



DB Corp Ltd

DB Corp Limited

Investor/Analyst Earnings Conference Call Transcript May 7, 2012

Moderator

Ladies and gentleman good day and welcome to the DB Corp Limited Q4 and FY12 earnings conference call. As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing * and then 0 on your touch tone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Malini Roy from CDR India. Thank you and over to you ma'am.

Malini Roy

Good morning everyone. Welcome to the conference call of DB Corp Limited. We will be sharing the key operating and financial highlights for the fourth quarter and financial year ended March 31, 2012. We have with us today, the senior management team of DB Corp Limited - Mr. Pawan Agarwal, Non executive Director; Mr. Girish Agarwal Non executive Director; Mr. P. G. Mishra – Group CFO; Mr. Ashok Sodhani – Chief General Manager - Finance & Accounts and Mr. Prasoon Pandey – Head, Investor Relations. Before we begin, I would like to state that some of the statements made in today's discussion may be forward looking in nature and may involve risks and uncertainties. Documents relating to the company's financial performance have already been emailed to you. I invite Mr. Pawan Agarwal to please share his outlook on DB Corp's performance for this quarter. Over to you Mr. Agarwal

Pawan Agarwal

Good morning everybody and welcome to DBCL's fourth quarter earnings call for fiscal 2011-12. I trust, by now you would have had the opportunity to glance through our results. I would like to share some key highlights of our financial and operating performance for the fourth quarter and touch upon DBCL's strategy and vision going forward. Following our opening comments, we will be happy to respond to your questions.

This final quarter has been in line with the momentum and goals we set out to achieve at the start of this fiscal - which was to expand our footprint, identify new regions and consolidate our position. In fiscal 2012 DBCL launched editions in another new language – Marathi and expanded its pan-India footprint, demonstrating our relentless focus on sharp execution capabilities, which is our core competitive

strength. We are happy to report that DBCL accomplished new launches in 5 major markets of Maharashtra by launching editions from Aurangabad, Nashik, Jalgaon, and Ahmednagar and most recently in Q4 – launch of Sholapur edition. In keeping with our past record of new market launches – we emerged as a strong favorite newspaper of readers from the first day of launch in each of these 5 new markets. Simultaneously, we have consolidated our positions in mature markets where we maintained our leadership rank. Our strategic focus now is to enhance monetization and to fully capitalize on our leadership in all existing markets. Continuous Innovation, market development and sharp execution – have been three important pillars of our growth strategy that have enabled us to deliver one of the most consistent and strong financial performances.

This quarter, we consolidated our pan-India leadership position in core and legacy markets of Madhya Pradesh, Chhattisgarh, Chandigarh, Haryana, Punjab (JAL), urban Rajasthan and Gujarat where DB Corp continues to be the largest read newspaper group with 19.1 million readers and we have deepened our penetration with 65 editions and 191 sub editions. We have also maintained our leadership as the largest read newspaper of urban India. In Madhya Pradesh and Chhattisgarh we have a combined readership of around 5 million. Dainik Bhaskar continues to lead in Madhya Pradesh with a lead of 133% over its nearest peer and has a net readership greater than the combined readership of its next 6 peers.

In Chandigarh, Haryana, Punjab (CPH), Dainik Bhaskar enjoys sole leadership with 2.2 million readers, as per IRS Qtr 4 2011. In urban Rajasthan, Dainik Bhaskar continues to be a leader with 13% more readers than its closest competitor. In last 4 years, Dainik Bhaskar has gained 10% readership at the cost of competitor who has lost near equivalent readership in last 4 years. According to IRS data, DBCL continued to strengthen its presence in the Gujarati market by adding ~1.1 million new readers. Divya Bhaskar is the only newspaper in the regions to have demonstrated consistent growth in Gujarat (~13% readership growth since 2007). In Jharkhand, Dainik Bhaskar has further increased its readership by 0.11 million new readers to 0.73 million readers and is the only newspaper, that has demonstrated growth in IRS Q4. The current readership figures are largely based on the Ranchi edition. Dainik Divya Marathi continues to strengthen footprint in Maharashtra.

A moderate GDP growth has effected a slower growth in advertising, which has impacted the media sector in general, including DBCL. However, we still registered impressive top line growth by scaling up other revenue segments. We continue to believe in the potential of the India growth story, and anticipate the subdued economic trend to turn around this year. We are optimistic and remain confident that the long term story will continue to be driven by the potential of increasing consumerism of the Tier 2 & 3 towns, housing 1.1 billion of the Indian population who are rapidly progressing towards urbanization.

I would now like to take you through DB Corp's consolidated financial performance for year under review FY 2012 – which continues to maintain strong momentum. Our total revenues showed a growth of around ~16% in FY 2012 to Rs. 14638 million, from Rs. 12652 million. We achieved advertising revenues of around Rs. 11281 million which accounts to 12.4% growth Y-o-Y for the year of 2012 against Rs. 10034 million in the corresponding period of the last fiscal. Our EBITDA margins came in at 24.3% in FY 2012, and EBITDA stood at Rs. 3550 million. The same factors our one time preoperative exp. of Rs. 132.5 million for Jharkhand, Jammu and Maharashtra launches and Forex loss of Rs. 47.56 million. Consolidated PAT margins for this period stands at 13.8% at Rs. 2021 million. The same factors, our one time preoperative expenditure of Rs. 132.5 million and Forex loss of Rs. 101 million.

Now Moving on to our Q4 FY 2012 performance, our total revenues stood at Rs. 3606 million with a YOY growth of around 14%, and reported EBITDA at Rs. 758 million, with EBITDA margins at ~21%. The same factors our one time preoperative expenditure of Rs. 12.5 million. We achieved advertising revenues of Rs. 2630 million as against Rs. 2495 million in corresponding quarter of last year showing a growth of 5.4% Y-o-Y (on a high absolute base of last year wherein we grew by YOY 31 % in Advt. Revenue on a like-to-like basis). The EBITDA margin for our print business for this quarter is ~21.15% at Rs. 726 million. Our consolidated PAT for this quarter stands at Rs. 454 million with a PAT margin of 12.6%, which includes one-time preoperative expenditure of Rs. 12.5 million. The YOY growth in PAT nos., in qtr 4, in spite of relatively modest advt. growth, exhibits volumes of highly efficient standards of cost control and scale benefit in new markets.

