, buy more copies and all that. So, I think we have started a lot of things. And in the coming months you will see much more effort from our side.

Himanshu Upadhyay: And one more thing, is the profitability in competition also remains good? Are we focusing even on getting market share or just penetration and getting more people to the newspapers?

Girish Agarwal: See, what happened, when you go to the market, you look for increasing your number and in turn you get more market share and you get new penetration, both. You cannot segregate the two.

Himanshu Upadhyay: Sir, just the thought was, see, the competition will also get stronger and then in bad times they do not give up that much market share.

Girish Agarwal: Do not worry about that, it is also about the product quality.

Himanshu Upadhyay: And one more thing, so what led to this circulation revenue being flattish? So, what you are saying, has that started in this quarter? Or we started in previous quarter and the impact of that has been that circulation running slow?

Girish Agarwal: Frankly speaking, what has happened in certain markets, we have taken the price increase in last six, eight months' time, that annualization impact also came in. So, I think the real impact of circulation we will start seeing in post September only.

Himanshu Upadhyay: So, you are saying the circulation copies improvement will start from September?

Girish Agarwal: Yes, that's what the focus is.

Himanshu Upadhyay: And in terms of advertising revenue, the 8% odd growth we are seeing. Can you give some volume value mix or how much has been the volume growth versus?

Girish Agarwal: Largely it's on both fronts. We are happy to share that we have been able to increase margins slightly, and there has been a bit of improvement in yield, though nothing substantial. The focus remains primarily on increasing volume.

Himanshu Upadhyay: And any thoughts on page, what is the average number of pages currently?

Girish Agarwal: Same, we are at 20.88 pages, last year in the same quarter we were at 20.8, so almost same, 0.3% growth.

Himanshu Upadhyay: And at the peak of paper prices or newsprint prices, how much was the average number of pages?

Girish Agarwal: Same, pages cannot go down below, it can only go up. During seasonal or festival times, it can go up to 24 or 26 pages. However, the minimum typically remains around 19 pages.

Moderator: Thank you. We have a next question from the line of Falguni Dutta from Mansarovar Financials. Please go ahead.

- Falguni Dutta:** Sir, I just had one clarification. When you mentioned auto as a percentage of overall revenue being 8% and government revenue being 20%, so are these percentages a total of ad revenue or a total of overall percentage?
- Girish Agarwal:** Ad revenue.
- Moderator:** Thank you. Next question is from the line of Pranav Shrimal from PINC Wealth Advisory. Please go ahead.
- Pranav Shrimal:** Just had a couple of questions. I just wanted to understand that outlook on the radio segment. Where do you see the radio growing from where it is right now? And what sort of margins and what sort of growth are you expecting in radio sector alone?
- Girish Agarwal:** The radio segment achieved a margin of 34% this quarter, which matches last year's margin of 34%. The top line grew by 6%. See, this segment largely will stay in the same size, same percentages, unless until Government of India opens up the news and current affairs in this. Once news and current affairs get opened up, then suddenly the whole listening ability of viewers for this segment will go up much, much more, interest will go up. And you can do many things then. Right now, we simply play music. And how much an RJ will keep talking? So, I think there is no great differentiation also. But the day they open the news and current affair, then you will see the whole advantage of this sector.
- Pranav Shrimal:** And in terms of our ad revenue outlook, what sort of growth are we expecting? Now that the elections are over, which would be the top sector that coming ahead you see? I know it differs quarter to quarter, but overall, your level?
- Girish Agarwal:** We are looking forward for an excellent budget going forward, because I am sure the government will ensure that the economy of country further takes a growth and all the sectors do well. If that happens, then I am sure automobile, education, real estate, jewelry, which are my main segments, will start firing in the market and I will have the advantage of the same.
- Moderator:** Thank you. Next question is from the line of Anuj Sharma from M3 Investment. Please go ahead.
- Anuj Sharma:** If I look at the raw material cost, which is basically newsprint, it is now down to 26% of total cost. And if I take a long-term average, it used to be around 33% to 35%. Now assuming this cost will revert to mean, which is from 26% to maybe 33% to 35%, are there ways we can help protect margins beyond the newsprint, which has benefited us tremendously?
- Girish Agarwal:** I think you just mentioned that newsprint is a 26% of total cost, correct, that's what you mentioned?
- Anuj Sharma:** Yes, I think currently this quarter.

