



DB Corp Limited
Q3 & 9M FY2011 Earnings Conference Call
January 25, 2011

Moderator: Ladies and gentlemen good afternoon and welcome to the DB Corp Limited Q3 FY11 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 any assistance during this conference, please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Malini Roy of Citigate, Dewe Rogerson. Thank you, and over to you.

Malini Roy: Good afternoon everyone, welcome again to the conference call for DB Corp Limited, and we will be sharing the key operating and financial highlights for the third quarter and nine month ended FY2011. We have with us today the Senior Management Team of DB Corp Limited, Mr. Pawan Agarwal - Non-Executive Director, Mr. Girish Agarwal - Non-Executive Director, Mr. PG Mishra - Group CFO, Mr. Ashok Sodhani - General Manager Finance and 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 companies financial performance has already been e-mailed to you. I invite Mr. Pawan Agarwal to please share his outlook on DB Corp's performance for this quarter.

Pawan Agarwal: Good afternoon everybody. As always, it is a pleasure to be on this conference call today, as we share the operational and financial highlights for the third quarter and nine month ended December 31, 2010. Following our opening comments, we will open the forum for your questions and further discussions.

On an overall basis, this quarter continues our momentum of consolidating our presence in existing territories and expansions in new regions. Bhaskar is steadily strengthening its position in Jharkhand – an upcoming a progressive region for DBCL with the launch of our Ranchi and Jamshedpur editions that are significant to our India expansion strategy. The IMRB

Readership Survey (conducted over November-December 2010), as you all would already know, has revealed that Bhaskar has emerged as a key frontrunner publication in Ranchi city within 3 months of its launch and has made its mark as a very formidable player of the region and most favored paper in the affluent class of readers. Our growing brand equity in this high-growth market has also been reflected in our strong readership profile and position in Socio Economic Class (SEC) A and B, over key competitors that present a potential opportunity to be monetized by DBCL as we progress. Our Jamshedpur edition was launched for public on December 12, 2010 and we fortified our presence in North India through the launch of Bhaskar's Jammu edition in October 2010.

In addition to our foray in these new regions, we have continued to harness our competitive strengths in our existing territories and maintained our position as the largest and the most widely read print media group with 17.5 million readers, in multiple languages, across India's fastest growing markets, as revealed by the Quarterly Results of IRS (Q3 2010) that were released in December 2010. Bhaskar's readership growth has been primarily driven by Gujarat, Punjab, Madhya Pradesh, Rajasthan (urban), Haryana and Himachal Pradesh.

Ad revenue contribution has been encouraging from sectors like lifestyle, automobile, government, electronics and electrical and real estate.

Our strategic market expansion initiatives have progressed with the same vigour. This quarter we have also launched new independent printing centers & editions in existing territories. We have set up 2 more new printing centres in Rajasthan - in Hanumangarh and Banswara, which have increased our printing centers to 16 in the state to bring us closer to readers. We have also successfully commissioned 2 new printing centres in Madhya Pradesh – in Hoshangabad, and Khandwa which has increased the total count to 8 in the state. We are shortly commissioning another printing centre at Rohtak in Haryana. We also plan to commission 2 new printing centres in Gujarat over the next few months which will increase our strength to 9 in Gujarat.

DBCL's radio business continues to demonstrate steady progress and reports around 37 % growth in Advertising Revenue, supported by a robust EBITDA of Rs. 33 million.

Lets us now take a quick review of DB Corp's financial performance for the third quarter and 9-month period in fiscal year 2011 – overall, our financial and operating performance continues to be encouraging. For Q3 FY11, our Total Revenues stand at Rs. 3482 million with a YOY growth of around 24% and EBITDA is reported at Rs. 1148 million (33% margin) with YOY growth of around 20%. Our advertising revenues for the current quarter has grown to Rs. 2810 million as against Rs. 2176 million of the corresponding quarter of last year, reflecting a growth of 29.2%, on account of festive seasons. While on identical parameter (excluding onetime election billing of

last year of Approx. Rs. 70 Mn) our Advt has grown by more than 33% in Qtr 3 of FY 10-11 on YOY basis. Our Print EBIDTA margin this quarter stands at 34%, which factors our pre marketing and survey related expenses of around Rs. 37 million for Jharkhand which have been booked in the revenue account, instead of capitalizing or deferring the outlay for future quarters, considering the long term impact of these expenditures. Our Consolidated PAT reflects a robust growth of 31% at Rs. 660 million from Rs. 505 million of the corresponding quarter 3 of the last fiscal.