I would like to draw your attention to DBCL's radio business which continues to demonstrate sturdy growth and reported around 10% growth in Advertising Revenue, to Rs. 146.4 million in the current quarter, as against Rs. 133.1 millions of Advertising Revenue same period last year. We have achieved EBITDA margins of 36% with EBITDA of Rs. 52.4 million. Our radio business has achieved PAT in record less than 4 years time, from the time of start of all radio stations.

As you all are aware that we have diversified our services as a media conglomerate, which is ramping up steadily. In Q4 FY 2012, both our online and mobile business has shown promising progress with both websites www.dainikbhaskar.com and www.divyabhaskar.com registering 150 million page views in March 2012 and 6.7 million unique visitors. www.dainikbhaskar.com continues to be the largest Hindi news content site with 110 million page views and remains the 3rd largest consumed news site in the country after Yahoo! News and Times of India, as per data of November 2011 from Comscore. www.divyabhaskar.com is the largest Gujarati website with 40 million page views. www.dainikbhaskar.com controlled maximum amount of time spent by a user with an average user spend 6.7 minutes which is 40% more than the next site.

I would also like to reiterate that as the largest print media group in India across 13 states, in 4 languages and 65 editions – our business fundamentals continue to be strong. We remain confident that the long term story is still intact and will continue to be driven by potential of increasing consumerism in tier 2-3 towns. We are now even more committed towards achieving our vision to be the largest and most admired Indian media brand and to play an active role as an enabler of socio-economic change.

My colleagues and I will now be happy to take your questions. We look forward to continuing our interactions and please do contact our investor relations department headed by Mr. Prasoon Pandey, for all further requests and queries.

- Moderator** Our first question is from the line of Nitin Mohta of Macquarie, please go ahead.
- Nitin Mohta** The advertising outlook for fiscal 13 is that things don't seem to be looking up for the economy. So if you can just share your thoughts what are the challenges that you are seeing?
- Girish Agarwaal** See generally in the quarter 1 and 2, we are largely dependent on the advertising from the education category which goes up to as high as 15%. As of now the indications of the education category looks pretty encouraging. And we are hopeful that based on that growth the quarter 1 and quarter 2 should be reasonable.

Nitin Mohta Does it look better than fiscal 12, if you can give any color?

Girish Agarwaal See in the fiscal 12, the growth was pretty good in the first and the second quarter. We were almost at 18% growth. So whatever we were talking to the advertisers is certainly a growth on that number only. As of now their assurance looks good enough. We are very much concerned about the quarter 1 and quarter 2 from the advertising perspective.

Nitin Mohta On your home turf, one of your competitors has bought a newspaper, current IRS numbers obviously show you are in very strong position but any initial changes you have noticed in the market place?

Girish Agarwaal No we have not noticed anything from their side in the market so far. But we have activated ourselves already. And we are seeing it as an opportunity as the number 2 and number 3 will fight with each other. That will create some more areas for us to expand. We are now gearing up from that process that how we can further excel our numbers in Madhya Pradesh.

Moderator Our next question is from the Vikash Mantri of ICICI Securities, please go ahead.

Vikash Mantri Just wanted an outlook on newsprint prices both in terms of dollars and whether domestic newsprint prices are moving? Second question is on the intensity of the competition in Madhya Pradesh, what would be our reaction to it? In the sense do we expect cover price correction or reduction in these markets because of new competition?

Girish Agarwaal Okay let me take your second question first about the Madhya Pradesh market. As I just mentioned that we have not seen any kind of movement on the ground by the competition so far and as you know we have also dealt with this competition in other 2 states which is Jharkhand and Punjab and we have been very successful in those 2 markets in comparison to the competition. But having said that we are actually looking at this as an opportunity, Nayi Duniya which has now taken over by Jagran would actually try to fight and regain the number 2 slot in Indore. That still is half of DB Corp but I am taking this as an opportunity and how can I further grow and make myself stronger in that market. And coming to your first question about the newsprint, my CFO, Mr. PG Mishra will answer this.

PG Mishra Regarding newsprint prices in FY 12-13 we expect roughly 7.5% kind of decline or a flat rate.

Vikash Mantri From what exit rate, in Q4 FY12 or the average rate of FY12?

PG Mishra For the Q4, in the months of January – March 2012 rates approximately it will be flat or would have reduced by 7.5%.

Vikash Mantri Just a strategy question, now given that the advertising environment looks a bit challenging or difficult, would there be any improvements in cover prices or circulation revenue that we should go ahead and expect.

Girish Agarwaal Our average cover price is roughly about Rs.2.40 for the year. And which means we have enough margin with us to increase the cover price in various markets but as you know we are still in the penetration mode and I would not look at the cover price change in a short term. As we are hopeful about the advertising revenue going up in quarter 1 and 2, if that happens then there is no point touching the cover price. But for some odd reason if revenue growth doesn't come up to that number, then we always have a margin with us to increase the cover price.

Vikash Mantri And sir any guidance on advertising revenue or outlook whether it will be a single digit number or can we expect double digit growth from these levels onwards and the same for any guidance on the losses in your markets.

Girish Agarwaal On the advertising side internally we are targeting a 20% growth but as you know we don't control the markets, so we cant say whether we will achieve 20%, lesser or more. But internally we are working on 20% revenue growth. Coming on to the losses for the existing market, we are happy to announce to you that our 5 editions launches in Maharashtra has been done and in the year 12 – 13, we don't intend to do any big launch. That will be a kind of consolidation year for us. And we don't see any large CAPEX or our pre operative expenses for the launch happening in any of the markets but there will be maintenance CAPEX which is required this year and losses in Maharashtra and Jharkhand are anyway coming down. This year whatever losses we have shown there is a component of FOREX losses in there. We hope that but again really cant say but we hope that the dollar will correct itself in terms of Rupee and we might be able to gain some numbers back from it.