- Girish Agarwal:** I think no, because if you see my total cost is around 4,254 million correct. And in 4,254, the news print is 1,569. So, I think it is not 26% what you just mentioned. You may have to relook at the number, please.
- Anuj Sharma:** Okay, maybe I assumed it wrong. But even as a proportion to total cost, it has come down significantly, right? And if it were to mean revert, would that proportionally impact our margins? Or do you think we have mitigation strategies beyond the material cost or raw material cost?
- Girish Agarwal:** As of now, news print is 37% of my overall cost. And why it has come down, because the overall cost has come down. Now, I am hoping that this stays around this or maybe a couple of percentages going up and down here and there. But at the same time the ad revenue has to go up so that my overall profitability continues to grow.
- Anuj Sharma:** Just extending on this, till what time can we hedge or possibly extend this cost? Or you think this will move in line with the market? Are there ways we can hold on to this cost, news print?
- Girish Agarwal:** No, you cannot. Because see, it is not about the news print alone, it is the freight cost also, freight cost you cannot hedge. And my news print is not entirely imported. I have an Indian news print also, so that Indian news print you cannot hedge the price because nobody takes the cost for more than three months, four months, five months' time maximum. That we have already done with all the mills.
- Anuj Sharma:** And just little bit on the yields. Do you think that it's time that the yields will start improving or the market is still not ready to accept higher yields?
- Girish Agarwal:** We have already started working on it. In some areas we are getting the benefit of that, sir.
- Moderator:** Thank you. Next question is from the line of Mohit Saini, an individual investor. Please go ahead.
- Mohit Saini:** I just have a small question. You are having almost around Rs. 1,000 crores in your bank, and you are giving a dividend of Rs. 7, which almost amounts to Rs. 125 odd crores. Are you looking for any investment opportunity or buyback? Because I think there must be something going on in your head since there's too much cash.
- Girish Agarwal:** I can certainly take your point to the Board. And whatever the Board decides, we shall communicate to you, sir.
- Moderator:** Thank you. Next question is from the line of Mohammed Patel from Care Portfolio Managers. Please go ahead.
- Mohammed Patel:** What does the advertiser mix for Q1 versus last year Q1?
- Girish Agarwal:** The advertising mix has remained almost the same between last year and this year. For example, education, this is one of the biggest quarter for education, remains there only, contributing almost 20% plus even last year and same year. Real estate as a category

contributed around 7%, 8%. Automobile, 8%. FMCG continues to be at 4%. Jewelry at same, 4%. So, since it's a quarter-to-quarter comparison, the mix remains largely the same, sir. Except the government, because of the elections and all government was slightly higher.

Mohammed Patel: What is the circulation volume Q1 versus last year?

Girish Agarwal: We are doing around 40 lakh copies as of now, sir. And as we discussed that our efforts going forward will be that that we need to increase the copies from here on.

Mohammed Patel: I just add a question that are we going to increase the dividend payout ratio considering we do not have investments?

Girish Agarwal: The Board has decided and declared a Rs. 7 interim dividend for this quarter. And I am sure considering the overall growth of the business and the cash, Board will take a very arrived and thoughtful call going forward also.

Mohammed Patel: We increased the dividend payout for this current quarter, so I was just wondering if we are increasing the payout ratio.

Girish Agarwal: I will take your point to the Board, sir, and I am sure they will consider it.

Mohammed Patel: And my last question is, how much margin impact we are expecting because of the newsprint in the near term, increasing news print prices?

Girish Agarwal: Sir, in this quarter we have an EBITDA margin of 31%. Last year it was 24%. And we believe next quarter there will be some increase in the newsprint cost, but advertising should be able to take care of that.

Moderator: Thank you. Next question is from the line of Sagar Parekh from One Up Financial Consultants. Please go ahead.

Sagar Parekh: My question was on the digital business. So, I know you do not share any quantitative numbers, but if you can share qualitative aspects and if you can share what is the outlook on the digital front and where do you see? And how are you looking at growth in this bus?

Girish Agarwal: Digital, as Mr. Pawan in his speech mentioned that we have shown a good growth and our monthly active user in the month of June has crossed 18 million, which is a very, very positive sign. And we got huge appreciation of our editorial team for our coverage in the general election this year. So, I think overall we are gaining more traction and our readership on digital is also increasing. And we are doing certain experiments here and there about the pay wall, how people would like to pay for it, how much going forward. So, we are doing certain experiments. And overall, it looks good, the overall indication looks good.

Sagar Parekh: So, broadly in terms of sharing key operational data, except for the monthly active users, we can expect that maybe in couple of quarters from now?

Girish Agarwal: Yes, sir, hopefully. And see, once again, as you know we are a very transparent Company, the only reason why we are not showcasing so much of digital because first of all the size of this business is not very substantial. As you know, our overall balance sheet if you see, the 95% plus is from print and radio, maybe more. So, that's one of the reasons. Second thing, since the market is very competitive and we do not want to send out any unnecessary information, that's the reason we are holding it back.

Moderator: Thank you. We will take our next question from the line of Himanshu Upadhyay from BugleRock. Please go ahead.

Himanshu Upadhyay: It's a follow-up question from the previous participant only. We started this payment or a paid subscription for digital subscribers around three quarters back, so where are we in that cycle? And what has been the key learnings from that whole experiment? And are we running in line with our target, behind? How is the market reacting? And have we started advertising revenue also on that product or we have still kept it close for the advertising?

Girish Agarwal: We are doing certain experiments on digital paywalls, e-paper and all that. And so far, the results are good. We have not set any targets as of now because we are still in the experimentation stage. Coming to the advertising, again, on that front, from this quarter we are opening up few very limited areas for advertising on the app and want to gauge the response on that. And response from the advertisers and as well as readers that how does readers feel about those ads, they should not be intruding in their reading experience and all that. So, yes, that's what we are doing.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we will take that as last question for today. I now hand the conference over to management for closing comments. Over to you, sir.

Pawan Agarwal: Thank you, everyone, for your participation and time on this earnings call today. I hope we have responded to your queries, and we will always be happy to be of assistance through our Investor Relations department headed by Mr. Prasoon Kumar Pandey for all your further queries. Thank you and have a great evening.

Girish Agarwal: Thank you. Good evening.

Moderator: Thank you, sir. On behalf of D.B. Corp Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.