



DB Corp Ltd

“DB Corp Limited Q2 & H1FY24 Earnings Conference
Call”

October 26, 2023

Moderator: Ladies and gentlemen, good evening and welcome to the DB Corp Limited Q2 and H1 FY2024 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 touchtone phone. Please note that this conference is being recorded.

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. Lalit Jain – Chief Financial Officer; Mr. Mushtaq Ali – Senior Vice President (F&A) and Mr. Prasoon Kumar Pandey – Head Investor and Media Relations, who will represent DB Corp Limited on the call.

The Management will be sharing the key “Operating and Financial Highlights” for the quarter ended September 30th, 2023, 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 e-mailed to you and are available on the website of the Stock Exchange 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, everyone, and a very good evening to everyone. And thank you for joining the Q2 FY2024 DB Corp Earnings Conference Call.

We will begin the call by highlighting the key financial performance for the quarter ended September 30th, 2023, followed by key operational updates.

We are very happy to report that Dainik Bhaskar continues its track record of delivering strong operating results for eight consecutive quarters helped by strong growth of advertisement revenue, softening of newsprint prices, our circulation strategy and well thought out cost control and optimization measures. These all have helped in expanding our margins.

For the first half of 2024 our consolidated advertising revenue grew by 15% to Rs.8,247 million against Rs.7,179 million. Total revenue grew by 12.2% to Rs.11,755 million against Rs.10,480 million. EBITDA grew by 77% to Rs. 3,035 million against Rs. 1,715 million. PAT grew by 124% to Rs. 1,790 million against Rs. 798 million. In Q2FY24 consolidated

advertising revenue registered growth of 13% Y-o-Y to Rs. 4,301 million against Rs. 3,811 million. EBITDA grew by 71.5% Y-o-Y to Rs. 1,676 million against Rs. 977 million. EBITDA margin expanded by 1000 basis points to 28% against 18%.

Our average cost for newsprint has reduced from the high of Rs. 63,500 per metric tonne in Q2 FY2023 to Rs. 56,500 per metric tonne in Q1 FY2024, and now further down to Rs. 51,500 per metric tonne in Q2 FY2024 resulting in newsprint cost reduction of 16% Y-o-Y and we expect newsprint purchase price to remain softened in the coming quarters. Our PAT grew by 106% Y-o-Y to Rs. 1003 million against Rs. 488 million.

Radio segment has delivered industry's best EBITDA margins which are sustainable. With a government led Radio business initiative allowing news and increase of DAVP rates, Radio business is expected to accelerate its top line and bottom line.

Overall, it has been a very encouraging quarter and we remain committed to delivering high quality content and engaging experiences through our print publications, ensuring that our readers continue to find value in Dainik Bhaskar.

Moving on to our Digital Business, our monthly active users are more than 13 million in August 2023 and Dainik Bhaskar is the digital leader with the number one Hindi and Gujarati news app.

Coming to the Radio business, Revenue grew 6% Y-o-Y at Rs.359 million versus Rs.338 million, while EBITDA grew by 2% Y-o-Y to Rs.108 million versus Rs.106 million.

Radio segment has delivered industry's best EBITDA margin which are sustainable with government led Radio business initiative allowing news and increase of DAVP rates. MY FM has been relentless in its efforts to connect with the audience and enhance listener engagement through groundbreaking content creation. We will continue to fuel these efforts to help our omni channel presence grow.

With this, I would now request Mr. Girish Agarwal to update us on the operations. Over to you Girish.

Girish Agarwal:

Thank you, Pawan. And good evening, everybody. And thank you for joining us on this call.

We are pleased to conclude the First Half of Fiscal 2024, continuing our streak of bettering our performance.

The Print Media segment has over the past few quarters cemented its place as the most trusted source of news. This positioning has helped create a virtuous cycle as advertisers continue to come to print and increase their sales and thereby increase their ad spend with us. Traditional

advertisers such as education, real estate, government, jewelry, health, they all continue to use print as their preferred medium. The auto sector is also seeing the increasing ad spends, and we see a lot of headroom for future growth here. As we've been highlighting, new age digital sectors continue to see value in Print Media and in this quarter also, digital app-based companies and startup continued their print preference.

As the leader in the print segment, Dainik Bhaskar has been outperforming the sector over the past two years, and our teams continue to work hard to extend their performance. And I would like to take a minute more on our teams, I must say, all the 9000 odd people working with us, they have been really, really doing their best, and which is very evident from our readership, from our appreciation of the content, from our advertising, production, circulation, IT, finance, every possible department.