Vikash Mantri Does this mean that our Bihar launch has been postponed or it's taken all together we are not going to do it?

Girish Agarwaal Next 12 months we are not looking at Bihar. But we can't say it has taken an off.

Moderator We have our next question from the line of Abneesh of Edelweiss, please go ahead.

Abneesh You said FY13 is likely to be a consolidation year but does it mean that in Jharkhand market and Maharashtra market our circulation strategy will be flat, because these 2 are our growth markets, so wanted to understand these two markets further.

Girish Agarwaal In Jharkhand we have already completed all our launches and we have circulation upward of 3 lakh copies. We don't need any more copies in Jharkhand to be very honest. In fact similarly in Maharashtra, we have done 5 major launches already. As far as the strategy is concern there are no major launches planed in Maharashtra. We may do smaller spillover editions in Maharashtra here and there required in Latur, Osmanabad or up country areas but no major launch is left out as far as our strategy in Maharashtra. So the focus would be now on garnering the advertising revenue on a higher number in these markets also.

Avneesh In FY13 since Bihar is not planed, are you still renewing the circulation focus in Jharkhand?, are you still renewing at attractive rates in terms of circulation?

Girish Agarwaal See last time, we have done the booking around Rs.720, then we renewed after 1 year at around Rs.840. now this year we are looking at Rs.920 as a renewal. So we are taking a jump slowly and steadily. At Rs. 919, we are almost Rs.2.50 a copy.

Avneesh But this might be a gross number. Any net number that you might be offering?

Girish Agarwaal Net number is Rs.920 for one year booking of the paper.

Avneesh There is no other offer apart from this to the customer?

Girish Agarwaal This is the offer and customer is happy booking this. I want to add on one more point. From Rs.720 it went up to Rs.840, it was 102% of booking, in Ranchi. Which means that the customer was happy with us in terms of booking all again, even at a higher price.

Avneesh And Bihar not happening, does it change your game plan in Jharkhand in anyway because those 2 are kind of market which work together?

Girish Agarwaal I think it's an illusion in peoples' minds that those 2 markets work together. They are 2 different states run by 2 different political parties. I don't think they are interdependent anywhere.

Avneesh No from the advertising perspective?

Girish Agarwaal Same for advertising perspective also, if you look at the companies they look at Bihar separately, Jharkhand separately. They have regional offices separately in Bihar, separately in Jharkhand. So I don't think, it's more in our mind that we play these 2 markets as one but that's not the case in reality. Bihar or Jharkhand, doesn't get impacted by each other in anyway.

Avneesh Coming to radio business if you can tell us how much was from volume, and how much was from pricing?

Pawan Agarwal The growth in radio business largely came from a combination of both 50% from rate, as well as 50% from the volume.

Abneesh And there is no print bundle sales or anything from advertising?

Pawan Agarwal No there is no print bundling in radio business at all. There will be individual inventory in both the things. When they synergize they do deals together but when they bill it they bill it individually.

Abneesh If we see Jharkhand market you did well, but what happened to other players, their profitability got impacted in a major way, your own MP market you said you see the new development as an opportunity. But if you could talk about the risk factor either circulation you need to pump in more or the cover price cut happens or whatever so from the risk perspective of a new aggressive player if you could give some light on that also.

Girish Agarwal I cant comment on other organizations working but if I understand as an outsider, when I entered Jharkhand, they were operating at Rs.4 because of me they had to come back to Rs.2. In case of Madhya Pradesh, I am in any way at Rs.2 – 2.50 cover price. So I think I won't have to cut down cover pricing anywhere. That's number 1. Number2, I already have Madhya Pradesh and Chhattisgarh put together around 11 printing centers and we anyway had planned to take one more printing centre. I don't think I am really reacting to the competition in Madhya Pradesh. I am actually seeing how do I further benefit that in Madhya Pradesh considering this opportunity of number 2 and number 3 getting into a fight Madhya Pradesh considering this opportunity of number 2 and number 3 getting into a fight out of it.

Abneesh Lastly a maintenance question, in the overall advertising growth, how much has come from corporate, and retail, how do you seeing that spanning in FY13?

Girish Agarwaal Retail is booming. We have seen the retail growth of almost in excess of around 20%. Unfortunately the corporate of so called national advertising is not supporting the market. So the overall impact we have is just because of the national. With Retail I am very happy.

Abneesh What is the split? Percentage is coming from retail?

Girish Agarwaal 39% is the average split but in the last quarter the split has gone to up to almost 65% and 35%.

Abneesh 65% in retail?

Girish Agarwaal Yes.

Abneesh So does it mean that in corporate you have seen some sectors decline in major way?

Girish Agarwaal Yes. Automobile in quarter 4 hardly grew, consumer durables also didn't show us any decent growth while automobile was last year on a growth even on the first 2 quarter, pretty decent. Last quarter growth for automobile was almost negative. And trouble was from the construction and building material and the real estate category which took a dip in quarter 4. And also remember my quarter 4 of FY 2011 had a 31% growth.. So from 31% growth this year we have done 5.5% growth, it was on a higher base though it was not a matter of things that we are happy with, its is just an understanding but it could be a reason why they are heavy growth did not but we are not happy with 5.5% what we got in quarter 4.

Abneesh It is a bit early interest rate cut that has happened, don't know when the next cut will happen but from your client perspective any sense you are getting from auto industry on when the revival will happen?

Girish Agarwaal People do have their plans. Like the launches are already happening, I was talking to couple of automobile companies, 2 wheeler companies is launching 2 more brands. So although they are happening, they all are watching how the markets are behaving and then putting in their money. I think there is some set of confusion still in peoples minds especially corporate clients. So we are not able to understand that phenomenon.

Abneesh One question on education sector, last year in some markets, in education we saw a slow down because of last 4 years base being very high, not in your market but may be in UP and Bihar we saw some slow down. So in your market how is FY13 looking from education sector perspective?