Our Total Revenue for 9M of the fiscal year on YOY basis has expanded by 18% to reach Rs. 9479 million. 9M EBIDTA margin has grown by 18.3% having expanded to Rs. 3235 million from Rs. 2734 million in the corresponding period of last fiscal. 9M PAT has grown by a healthy 30 % at Rs. 1905 million.

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

Moderator: Ladies and gentlemen, we will now begin with the question and answer session. Our first question comes from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Great advertising growth.

Abneesh Roy: My first question is on the print advertising of 29% growth in ad revenues -- please give us a break up of volumes and price growth and similarly local versus national advertisers.

Pawan Agarwal: Our growth, about 70% of it has come from volumes, and about 30% has come from the yield growth. On the national versus local, 57% of our revenues have come from local, and 43% have come from national. That's the break up.

Abneesh Roy: Where do you see the next price hike happening and FY12 any guidance you can share? Some broadcasters also have said 14-15% ad growth for FY12?

Pawan Agarwal: We're still expecting a volume growth this financial year, as well as next financial year, so we're not banking too much on the price hike. We feel the market is coming back. All the sectors have started to perform, so our focus for the next financial year will be on volumes, again same ratio generally, with a bit of a yield increase around 30-40% range.

Abneesh Roy: Coming back to Jharkhand where you've been focusing a lot of energy, where are we in terms of the city coverage and circulation?

Pawan Agarwal: We're doing about 1.5 lakh copies in Ranchi, about 65,000 copies in Jamshedpur, and Dhanbad is slated to be launched in the month of March.

Abneesh Roy: Any delay in Dhanbad?

Pawan Agarwal: No delay. As mentioned, we had kept two months between each launch that was the strategy, that every edition must be spaced out by about two months from Ranchi, Jamshedpur was supposed to be slated two months after Ranchi and so is Dhanbad.

Abneesh Roy: You have done quite well in these two cities, when do we see cover price hike been taken? I believe with around 2.15 lakh copies, say per copy around say Rs 4.50 paise, is that a correct number 4.50 paise investment towards per copy?

Pawan Agarwal: Not exactly.

Abneesh Roy: What would be the number more likely?

Girish Agarwal: We don't have the offhand number with us, you know but we can always let you know. Coming to your point on Jharkhand when you're saying that when we are going to increase the cover price. As you look at our history in Punjab, we launched in the year 2006, we continued the same price for almost two year's time and in spite of that we were able to become EBITDA positive in Punjab over a period of three years' time, so I don't think we're in rush to increase the cover price at all.

Abneesh Roy: That's a good strategy, the only difference would be the market size of Jharkhand, which is say around 100 crore ad revenue. Is that not lower than say Punjab so, any difference there?

Girish Agarwal: No. Jharkhand market is currently almost at Rs. 130 crore ad market as per our estimation.

Abneesh Roy: And we've started getting some advertising from there?

Girish Agarwal: We're getting some decent advertising, but I must share with you that in the local market, my market share in terms of local advertising is higher than any other existing player in that market.

Abneesh Roy: And we've started getting local in a big way to say?

Girish Agarwal: Local we've got in a big way. National, always takes some time for sudden reports to follow, and I'm happy to share with you the recently the IMRB report which has come out, which was conducted in the month of October, November, December in Ranchi city, has clearly declared that Bhaskar has 2,70,000 readers and I'm a very formidable player there, especially in the socio economic class A and B Dainik Bhaskar is the clear leader in Ranchi city.