So, I just want to do a special mention of the great work done by our team. And lastly on the cost front, we have been benefiting from the downward trend of newsprint prices. We are also rolling out certain initiatives that we believe will help our operating efficiencies furthermore in the long run, and this is all from our side to start with.

Me and my colleagues would now be very happy to respond to your queries. Thank you very much.

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

Riya Mehta: Sir my first question is in regards with the advertisements, so I am aware with coming forward in November, December, we have three major state elections coming. So, what is the model code of conduct for state election and why when are they not allowed to advertise, and similarly for center elections from when will that model code of conduct start?

Girish Agarwal: So, the model code of conduct in all the three states from Madhya Pradesh, Chhattisgarh, Rajasthan already is in operation right now. And the reason why government does it, the election commission does it, so that no government should be able to influence any voter by offering them any kind of advantage or the promises or luring them away with the advertising, that's the prime reason. However, said and done, whatever governments of these three states did in last many years, especially in last one year, offering the benefits to the consumer to the millions of people, I think that increased the disposable income in the market and that is very much evident in our results also because more people have extra money, they go and spend out, advertiser feel happy about it, they sell their product via advertisement.

Riya Mehta: With that absence of government advertisement from these three states for a period of say one month or so, what would be the kind of impact and what duration is it not allowed?



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- Girish Agarwal:** It is around 30 - 40 days overall. I won't know the impact right now to give it to you the exact number. But the impact is not very substantial because the government itself is around 10 - 14% of the total category for us.
- Riya Mehta:** The State government?
- Girish Agarwal:** All put together, State and the Central.
- Riya Mehta:** Okay. And sir centre where the model code of conduct will start and for how long?
- Girish Agarwal:** Same 40 - 45 days before the election date.
- Riya Mehta:** Okay. Coming forward to auto numbers, I read in your presentation that we have seen good auto numbers and you are very bullish on the growth going forward. So, regarding this festive demand might have started, so how is it so far for auto advertisement?
- Girish Agarwal:** So, actually, auto as you remember for last 2 - 3 years they had a major issue in the chip and the availability of vehicles. So, they were not advertising, now they have started advertising. So, we are seeing a good growth coming from there. Especially one thing you will have to remember, last year few days of Navaratra were in the Q2. This year, the Navaratra is not in the Q2, it is in Q3. So, because of that, there is some shift in the advertising here and there, but doesn't make much of a difference.
- Riya Mehta:** What are the kinds of yield right now in advertisement; do we see any scope of yields growing? And the second question would be, what is the ad to edit ratio currently?
- Girish Agarwal:** So, you may be aware that in the newspaper business, the ad to edit ratio generally varies from, 70:30, 67:33, but this is all under control for simple reason, because you can increase number of pages if the ads are more, unlike radio or television. So, edit ratio is not a big concern for us, that's number one. And the way the market looks like things are looking good also going forward.
- Moderator:** Thank you. We have our next question from the line of Sampath Nayak from Tiger Assets. Please go ahead.
- Sampath Nayak:** So, my question is on margin sustainability, we clocked really good EBITDA margins this quarter, so are these margins sustainable and what is the margin outlook for the coming two quarters?
- Girish Agarwal:** So, sir we are right now at a 28% margin in this quarter. And as I mentioned to you earlier also that the entire team of 8000 - 10,000 people are working towards it, that we should be able to sustain this kind of margin, maybe a couple of percentage up and down.



Sampath Nayak: Okay. Coming to the newsprint prices, how are they shaping up, can you further see drop in the newsprint prices?

Girish Agarwal: Our newsprint prices numbers has already come down considerably overall, if you see the last year the same quarter was 63,500 which has come down to some 51,500 now. In Q3, I don't expect much of the newsprint prices coming down because of the Diwali season, we are using much better newsprint quality for the advertisements also. So, I don't see, because the newsprint mix will change in this quarter, we will use more of imported and high quality one, but going forward, I believe another 5%, 6%, 4% advantage should happen with us.

Sampath Nayak: Coming to the digital side so what is the contribution of digital revenue to our total revenue and how is it to shape for next two to three years and are we looking to do any acquisitions or something?

Girish Agarwal: So, let me first of all start with your acquisition question. As of now, Company has no plan to do any acquisition business because we already are on a particular path. And we are committed to that, we are working towards it and we are seeing good results coming out of that. And as far as revenue is concerned, right now the size is too small. And maybe in next couple of quarters the numbers should firm up more and we should be able to give you some more information on that.