Girish Agarwaal See educations sector starts towards the end of May and goes on till August. So as of now the indications what we are getting from the market are pretty good. There is no decline or there is no lower amount of growth what we see but unless and until the money is in the bag you really can't commit on that.

Moderator We have our next question from the line of Hiren Dasani of Goldman Sachs, please go ahead.

Hiren Dasani You used to break up the OPEX in terms of the 3 line items earlier, can you please do a similar break up for Q4, operating OPEX, selling and distribution in general administrative.

Girish Agarwaal Operating expenses including events at Rs. 485.9 million, selling and distribution expenses at Rs. 220.2 million and admin other expenses are at Rs. 231.1 million and all put together comes to Rs. 937.5 million. This is for the Q4, we will anyway mail the details to you.

Hiren Dasani Sure, thank you. The other thing is that you said that education sector looks good at least for the next couple of quarter, in that pull back to the early double digit kind of advertising growth for the next couple of quarter or is it too much to ask for?

Girish Agarwaal We are hoping for that also but the problem that has happened is that if you look at the overall last 12 months, the retail like I told you is 20% plus, so we have nothing to complain from the retail. But the corporate is almost flat and Qtr 4, few sectors were negative also, so I really don't know how the other sectors will move, even if the education comes up in a big way, then other sectors should not decline, then we should at least go for double digit.

Hiren Dasani Okay, but can you say confidently that it will not further decelerate in terms of year on year from what we reported in Q4.

Girish Agarwaal We are working on a 20% overall growth and it has been suddenly broken in to various categories. And every passing month we can comment, that how those categories are moving.

Hiren Dasani Okay so it could be anywhere between 5% to whatever upper limit that can be there?

Girish Agarwaal No it should be more. If you look at the overall year the average is around 12.4 and in the Q4 again as I told you is based on a higher 31% growth on Q4 of last year. Otherwise the number should be decent enough. It should be touching almost double digit.

Hiren Dasani And on Maharashtra we had done all the major launches, so no more launches in FY13.

Girish Agarwaal True.

Hiren Dasani And expectation of newsprint prices declining, is it based on the contract which are being entered now or is it based on some hope that prices will decline in future?

Girish Agarwaal The indications that we are getting from the market, based on that, now the dollar is playing a different game altogether, so this was when dollar went down and now again it has picked up. So we really don't know whether it will go down or it will stay. So we are assuming that it would be somewhere around flat. That's what the number, if dollar supports it can go down also.

Hiren Dasani What you are saying is you closed the year in Rs. 31.78 and if I say roughly about 7.5%, so you expect somewhere between Rs. 29.5 and Rs. 31.78 for the average?

Girish Agarwaal No I will tell you, our total cost of newsprint went up by 15.4% for the annualized 12 months and there was an additional quantity of almost 10%, because Maharashtra and Jharkhand and other editions went up where we are currently doing 46.6 lakh copies. So prices for example from Rs.27.99 per kg went up to Rs.31.78 per kg. But there was another increase because of consumption of the quantity. So if you assume that next year there are no launches, so the quantity will be seen different on the prices whatever is coming down, should be able to come flat.

Hiren Dasani So I was just referring to the earlier comment when you said newsprint prices will remain flat or down around 7.5% , so that was with respect to price per kg. which where you close Rs. 31.78, based on the current expectation it should be somewhere between Rs. 31.78 and Rs. 29.5 which is 7.5%.

Girish Agarwaal Yes that's what we are assuming.

Moderator We will take the next question from the line of Rohit Dokania from B&K Securities, please go ahead.

Rohit Dokania Could you break down the print ad growth excluding the new editions and mature editions for the quarter and full year?

Girish Agarwaal We actually don't give out the number in terms of growth from the mature and new editions.

Rohit Dokania But last quarter you used to.

Girish Agarwaal We don't have the number right now with us but we can always mail it to you. The new emerging editions which is Maharashtra and Jharkhand and the total top line is not that big, so I don't think that will have a larger impact on that. There will be major difference between growth with them and without them.

Rohit Dokania Just wanted to understand on the FOREX part, what has been the gain that we have booked in this particular quarter and also is there any gain in the above EBITDA or all the gain has been booked below EBITDA.

P G Mishra For this quarter, total loss in P&L was Rs. 4.55 crore. And in CAPEX it was Rs. 6.10 crore.

Rohit Dokania You are talking about the loss right?

Girish Agarwaal In Quarter 4, this is gain. Rs. 4.51 gain and Rs. 6.10 gain.

Rohit Dokania Sure and all this was booked below EBITDA or some was booked above EBITDA?

Girish Agarwaal Out of Rs. 4.55, Rs. 4.29 is below EBITDA and Rs. 26 is above EBITDA.

Rohit Dokania And could you give us the number of copies in Maharashtra specifically, just like you said 3 lakhs in Jharkhand or above, what could that figure be for Maharashtra?

Girish Agarwaal Around 4 lakh copies in Maharashtra.

Rohit Dokania And you said in total you have about 46.6 lakh copies, so in what kind of growth should be billed with the number of copies on this base, lets say 3%, 5%, what should be the base one should build in, on these number of copies for the full year FY13.

Girish Agarwaal There are no new editions to be launched this year. I think any number of 2% would be good number, depending upon the market . If the market improves, the quarter 1 and quarter 2 are able to show higher advertising revenue, then I will take a higher growth of circulation also.

Moderator Our next question is from the line of Miten Lathia of HDFC Mutual Funds, please go ahead.

Miten Lathia Just to understand Q4 ad growth was about 5.4%. Do you think if you were to break it down in to Jammu, Maharashtra, Jharkhand, the rest of the business would have been flat or negative or that would not be the case?

Girish Agarwaal In the retail market, the growth in most of the market excluding Jharkhand and Maharashtra have been to the tune of almost 19%, but the main drawback, the pull down has come from the national advertising. National advertising has actually kind of gone down in Q4. So that's the reason the overall impact has come down to 5.4% and as I mentioned it is again based on the higher 31% growth in Q4 of 2011.