- Abneesh Roy:** Coming back to Bihar you still maintain second half of FY'12, or any change in that?
- Girish Agarwal:** We're still working on that. The date has not yet been decided.
- Abneesh Roy:** One of your competitors has launched this Hindi supplement for the business reader, 'business segment' do you have the same, or are you planning something on this line?
- Pawan Agarwal:** In our newspaper we have one at times two pages devoted to the business paper, if we feel that our readers want more input on the business side, we will certainly take care of that
- Abneesh Roy:** Radio growing faster than print will that continue 37% versus 29%?
- Pawan Agarwal:** The radio growth will be continued in roughly a similar number.
- Moderator:** Our next question is from the line of Siddharth Goenka from JM Financial. Please go ahead.
- Siddharth Goenka:** My first question is on the Bihar and Jharkhand launch, where Jharkhand has already been launched, so what kind of growth are you seeing in the ad markets from Bihar and Jharkhand over the next, what is the growth expectation?
- Pawan Agarwal:** We are estimating this year Jharkhand to be about 130 Crore, the market will grow anywhere between 20-25% next year, so this market should reach a number of about 150 to 155 Crore next financial year, and we're looking at this growth to be continued for next two to three years.
- Siddharth Goenka:** What about Bihar market?
- Pawan Agarwal:** The market should grow by 20-25% in the coming years.
- Siddharth Goenka:** Bihar market also at the similar growth?
- Pawan Agarwal:** We haven't experienced Bihar yet, but I'm sure the new political changes in Bihar, will cause it to grow at a similar rate,
- Siddharth Goenka:** We've been hearing that the Hindi regional is growing at a phase of 15-18% or 18-20%, so what kind of growth guidance would you give in FY12 in terms of the growth and from the print advertising?
- Girish Agarwal:** This year as of now if you look at our nine months ended growth is 22% on advertising, if I take the election billing out from the last year number then I'm at 28%, so far the numbers are looking good. It is important to note that not only one segment but all the segments of the advertising, all the categories of advertiser have been showing a decent growth, especially the

GDP of the country is also on a slightly stable ground. I don't see any great reason for this number to get affected going forward.

Siddharth Goenka: How has been the growth from the local advertisers?

Girish Agarwal: Local is going faster than national.

Siddharth Goenka: What kind of strategy do we have for the upcoming 3G radio licensing? If you can share any kind of details what you've jotted down in terms of markets?

Pawan Agarwal: Looking at consolidating our position in our existing markets adding more stations in the current states that we're operating in, and making sure that we get the largest share of revenues in that state for us. So, we've already captured the top cities in those states. The next move with the new phase would bring in Tier 3 and Tier 4 cities which we would add to make our offering complete in the territories.

Siddharth Goenka: Are you looking to enter the metro cities? Will you be concentrating on the Tier 2?

Pawan Agarwal: We are looking at Tier 2, Tier 3 expansions.

Siddharth Goenka: One last question I have on the standalone financial, the tax rate is more than 35%. Is there any particular reason why the standalone tax rate is so high?

P.G. Mishra We've received an assessment order in December for FY 08-09 and there is a provision of Rs 1.5 crore, made during this financial year.

Siddharth Goenka: The radio merger will be effective from 4Q?

P.G. Mishra Radio merger is from effective from 1st April 2010 and I'm happy to share with you that we've got permission from both Jabalpur high court as well as Ahmedabad high court, and the necessary steps are to be taken and which will be effective from 1st April 2010.

Siddharth Goenka: So the entire effect will come in 4Q FY11?

P.G. Mishra Correct, during this financial year.

Moderator: Our next question is from the line of Ankur Periwal from Religare Capital Markets, please go ahead.

Ankur Periwal: As you mentioned earlier the ad revenue mixed between local and national was 57% and 43% in this quarter, can I get the same number for Q3, FY10?