Sampath Nayak: Great. Sir final question on the election front. So, obviously general elections coming in six to eight months, so we will witness good demand, but how about like post elections, the demand, will we be able to sustain this demand?

Girish Agarwal: This question you should be asking to the Government of India.

Moderator: Thank you. We have our next question from the line of Himanshu Upadhyay from O3 PMS. Please go ahead.

Himanshu Upadhyay: I had a question on the 4.2% subscription rate, can you give some idea of how much is value and volume?

Girish Agarwal: Largely its value, because if you see our cover price have been increasing, circulation has been steady at 42 lakhs copy roughly, and cover price has increased. So, that is an impact on that.

Himanshu Upadhyay: And we have seen the price of paper come off and the profitability improved. Would our focus be to again increase the circulation of copies and newer geographies or do you think that is secondary currently, how are we thinking?

Girish Agarwal: So, we have no plan to get into a new geography, the markets where we are present the 12 states, we have enough scope in these markets only to further grow more copies, which we are



working on towards it. And we also don't want to increase the cover price going forward, because we are already almost at every cover price of Rs. 4.86 that's decent size, we don't want to take in more as a pinch to the pocket of the readers. Our focus would be to maintain this cover price and grow the circulation in these markets itself.

Himanshu Upadhyay: One last question, the radio ad revenue sells more, still going at a lower value term versus the newsprint, any specific reason how far away can radio be from, what the potential is?

Pawan Agarwal: Radio's growth is largely driven by innovations, activations, non-airtime business improvements, as well as the yield improvements and we are working very closely with our advertisers to drive better value to them by better programming. And that's the way for radios growth, it has to grow in innovation as you rightly said it has no scope for adding more inventory. And for the last several quarters we've been growing basically from our innovations and a little bit of improvement in our yields as well.

Himanshu Upadhyay: My question was sir, basically both newsprint and radio are much more local. Content is local with a high usage, it should not radio be also growing at a much faster pace like 12% growth.

Girish Agarwal: Sir what happened in a radio, there is a limitation of the inventory, because they can't increase number of pages. For example, if you see my number of pages last year in the same quarter, I was at 20 pages while this quarter I am at almost 21.7 pages. So, I've increased almost 8 - 9% number of pages for accommodating more advertising. Now, radio can't do that because they have a limit of 60 minutes is 60 minutes and they can only run 20 - 25 minutes of advertising in that, they can't take it 35 minutes. So, they have to grow through yield and innovation.

Himanshu Upadhyay: So, are the occupancy full for the radio, whatever we could get?

Girish Agarwal: Yes. All the prime time for all the radio channels is already done. They are all running full.

Moderator: Thank you. We have our next question from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Sir, I have two questions. One, in your press release, you mentioned this 51,500 newsprint price. So, this price has flowed in in your Q2 numbers completely or there is a lead lag there?

Girish Agarwal: No, sir this is the Q2 price, and Q3 would be almost similar and Q4 maybe we will see it further going down.

Pritesh Chheda: Okay. So, as of now for the full quarter you had this particular price flowing in?

Girish Agarwal: Yes.



Pritesh Chheda: Okay. My second question is, it's been a couple of quarters for which we are having a fairly strong double digit ad growth. What kind of outlook do you see over the next two to four quarters would be helpful.

Girish Agarwal: We believe this kind of percentage growth should continue, it may take a little bit of dent because of the code of conduct, because government advertising has come to a standstill for these 40 days, and then again in the general election it may happen. But otherwise, other categories are doing decent, real estate, education, they all are doing decent. So, idea is that, the market continues to be so buoyant, and we need to ensure that advertiser comes to us. So, it's not a given situation where we simply say, relax team can start relaxing and saying that 10 - 12% growth is given, nothing is given, we need to really fight for every percentage.

Pritesh Chheda: Okay. And any swing in market shares do you think would have happened?

Girish Agarwal: For sure, because you will appreciate this kind of growth has not come in the market. So, market is not growing at 10 -12% market maybe growing at single digit. So, this definitely involves a lot of swing in terms of market share, in terms of value and everything in our favor.

Pritesh Chheda: Okay. And sir my last question is, in your key advertising sectors or customer sectors, if you could give the top three and the contribution to the ad pie?

Girish Agarwal: So, sir if I look at the H1, which will give you a more robust picture. The government has grown much bigger because last year if you remember we were not getting the government advertising so this year we are getting it. So, that percentage growth is much higher, but in terms of contribution they are at, they are still higher because of that thing.

Pritesh Chheda: 14%?