Miten Lathia From the most recent quarter that we are in, to hope for a 20% ad growth, we must be seeing something changing in the environment very materially for that kind of outlook, just wanted to know where are we seeing that buoyancy in Q1 FY13 which makes us so optimistic about FY13?

Girish Agarwaal We have to plan and we have to look and energize our team for a higher number itself, because if I start working on a number of what the market is suggesting then in any way I am demoralizing my team and then their efforts will go down. We are internally working and as I told you there are 2 elements, one is retail and one is national and retail team has anyway being able to deliver 20% growth. So obviously in retail we are getting at a 25% number, in fact to be precise, 26% number in the retail that we are working upon this year. Now in national also we have taken a target. But we are working on it, let's see how the market improves. That number should be able to achieve on that.

Miten Lathia So this plan of not launching any major new editions this year is built on a pessimistic ad outlook or it is built on this 20% ad growth outlook?

Girish Agarwaal No this is based on the overall company's strategy where we say that we have done lot of investment in Maharashtra and Jharkhand and in other markets also, we have grown in Madhya Pradesh and Rajasthan we have 2 more printing centers. So internally when we were doing the review with all our team members in the month of February & March and, that time a point came out that it will be advisable that if in one year we focus all our energies in our market which we already have and so we are able to handle those markets in much more in detail. Because this is the time when a lot of things can be done and should be done. We took this call to making the team busy in further launches and focus on the existing markets, grow the markets and then if we are ready for the next year, we should again take on the market. Because in Maharashtra most of the large markets are anyway done, so there is nothing major left out which needs to be completed.

Miten Lathia If I look at all the variables independently, you are saying split from the Q4 levels would be flat to a small decline. Even if you assume a flat number and if ad growth comes through, you still think it's a wise strategy to sort of stay put in the existing markets? Jharkhand is over and Bihar would probably happen next year but at least Maharashtra could take a few lakh more copies.

Girish Agarwaal I agree with you. As of now the strategy says we will consolidate largely but if we feel that the market is really helping us and supporting us going forward, then may be one more edition in Maharashtra can be launched.

Moderator We will take our next question from the line of Bijal Shah of IIFL, please go ahead.

Bijal Shah My question again is on Maharashtra I think earlier you were guiding that we will go up to a million circulation in Maharashtra.

Girish Agarwaal I am sorry to interrupt you but I don't think we ever had planned a million copies in Maharashtra.

Bijal Shah I think on the call itself that was.

Girish Agarwaal I am sorry in our business plan, we have never taken a million copies in Maharashtra at all. Let me explain it to you. The market where we are operating in Maharashtra and where we envisaged to focus, all are in the range of 4 – 5 lakh copies. So I don't think there is a market for 1 million copies extra in those areas.

Bijal Shah Okay one thing I just wanted to understand on that irrespective of million copies is that, does'nt it makes sense that given the weaker advertising outlook, the competition may not be in a position to react to our launches or may be due to weaker advertising revenues, they would not be in position to probably defend themselves. At that point of time the larger company like you should be more aggressive in launching rather than trying to launch when advertising outlook is very good and where probably they can also increase the circulation, probably they can also cut the cover price as I understand in Maharashtra most of the competition is much smaller than us and given our financials where we should try and probably be aggressive at this.

Girish Agarwaal I think yes you have a point and we agree with that. That is the reason why the Sholapur was launched in the month of March. Considering this if you noticed that Q4 and Q3 were not a very good quarter but we still consider that and yes there is an opportunity for us to go ahead. Now if you see the areas where we have decided to focus in Maharashtra, the Central Maharashtra and most of the edition have been done. Now what is left is some up country market which obviously we are working on it as I mentioned. Going forward we will decide, we feel that we can still launch more editions and gain something more out of it, we shall do that.

Bijal Shah How many copies will be reaching in 3 to 5 years' time as and when market stabilizes and we are more positive about advertising growth outlook.

Girish Agarwaal In Maharashtra or overall?

Bijal Shah In Maharashtra.

Girish Agarwaal Currently we are roughly around 4 lakh copies in Maharashtra. The part which we are working on which is a Central Maharashtra, going forward another couple of lakh copies can be absorbed by that market in terms of giving us a dominance in that market.

Bijal Shah That another 2 lakh copies are possible in Maharashtra. Require understanding on newsprint price. When we say 7.5% kind is probable, what is the INR we are working with because dollar has been fairly volatile?

Girish Agarwaal In budget we have considered Rs.50.

Bijal Shah So if it remains at Rs.53, newsprint prices could be much higher?

Girish Agarwaal In that case, we will have to reduce our consumption of the imports and bring it down to Indian and our total component of imported is around 22 – 23% which we will further bring it down.

Bijal Shah But even domestic newsprint prices actually track more or less imported prices, dollar also impacts domestic prices?

Girish Agarwaal No, if you look at the same quality, then yes. But if you come to the next level of quality, the price is different in the Indian market. There is almost a 10% difference.

Bijal Shah If dollar appreciates, then it does not fall and if it depreciates, it does not rise. Is my understanding correct?.

Girish Agarwaal It does but not to that extent for example the imported price is almost at Rs.36 per kg while the Indian domestic is Rs.30 a kg and the average comes out to Rs.31.78 per kg and Indian moved from Rs.28 to Rs.30.11 while our imported moved from

Rs.27.72 to almost Rs.36. Indian impact is not that drastic compared to the foreign one.

Moderator Our next question is from the line of Mohan Lal of Elara Capital, please go ahead.

Mohan Lal When you said 20% retail growth you said that for the mature edition or for the overall volumes?

Girish Agarwaal For the mature editions, because almost 95% of the volume is from the mature editions, because Maharashtra and Jharkhand are yet small markets.

Mohan Lal Your circulation is down to 2% QoQ and consumption is down to 4%. Consumption I can understand partially because of the festival season last quarter.

Girish Agarwaal Because of number of days as well as number of pagination. Because quantity wise during Diwali festival, the number pages are more while this was down, from Rs. 22.15 the average came down to Rs. 21.57.

Mohan Lal There was no rationalization as such in any of the market as of now?

Girish Agarwaal No.