Pawan Agarwal: It's 55% - 45%

- Ankur Periwal:** 55% and 45% as you've mentioned earlier that the growth rate in local is much higher as against national, right?
- Pawan Agarwal:** That's right.
- Ankur Periwal:** Ranchi-Jharkhand markets as a whole, what is the percentage return that you're witnessing in both Ranchi and Jamshedpur currently?
- Pawan Agarwal:** It is early to comment, but the breakeven timelines taken for Jharkhand as is for Punjab it was for about three years, and for Jharkhand we're estimating anywhere between three to four years, similar ranges.
- Ankur Periwal:** The newspaper return that we witnessed for respective territory, Ranchi or Jamshedpur, could the proportion be for around 3-4% or is it more than that?
- Girish Agarwal:** About 97% copies are pre-booked, so we don't have any major returns at all because I've already collected money in advance from my readers.
- Ankur Periwal:** 97% is valid for both the territories Ranchi and Jamshedpur, right?
- Pawan Agarwal:** Yes, that's correct.
- Ankur Periwal:** Since Jharkhand is more of government ad revenue driven market how does this entire mechanism for government ad revenue distribution happens?
- Pawan Agarwal:** It's a misrumor that Jharkhand is a government dependent market, our experience for the last six months does not say that. It is a fairly local driven market with some support of government which is there in all other states of Bhaskar as well.
- Ankur Periwal:** What could be the mix of government and other local or national advertisement?
- Pawan Agarwal:** Government is about 10-12% of the total revenues which is also what government is in most of our existing markets.
- Ankur Periwal:** What could be the proportion of government for entire Jharkhand market in terms of ad revenues?
- Pawan Agarwal:** 10-15% is the total contribution of government in the entire Jharkhand revenues.
- Moderator:** Our next question is from the line of Ritesh Poladia from Almondz Global. Please go ahead.
- Ritesh Poladia:** Can you give us your outlook for newsprint prices?

- Pawan Agarwal:** Since the procurement prices have been frozen we don't see any change in newsprint in the next quarter. On the consumption another 3% rise is what we see, which is pretty much budgeted for in our cost.
- Ritesh Poladia:** Over a one year or two year period do you see that it would be still on upper trajectory?
- Girish Agarwaal:** In the past if you look at my year-on-year, there has been a growth of around 11% on the newsprint cost, and at the quarter-on-quarter like Q2 to Q3 there is a growth of 3.9%, and I don't see any great number changing going forward.
- Ritesh Poladia:** How much education would be contributing to the overall advertisement for print?
- Girish Agarwaal:** Roughly, the overall if you look at the annualized basis it would vary from 13-16%.
- Ritesh Poladia:** For industry entirely it would that be upward of 20% or about the same range?
- Management:** I would assume it will be around the same range because we don't have the real industry data. Adex Captures limited publication, and so I would assume it would largely be the same.
- Ritesh Poladia:** So about 15%?
- Girish Agarwaal:** Yes, I would say.
- Ritesh Poladia:** Do you foresee any regulatory restriction on these education advertisements?
- Girish Agarwaal:** In fact government should be happy to promote this.
- Ritesh Poladia:** Looking at the quality of advertisement don't you get concerned, as in there should be some kind of restriction, or what is the governments control on these advertisements?
- Girish Agarwaal:** I don't understand this, but it might be possible that the government may issue guidance of dos and don'ts, but there is no such pending case in any of the courts to my knowledge.
- Moderator:** Our next question is from the line of Vikash Mantri from ICICI Securities. Please go ahead.
- Vikash Mantri:** Can we get the circulation volume growth numbers for this quarter and for the nine months?

Pawan Agarwal: Last year on this quarter we were at 39 lakh copies, and in this quarter we're at 42.5 lakh copies.

Vikash Mantri: Is this for the full year average or nine month average?

Girish Agarwal: It would be around the same because from the last year to this year we have added on is Jharkhand, Ranchi and Jamshedpur, along with some new additions in our market. So if you look at that average varying around nine months, from 38.64 lakhs we've gone up to 43.51 lakhs.

Vikash Mantri: The nine month average is higher than this quarter's average?

Girish Agarwal: Yes.

Vikash Mantri: This quarter we have seen a reduction in any of the markets is it because you would have launched Jamshedpur also?

Girish Agarwal: Can we get back to you separately on this?

Vikash Mantri: Sure sir.

Girish Agarwal: There has been a constant growth on the circulation number that I can assure you.

Vikash Mantri: On the Radio Business: Have you started apportioning cost on the new royalty resume basis where we were supposed to put in only two percentage of net revenue, and what would be the annual saving if you were to do that?

Pawan Agarwal: It has been started for PBL, for T-Series we're still booking liabilities, because the change has been made only in August, so that saving would amount to about Rs. 10 lakh odd a month, for about seven, eight months.

Vikash Mantri: Next year you could have 10 lakhs for the full year?

Pawan Agarwal: Yes, but we have still not done that. There hasn't been an entire reduction in royalties as of now roughly for PBL, not even for IPRS so we are still booking liability for IPRS.