Girish Agarwal: Slightly higher actually. Response is one category, which has grown decently, education has grown, again in almost 10%. Real estate is slightly flat from last one and a half, two months because of the election. So, no much of thing happening there, automobile has grown in a single digit. Healthcare has grown in double digit. FMCG is one category which has slowed down, which we see a decline of 10% in the FMCG category. And jewelry is again 5% growth. So, this is various segment which are somebody, some of them are growing, some of them are not growing.

Pritesh Chheda: So, barring government, all of these categories would be 5 - 7% contribution to the ad revenue?

Girish Agarwal: No. So, our response category is in double digit, education is in double digit and real estate is also touching the double digit.



Moderator: Thank you. We have our next question from the line of Sakshi Chhabra from Svan Investments. Please go ahead.

Sakshi Chhabra: Sir wanted to understand that this ad rate increase that has happened on the base rate for the radio segment. So, what is the kind of impact that we can see on our ad revenues because of this?

Pawan Agarwal: Government revenue is a high single digit in our total radio revenues. And as of now we haven't received exact rates, but we should get anything above a 43% improvement in our overall rates. So, if the volume holds the same we should, that revenue should increase by about 40 -45%.

Sakshi Chhabra: No, but your government contribution you said is high single digit, but this 43%.

Girish Agarwal: About 9 - 10%. So, for example if 9% is the overall government advertising, and the government decides to increase it by 40% so there will be a 4.5%, 4% growth coming because of the government advertising provided they keep the volume same.

Sakshi Chhabra: Correct. So, 4% to 5% is the kind of revenue growth that you will see because of this?

Girish Agarwal: Possibly, if they keep the volume same, because if tomorrow they start trickling with the volume, then it may come down.

Pawan Agarwal: And we are yet to receive the final rate from the government for us. Once we get that we'll be in a better position to estimate, it could be even higher.

Sakshi Chhabra: And in terms of the non-government side, do you see that any increase in yields that you can take on this radio ad revenue side?

Pawan Agarwal: We are doing our best with mix of innovations and activations and our non-airtime spots, as well as delivering better product to improve the yields and we are hopeful that in the coming quarters we should be able to start taking some yield improvements as well.

Sakshi Chhabra: Sure, okay. And, I wanted to check that, is there any update that we have on the revenue share that we were supposed to receive from Google?

Girish Agarwal: The matter is under CCI jurisdiction, they are working on it. We have not heard anything as of now.

Sakshi Chhabra: Okay. But any number that you can mention as to what would be that kind of contribution?

Girish Agarwal: It will not be prudent to prejudge CCI decision outcome.



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- Sakshi Chhabra:** Alright, okay. And can you give any numbers on the digital paid subscriber?
- Girish Agarwal:** Yes, we are doing certain experiments, but if you remember we requested and you all kindly consented that we will not disclose the digital number for a few quarters more, so that we are able to come back and do some work on that.
- Sakshi Chhabra:** Okay. But on the qualitative side can you mention about how the traction is as per your expectations, better than expectation?
- Girish Agarwal:** Sorry, on what?
- Sakshi Chhabra:** No specific number, but can you just give some sort of outlook as to is it been better than expectations, as per expectations or how has it been panning out so far?
- Girish Agarwal:** It's a mixed basket.
- Sakshi Chhabra:** Okay. Like how have people been reacting to the fact that there is going to be more of paid, a lot of you've made changes, now a lot of content is not available for free as it was before.
- Girish Agarwal:** As I mentioned to you it's a mixed basket, so it's too premature to comment on that.
- Moderator:** Thank you. We have our next question from the line of Rishikesh Oza from Robo Capital. Please go ahead.
- Rishikesh Oza:** Sir my question is with respect to the radio. Sir what is our listenership number for radio channels for the quarter and also wanted to get some broad idea on how the listenership number is actually calculated?
- Pawan Agarwal:** So, as you are aware that in our markets, the listenership activity which used to be done earlier has not been conducted. So, our metric in our market is the response that we delivered to our advertisers. We measure that very diligently, we ask advertisers to check the number of people who walk in and how many of them remember the ad or remember the radio station and that's from the day one for the last 15, 16 years. That's been the metric that we've been using with our advertisers which is more authenticated, and not depending on any listenership data which is third party.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints that was the last question for today. I now hand the conference over to the 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



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Investor Relations Department headed by Mr. Prasoon Kumar Pandey for all your further queries. Thank you and have a great evening.

Moderator: Thank you. On behalf of DB Corp Limited, that concludes this conference call. Thank you for joining us and you may not disconnect your lines.