Moderator Our next question is from the line of Bharti Gupta of Sushil Finance, please go ahead.

Bharti Gupta When we are targeting 20% growth in the advertising front, which sectors do you see that would support growth in the advertisement sector?

Girish Agarwaal The advertising as I mentioned earlier which are growing point number one and also we are looking at automobile sector. If I look at the last 12 months average, then I think education sector saw a decent growth. Automobile sector saw a growth of almost 11%. But in the Q4, automobile sector's percentage growth came down drastically. Hopefully next year we will see education, lifestyle, automobiles and durables sectors should show the growth back.

Bharti Gupta What is the circulation revenue during the quarter and for the financial year?

Girish Agarwaal There has been 16% growth in Q4 in circulation revenue compared to the last year quarter.

Bharti Gupta When we are saying that we are not looking at increasing our cover prices, and there won't be any major launches in the next financial year, so what kind of circulation revenue growth are we looking at and how will that be driven? If you are not going in for any launches, so average circulation copies should remain more or less constant so how will circulation revenue growth be driven and what growth targets are you setting for the next financial year?

Girish Agarwaal The target setting is largely on the advertising revenue. On the circulation revenue it all depends on how the markets behave. For example we have increased the cover price in couple of markets in last 2 quarters. Some impact of that will come this year when it gets annualized. And the Maharashtra copy which has been launched last year, they will get annualized next year. Renewal of Jharkhand which is happening at a higher price will have an overall impact. So there will be some growth in the circulation revenue as a natural case based on these things. Now if at all we require some extra revenue we can always look in to the circulation cover price increase in few markets, which will give us more growth in circulation revenue. But the idea is to

first focus on the advertising revenue. If that can happen then I don't want to touch the circulation revenue cover price. But if for some odd reason the advertising revenue growth doesn't happen the way we are expecting, then we may have to look at increasing the circulation cover price.

- Bharti Gupta** What has been the average increase in the cover price in the last quarter?
- Girish Agarwaal** In Q4 we have a growth of around 5% in terms of the net cover price.
- Bharti Gupta** And on an annual basis?
- Girish Agarwaal** Annualized basis it is almost flat.
- Bharti Gupta** Full year FOREX loss is around Rs. 47.56 million, can you break it down on the operational FOREX losses, the relating to debt?
- PG Mishra** Are you asking for the year or for the quarter?
- Bharti Gupta** For the full financial year as well for the quarter.
- PG Mishra** Full financial year for the CAPEX is Rs. 16.18 crore.
- Bharti Gupta** This is for the full year?
- PG Mishra** Full year and for this quarter there is a gain of Rs. 6.10 crore in CAPEX and coming to P&L, for full year it is Rs. 10.11 crore loss however we have gained around Rs. 4.55 crore last quarter.
- Bharti Gupta** Of the total debt which we have seen currently, how much is in foreign currency?
- PG Mishra** Foreign loan is Rs. 123.43 crore as on 31 March, 2012.
- Bharti Gupta** This is the foreign currency and what would be the average rate?
- PG Mishra** Average rate is 2.76% for the entire year for all term loans.
- Moderator** Our next question is from the line of Pranav Kshatriya of Brick Securities, please go ahead.
- Pranav Kshatriya** What is your outlook and how the FMCG and Government segment performed in the last quarter and how we see it going forward?
- Girish Agarwaal** the way things are moving I am very optimistic, hopefully in the quarter 1 and quarter 2 things should improve, based on that we are focusing on a higher number of growth. Especially since we have our dominant position in most of the markets where we operate. We feel that the correction in the market and sentiments will help us to grow and achieve our number.
- Pranav Kshatriya** How did they performed in Q4, in these segments how were they, were they doing good and with this segment were they also down with drop in national advertisers. Did they also drop in line with national advertisement in Q4?
- Girish Agarwaal** FMCG is a part of national advertiser for us and government is not of a huge part, Government has been able to maintain the number. We had some decline in the

Government revenue in the Punjab market because of the elections over there, and we could not gain anything from the election over there because we wanted clean advertising to come to us. And for some odd reason clean advertising was not much available in the market hence we could not get any major gain in the Punjab election at all.

Pranav Kshatriya How do you see advertising on radio going forward, is it more related to national advertisers, how is the breakup of national and retail?

Pawan Agarwal Radio has a similar breakup as print. Radio has almost more than 60% coming from retail and about 35 – 40% coming from national. Since there is a large market share amongst radio players, retail has been doing extremely well. Whereas national definitely has taken a slow down. However we are very positive about the retail growth in radio which has seen growth in this year.

Pranav Kshatriya How much CAPEX should we factor in for coming year, FY13?

Girish Agarwal You are talking of radio or overall?

Pranav Kshatriya Overall.

Girish Agarwal I don't think there is any CAPEX needed in radio because the next round of auction or bidding will happen not shortly. We are not keeping any provision for it right now. And otherwise the normal CAPEX should be in the range of around Rs. 30 – 35 crore which is a maintenance CAPEX what we feel should happen this year.

Moderator Our next question is from the line of Pratish Krishnan of Antique Stock Broking, please go ahead.

Prateesh Krishnan In terms of the national advertisers, It seems the revenue has declined to around 10 – 11 % for the quarter. Was there an element of price incurred or this was largely driven by volumes for you.

Girish Agarwal Largely because of volumes we didn't push any extra pricing in the national market. And I think it was largely driven by volumes which were not upto the expectations.

Prateesh Krishnan The internal target of 20% that you have, what is the composition and are you looking at a any kind of pricing strategy?

Girish Agarwal It's a 50 – 50.

Moderator Our next question is from the line of Nikhil Vohra of IDFC Securities, please go ahead.

Nikhil Vohra The decline in corporate ad spends that you have seen, do you think it is a reflection of just a sentiment around right now in the economy or it's literally a move away from print which might be lot more difficult to get back?

Girish Agarwal When I speak of advertisers around, for example the amount of money which was planned or was thought would go through the latest cricket event, that didn't happen. So we can't really say that shift of money is happening. Otherwise the number over there should have been much more robust, it's the overall sentiment which can't be visible.