Vikash Mantri: On the Jharkhand market, the introductory offer that we have which includes a gift of around Rs. 300 and a quarterly gift of Rs. 135 would mean a quarterly cost of close to Rs. 4 crore and one-time cost of Rs. 10 Crore. Have we booked that cost in the P&L?

Pawan Agarwal: Yes that cost has been booked in the P&L.

Vikash Mantri: For every quarter we should factor in Rs. 135 into a 2 lakh odd circulation that you have as the cost of marketing or promotion?

- Girish Agarwal:** Not exactly... why... because in some cases we've been doing barter also, when I do barter with the company who does no advertising with me, hence money doesn't go out from the P&L.
- Vikash Mantri:** Then it wouldn't reflect, so what portion had been reflected? Just to factor in my model.
- Girish Agarwal:** We can't comment, during the Ranchi launch, we were able to strike a good barter deal, almost Rs. 12 crore barter deal was conducted so the entire promotion cost got saved, now we will do the same thing for Dhanbad as well as Jamshedpur. In Dhanbad, can I do it? I don't know, so I won't be able to give any guidance on that because this barter deal is a one-to-one case.
- Vikash Mantri:** Had this deal not been there then can we say that advertising revenues could have been higher by the 10-12 Crore.
- Girish Agarwal:** Not exactly, if let me give you this number, for nine months, we have done around 11 crore of pre-operative we have already booked that in Jharkhand.
- Moderator:** Our next question is from the line of Ashish Uppanlawar from Spark Capital. Please go ahead.
- Ashish Uppanlawar:** Yes what has been informed is that you guided for about 125 crore of gestation losses of Bihar and Jharkhand over the next three years, so does that figure stand? Or after the Jharkhand launch are there any changes in that guidance?
- Pawan Agarwal:** That figure stands. There are no changes in that figure, 125 crore. Largely it's going to be the same number.
- Ashish Uppanlawar:** If we look at the current quarter excluding the gestation losses of the recent launches what would be the EBITDA margins approximately?
- Pawan Agarwal:** About at least 35% because there was a cost of about 3.5 crore which we booked for Ranchi which is the pre-operative expenses of Ranchi. If we take that out, we would have been done at about 35%.
- Ashish Uppanlawar:** That would be a one time pre-operative launch.
- Pawan Agarwal:** Operating losses as well. If you remove Jharkhand from the P&L, your EBITDA margins for this quarter would have stood at about 35%?
- Ashish Uppanlawar:** What is the consumption of newsprint for this quarter, can you give me the number and the effective price?
- Pawan Agarwal:** The effective price for this quarter stands at about 27,846. And the consumption quantity was about 38,197 metric tonne.

Ashish Upganlawar: On the radio merger, the tax benefits what could accrue would entirely be booked in the fourth quarter?

P.G. Mishra : Yes it will be booked in the fourth quarters because we have just got the permission from the respective.

Ashish Upganlawar: That would be about 33crore?

P.G. Mishra : Approximately 30 crore plus.

Moderator: The next question is from the line of Aman Jain from Parasnath Securities. Please go ahead.

Aman Jain: Have there been any new launches in radio in the current quarter because there was increase in capital employed?

Pawan Agarwal: No. there has been no increase in radio in this quarter; all the stations have been launched about two and a half years ago now.

Aman Jain: So there are no new launches? What kind of depreciation levels are we're working at in the radio business?

Pawan Agarwal: Yes, we've provisioned everything for 10 years.

Aman Jain: 10 years

Pawan Agarwal: Amortization as well as the depreciation cost.

Aman Jain: What were the ad rates, had there been increase or change in the ad rates in the last quarter?

Pawan Agarwal: There has been a strategy on both again in radio also about 70% of the growth has come from volumes, and about 30% has come from the rate increase

Aman Jain: What kind of utilization are we at in terms of ad in radio right now?

Pawan Agarwal: The advertising in radio because almost 60% of our revenues come from local. Local rates vary and when we sell national, we sell packages so that we don't carry a common national rate card for radio really which we work on. We work on mostly the packages for our stations.

Aman Jain: Are we expecting a further hike in radio rates in the coming quarter?

Pawan Agarwal: Not really, we are still focusing on bringing back the volumes because a lot of our smaller stations still have lot of inventory available.

Aman Jain: When can you expect the radio business to become PAT positive?

Pawan Agarwal: Yes, we're hoping next year. We are sure that we will be PAT positive next year

Aman Jain: FY12.

Pawan Agarwal: That's right.

Moderator: Our next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: We saw a volume growth of approximately 20% so in terms of ad edit ratio, what's the change YOY, or have we just added pages for the advertisements?

Pawan Agarwal: The pages of last year same quarter was about 21.8. This quarter the pages are 23, so there has been an increase in pages.

Abneesh Roy: And what's the overall increase in newsprint you said, quantity YOY?

Girish Agarwaal: The quantity increment has been around 13% -13.5%

Abneesh Roy: Could you comment on Jammu which is a relatively very small market, but you did launch there, so we wanted to get an update on that?

Girish Agarwaal: That is doing fine. Jammu is not a very hot market.

Abneesh Roy: Yes as a lot of turbulence is there.

Girish Agarwaal: When we launched we got a decent number over there, however it will take time for us to really focus in that market, in order to get that size out of that market.

Abneesh Roy: And sir could you comment on the cash and debt positions that you have currently?

Girish Agarwaal: Company is with the cash of almost Rs. 175 crore bank balance and including the IPO proceeds. Our net debt is around Rs 8.5 crore.

Abneesh Roy: One last question is on your main home market of MP. Patrika and Nai Duniya became a bit aggressive then you also retaliated. Where do we stand oppose that are we getting back any lost market share if at all, and any concerns on that?

Girish Agarwaal: I'm happy to share with you that as per the last ABC we have done the growth of almost 12% in our circulation, as for the recent last readership report which came out, our leadership continues to be the way it was, and especially in the SEC A and B which is our large segment, we have been able to further grow in that segment.

Abneesh Roy: When is the next rate hike happening because 20% volume growth is very good in the print?

Girish Agarwal: Yes.

Abneesh Roy: Rate hike should happen in say by April?

Girish Agarwal: We're looking at March.

Moderator: Our next question is from the line of Amit Kumar from Kotak. Please go ahead.

Amit Kumar: I wanted to check this was the first full quarter of operation of Ranchi as well as launch of Jamshedpur, you mentioned Rs. 3.5 Crore of pre-operative expenses of Jamshedpur. What will be the total operating expenses Ranchi and Jamshedpur included in this particular quarter?

P G Mishra: In this particular quarter, it is Rs. 3.7 Crore.

Amit Kumar: No that is just pre-operative. Do you have an estimate of the total operating expenses of Jharkhand for this quarter 3?

P G Mishra: Approximately Rs. 8.5 crore is the operating expenditure for this quarter for entire Jharkhand.

Amit Kumar: For entire Jharkhand.

P G Mishra: Totally Rs. 8.5 Crs. operating cost excluding pre-operative exp.

Amit Kumar: Over a period of time, both in your core markets you have launched new printing centers as well as you have done these two new launches in the Jharkhand market, but if you look at on a YOY basis your depreciation and amortization expense is just gone up by about 5% only. Wanted to understand what's going on here.

P G Mishra: No Basically, Depreciation and amortization there is no any big ticket item. Whatever in Jharkhand, we have shifted the machinery from our internal pool only, and the pre-operative expenditure in the amortization there is no any big item of such kind.

Amit Kumar: But I hear a number of printing centers I can count at least two in Jharkhand, and four that you've launched in your existing places in the current quarter itself, so on a base of around 40, 42 odd printing centers, it's a fairly sharp jump almost a 15% jump in printing center, so all of that has been met by the internal pool only?

Pawan Agarwal: When we did the expansions at Jaipur and Ahmedabad as a capital project, a lot of equipment as a part of our expansion were also made free from those two centers, almost 10-12 odd printing machines came out of those two

places, and each of these places required only one single printing line, and hence majority of our expansion got taken care off on the machines that got surplus from the expansions.

Girish Agarwaal: Two years back, we did the expansion in Jaipur and Ahmedabad by getting the KBA machinery from Germany.