Nikhil Vohra So you don't think other mediums like net have started to gain slightly more amount of prominence and thereby yield of sector will start to erode as we move forward.

Girish Agarwaal Internet anyway has a very small volume in terms of net number. Even if they grow by 50% that's hardly a number, hence there is no migration happening. Overall it looks like a sentiment and the advertisers are holding back. Because when we speak to couple of companies they have not indicated any cut down on the budgets. It is a matter of postponement of their advertising decision based on the market feedback that they are getting.

Moderator Our next question is from the line of Ram Hegde of Primus Investment Advisors, please go ahead.

Ram Hegde On the growth aspiration of 20%, Is it right to say that you are looking on the local side corporate?

Girish Agarwaal Locally we are looking at 26% growth. That's what the internal number we are working on and on national we are looking at a 15% average growth. Locally we are more confident, things are slightly more in control over there and nobody knows the national market, we are assuming that would happen and things should improve on Pan India basis.

Ram Hegde On an operating leverage issue, If I look at your mature business presumably on a full year basis it did around Rs. 1270 odd crore which was an incremental revenue of around Rs. 552 crore but the EBITDA margins probably declined from 36% to 33%. There has been a negative growth there. So any particular reason what line item was there which you didn't cover?

Girish Agarwaal 2 things, one is the newsprint cost and second is the FOREX impact. Because FOREX impact is on the overall company on the mature as well as on the margins and the newsprint cost actually took away the larger impact on the mature edition because large quantity is in the mature editions.

Ram Hegde Can you give us the tonnage and also the split between mature and emerging?

Girish Agarwaal The total tonnage in the quantity of newsprint was 161864 tonnes for the year.

Ram Hegde And the split?

Girish Agarwaal Split has been roughly to the extent of 75-25, we can send you offline.

Moderator Our next question is from the line of Ashish Uppanlawar of Spark Capital, please go ahead.

Ashish Uppanlawar Want to understand on newsprint price it would be flattish YoY, the existing contract that has come up for renewal, is it substantially down compared to what it used to be a quarter back?

Girish Agarwaal We are not down drastically, we are assuming the correction of the dollar. We are hoping to maintain the number that we have achieved in the average in Q1 which we have signed up looks like we are almost flat.

Ashish Uppanlawar How do the emerging market losses pan out in the next year since we don't have any launches next year.

Girish Agarwaal Emerging market losses will come down drastically for 2 reasons because we have increased the cover price in Jharkhand again. It is at Rs.920 now. That will be one. Second thing the preoperative expense of Maharashtra which was in the tune of almost Rs. 13 crore will be zero. The overall losses in the emerging market will come down drastically.

Ashish Uppanlawar And on the quarterly numbers why is the other operating income up by big number?

Girish Agarwaal Company took a division a company called MP Printer which is a printing unit in Noida and that income in the last 6 months around Rs. 29 crore of the income has added on there. MP Printer was Rs. 14 crore in the last quarter in the balance sheet. Total is Rs. 29 crore.

Aruna Bharati There was no announcement. I am yet to know about the MP Printers, this Rs. 29 crore is this quarters number of is it fully 6 months number.

Girish Agarwaal Yes full year number is Rs. 29 crore.

Moderator Our next question is form the line of Gaurav Jalan of Avant-Garde Wealth Management, please go ahead.

Gaurav Jalan The total circulation of millions of copies, last year the number was 1383 million, figure for fiscal '12 what is the total number of copies you sold in fiscal '12?

Girish Agarwaal Can we get back to you offline on this please?

Gaurav Jalan Okay that's fine. On the capital expenditure guidance that you have given. This year will be only the maintenance. When you think about capital expenditure, I would assume that the largest expenditure would be in printing presses, so there in terms of capacity in future years, if you grow your circulation your current capacity can absorb that. Will you need to add capacity even at current locations?

Girish Agarwaal Looking at the current numbers most of the locations, we have a capability of growing up by 5 – 7 – 10 % copies in most of the centers. We wouldn't need any CAPEX requirement to enhance the printing capacity in certain places.

Gaurav Jalan Okay and typically what is the life of these presses that you have?

Girish Agarwaal In our experience it goes around for 10 – 12 years easily because in newspaper industry the technology remains largely the same. Unless and until we need higher technology, which we have installed in Ahmadabad and Jaipur, and which we are installing in Indore, so I don't think the technology really goes off. Coming back to earlier question my last year number was 13826. And now this year is 16072.

Moderator Our next question is a follow up question from the line of Vikash Mantri of ICICI Securities, please go ahead.

Vikash Mantri I didn't get the numbers for this year's copies.

Girish Agarwaal 46.60 lakh copies is the current circulation number.

Vikash Mantri Daily?

Girish Agarwaal Daily.

Vikash Mantri This would mean that we will have an increase of 20% this year compared to the average of last year and based on our exit quarter what do we see the average increase for next year?

Girish Agarwaal Last year the number was 40.46 now it has gone up to 46.60.

Vikash Mantri Can you give me the total copies because that's a better benchmark. There you would divide it by the number of days of circulation and so on and so forth.

Girish Agarwaal Can we send this offline to you?

Vikash Mantri The question from this is what do we expect as we increase in average number of copies for this year compared to FY12?

Girish Agarwaal 2% – 3%.

Vikash Mantri Despite our exist quarter circulation being significantly higher than average circulation?

Girish Agarwaal I am talking from a 46.60 base,. My average for the year has been 45.91. And the last quarter which is quarter 4, the number exit is 46.60. We are expressing average of 2% on the 45.91.

Vikash Mantri You have given 19% increase in retail advertising.

Girish Agarwaal On the last questions the growth of 2 – 3% I am talking on the 46.60 on the exit quarter.

Vikash Mantri On advertising could you give us the decline in national advertising that happened this quarter?

Girish Agarwaal There is a decline which is almost running to around 13%.

Vikash Mantri So 13% would be for all editions put together, mature editions is what you gave was 19% so you have to give for mature editions.

Girish Agarwaal No we don't give that bifurcation of the national-local growth.

Vikash Mantri But 19% number you gave was for mature editions.

Girish Agarwaal 19% is the overall retail growth.

Vikash Mantri Okay if you were to look at new editions you have done around Rs. 35 crore of revenue it would mean that if I were to remove this number from the quarterly number our lets say Rs. 25 crore odd from this number, then you have actually had year on year decline of 4%.

Girish Agarwaal No then you have to take out the number in last year quarter also.

Vikash Mantri What would that be?

Girish Agarwaal We don't give quarter wise bifurcation on the editions.

Vikash Mantri No only argument here was that given you already represent 19% in local market which accounts for around 57% of the total revenue base. The decline in corporate has to be more than 25% to deliver a 5.6% on a mature editions basis.

Girish Agarwaal Our breakup of local and national is to the tune of 61% for the retail and not 57% as mentioned by you. There has been a growth in the retail as I mentioned.. There has been an average growth of around 20% plus on the retail and in the national there is certainly been a decline.

Vikash Mantri If I were to look at 19% over 61% and 13% over 39% that gives me 6.5% which is higher than the 5.6% you report.

Girish Agarwaal I can't divulge the territory wise number on that. I can say what your apprehension in absolute number there is a decline in terms of edition-to-edition there is no decline.

Vikash Mantri No I am saying there is a significant or a 20% plus corporate, could you substantiate that in terms of numbers in national advertising.

Girish Agarwaal In our numbers there is no 20% decline in the national.

Vikash Mantri So then the numbers you have given were 19% and 13% somehow don't match up to the overall numbers.

Girish Agarwaal I will ask Prasoon to explain you offline and explain the numbers to you.

Moderator Our next question is from the line of Bharti Gupta of Sushil Finance, please go ahead.

Bharti Gupta What has been the total investment in the Maharashtra and Jharkhand market and what is the operational loss that we have reported during the quarter and for the full financial year for these two markets?

Girish Agarwaal Rs. 40 crore in Maharashtra and Rs. 50 lakhs in Jharkhand.

Bharti Gupta I am talking total investments in these markets.

Girish Agarwaal We will have to dig it out and send you offline.

Bharti Gupta What has been the operational losses?

Girish Agarwaal We don't give the break up of the market, if you look at the entire emerging edition which includes Jharkhand and Maharashtra and also the spillover of editions from us, altogether it account for Rs. 77 crore. It includes the preoperative expenses also of Maharashtra.

Bharti Gupta Okay so Rs. 77 crore was the total operational losses of the emerging markets?

Girish Agarwaal **Yes.** Including the preoperative expense of Maharashtra and the spillover edition.

Bharti Gupta How much of your FOREX exposure is hedged?

Girish Agarwaal This dollar loan which we have on the books was taken when dollar was almost Rs.50 plus. We have not done any kind of hedging. We have our consultants for the FOREX, Mac Line and they keep suggesting based on their recommendation we do the hedging of the dollar even for the newsprint.

Bharti Gupta On the operational front for the newsprint prices, the imported one is not hedged?

Girish Agarwaal We do hedge for around 40 – 50%. That again is based on the advice we received from our advisor. And then we take a call on that.

Moderator Our last question is from the line of Amit Kumar of Kotak Securities Limited. Please go ahead.

Amit Kumar I wanted to have a very broad understanding as to how the new market expansion of Jharkhand and Maharashtra is? And how is the advertising market in these 2 states specifically both from local as well as national advertiser are doing and how are we doing within the advertising markets in these states in terms of market share.

Girish Agarwaal As you know Maharashtra is not even a year old. Average age of Maharashtra is around 4 months and the average age of Jharkhand is more than 1.5 years. In that case national anyway takes more than 18 months to commence support. Because the readership data takes time for them to come in. So Government advertising is yet to come in. Most of the revenue which we get in the initial 2 – 3 these years in these two editions are largely from the retail and retail has been encouraging enough in these two markets. More in Maharashtra and than Jharkhand I would say.

Amit Kumar In Jharkhand would it be fair to expect that going in to FY13 we should get some bit of national advertising given that our readership numbers has started to come up?

Girish Agarwaal Certainly I would say that and that would help us to get us a better number and going forward offer better dividends. I would say company has offered around 35% interim dividend till date in two tranches of Rs. 17.5 and after the quarter will decide the final dividend.

Amit Kumar My second question pertains to the DB Corps School of Media Education that you have started with Dale Carnegie Institute. Could you just comment on that that why was the need for this, how do we fit in to this DB Corp?

Girish Agarwaal Today we have around 10,000 people working in the company in various genres, which is editorial, sales, production and we felt that it is necessary for us to have a training centre to train our people first. We are not looking at outside training. We are looking at inside training first and this state of the art of the facility has been built up in Bhopal where we have a scheduled training session for our teams which ranges from 3 days going up to 7 days and they stay in the hostel, they stay in campus and the idea is to nurture their talent further more so that they are able to handle themselves and the work pressure going forward.

Amit Kumar What is the need for this? There are plenty of third party institute, media institute which are already there in India so why this specific initiative by the company?

Girish Agarwaal Two things for simple reason. First of all we realize there is no media school that really caters to the specific needs by us. So these courses are very much tailor made because there is no point teaching elementary to the sales person which is already in the business for the last 20 years. We focus on a very tailor made courses for the editorial and for the sales people. You would be surprised that our 40% to 50% focus in these courses are not on the specific knowledge. Just more on the well being of the human being and I think this is really helping us because so far we have done about 4 batches already and the kind of feedback I am getting from the participants, they are really excited and happy with it.

Moderator I would now like to hand the conference back to Mr. Pawan Agarwal for closing comments.

Pawan Agarwal On behalf of the management I thank you for your participation and time on this earnings call. I hope we have been able to respond to your queries adequately and we will be happy to be of assistance through our investor relation department headed by Prasoon Pandey, should you have any further inquiry.

Moderator Thank you very much sir. On behalf of DB Corp Limited that concludes this conference call. Thank you for joining us.