Amit Kumar: It was almost a Rs. 300 crore CAPEX in that area.

Girish Agarwaal: That investment has freed lot of machines from Jaipur and Ahmedabad which we're using in other centers to upgrade it further.

Amit Kumar: What will be your total CAPEX estimate for this year?

P G Mishra: Total CAPEX for this entire financial year, the tax level?

Amit Kumar: Yes.

P G Mishra: Are you asking for future?

Amit Kumar: No. I mean if you could give for FY11 and '12, it will be great.

P G Mishra: No, For '10-11 the entire CAPEX will be roughly Rs. 80 crore.

Girish Agarwaal: This includes the launches of Jharkhand and other expansions also.

Amit Kumar: For the next year what are you estimating?

Girish Agarwaal: Not yet decided because the new launches are yet to be formulized based on that the number will change.

Moderator: Our next question comes from the line of Chitrangda Kapur from Angel Broking. Please go ahead.

Chitrangda Kapur: I will continue with the questioning line that Akhilesh just before me had started. Sir, first the book keeping questions when we said that the net debt we have is for Rs. 8.5 Crore, how much debt have we repaid this quarter?

P G Mishra: Roughly Rs. 4.5 crore. There are only two loans that are pending. One is the foreign currency loan, and second is Indian loan, for foreign currency and the Indian currency we have paid Rs. 4.5 crore, and our subsidiary companies we have paid the entire term loan of Rs. 19.79 crore during this quarter.

Chitrangda Kapur: Okay.

P G Mishra: Now, SMEL is a zero debt company.

- Chitragda Kapur:** Why I'm asking this question particular was this quarter we saw that the interest expense that we incurred is just decreased by only Rs. 4 million from the previous quarter. Quarter-on-quarter I'm talking about sequentially so, which was very low considering that you had paid about 12 crore of debt?
- P G Mishra:** The term loan which was retained in the SMEL, it is in the almost end of the quarter, that's why we could not get the entire benefit of interest gain.
- Chitragda Kapur:** Okay.
- P G Mishra:** So, we'll definitely get it in this financial year in the last quarter.
- Chitragda Kapur:** Since this was the first quarter of the complete Jamshedpur addition launch; did we book any advertising revenue from there?
- Girish Agarwal:** No, let me complete, this is the first quarter, complete quarter for the Ranchi edition.
- Chitragda Kapur:** Yes, Ranchi edition.
- Girish Agarwal:** And we did book the advertising income to the extent of a couple of crores. You will appreciate I will not be able to give you the exact number, but its couple of crores.
- Moderator:** Our next question is from the line of Vikas Mantri from B&K Securities. Please go ahead.
- Vikas Mantri:** What would be our effective tax rate for this year and next year?
- P G Mishra:** For this financial year '10-'11, if you do not take that income tax benefit of SMEL that we are paying as for full income tax rate. After taking our Rs. 30 crore plus benefit of SMEL, the active rate will be between 27 to 28%.
- Vikas Mantri:** And since we have made provision at a higher rate which it will mean that the next quarter tax outgo could be at a much lower rate.
- P G Mishra:** Yes definitely because we have just got the permission from the respective high court. And then only we can proceed for the accounting entry as per accounting standards in this financial year quarter four.
- Vikas Mantri:** If I were to assume it's just like we're making more provision for taxes then it is due.
- Pawan Agarwal:** Yes
- Moderator:** Our next question is from the line of Hiren Dasani of Goldman Sachs. Please go ahead.

Hiren Dasani: Hi just a small clarification. What's the net Debt number you said, Rs. 12.5 Crore?

Pawan Agarwal: Net debt is Rs. 8.5 crore.

Hiren Dasani: And is that the consol level or a standalone level?

Pawan Agarwal: That would be for consol level.

Hiren Dasani: In the September quarter we had a net debt of about Rs. 126 crore. The gross debt was Rs. 295 crore at the September as per the BSE filing, and cash-in-cash equivalents was Rs. 169 crore.

Prasson Pandey: That gross debt was consisting of my working capital loan as well. When we work out net debt position it is considering only long-term debt.

Hiren Dasani: What would be inclusive of working capital loans? What would be the gross debt outstanding as of December on a consol basis?

Prasson Pandey: You can add up another of Rs. 30 crore to Rs. 32 crore further to this figure.

Girish Agarwal: Total number is around Rs. 32 crore.

Hiren Dasani: So 32 and 8.5 crs. Means Roughly Rs. 40.5 crore.

Pawan Agarwal: Yes

Hiren Dasani: That means that we have repaid almost like I mean working capital utilization also has gone down considerably.

Pawan Agarwal: Yes

Moderator: Our next question is from the line of Namrata Sharma from PINC Research. Please go ahead.

Namrata Sharma: How much News Print consumption are we expecting for FY11?

P G Mishra: Total quantity wise?

Namrata Sharma: Yes.

P G Mishra: Total quantity is 1, 41,730 MT.

Namrata Sharma: Now the second question is you said the total CAPEX for FY11 will be Rs. 80 crore, how much will be this towards Dhanbad?

Girish Agarwal: It is inclusive of all our existing additions. That doesn't require much of CAPEX because it's a smaller unit. It won't require much of a CAPEX and Dhanbad will be done in the month of March itself.

Namrata Sharma: How much CAPEX did you say for FY12?

Girish Agarwal: We have not yet finalized the number. What we mentioned that in the year '10, '11 we have done our CAPEX of around Rs. 80 Crore, and for the next year we have yet to arrive at a number based on our expansion plans.

Moderator: Our next question is from the line of Sakshi Malhotra from Eureka Stock & Share Broking. Please go ahead.

Sakshi Malhotra: My first question was regarding the utilization rates in the radio business?

Pawan Agarwal: You're talking about the operating rate in radio, is that correct?

Sakshi Malhotra: How much at what utilization rate is the radio business working right now?

Pawan Agarwal: If you see our inventory utilization is still at between 40 to 70% in majority of our stations, so the smaller stations are still between 40 to 50%. The larger stations range anywhere from 60 to 70% depending on the season of the year, but on an annual basis, they will be anywhere between 60 to 70%.

Sakshi Malhotra: In terms of minutes like in an hourly program, how much would be the advertisements like, say about seven minutes, ten minutes?

Pawan Agarwal: For our inventory calculation which I told you, we would look at about 10 minutes in an hour.

Sakshi Malhotra: Has it increased over the years, has been there a change over the years?

Pawan Agarwal: No, so we try and restrict that to 10 except for the season when we take that 10 to almost about 15, only during the season. Otherwise we try and retain that to 10 minutes only.

Sakshi Malhotra: You mentioned that by March, we're expecting a rate hike for the print business. Could you give us in some expected percentage terms as to what can we expect in that case?

Pawan Agarwal: Anywhere between 15 to 20% is what we will implement as a rate hike in March in print.

Sakshi Malhotra: In print, and can we see a similar movement in terms for the radio business also?

Pawan Agarwal: Yes.

Sakshi Malhotra: You just said something about newsprint consumption, what are we expecting for the entire FY11?

P G Mishra: Total tonnage?

Sakshi Malhotra: Yes tonnage.

P G Mishra: 1, 41,700 approximately.

Sakshi Malhotra: The rates would almost be the same because you said that we've already procured the material?

P G Mishra: Yes.

Sakshi Malhotra: Going forward are we seeing any major change in terms of newsprint prices, or at the similar rates?

Pawan Agarwal: We saw about 11% increase over the last quarter of last financial year. Moving forward, we don't see any major changes in newsprint beyond this 10 or 11%.

Moderator: Our next question is from the line of Ritesh Poladia from Almondz Global. Please go ahead.

Ritesh Poladia: Last year, the dividend payout was 20% and you have already declared about Rs. 2 interim dividend. Sir any stated policy for the dividend payout ratio that minimum would be some percentage?

Girish Agarwaal: Within policies, it depends how the company is growing and how the board decides about it. For example this year, we've already announced 20% interim dividend, and so I guess depending on how company performs well, and depending on requirement of the money, the company will keep on announcing it.

Moderator: Our next question is from the line of Pratish Krishnan from Bank of America, Merrill Lynch. Please go ahead.

Pratish Krishnan: Yes this is from the price hike. If I recall there is a plan for a price hike this year probably it didn't really get implemented during the year, what is the confidence in terms of going for the price hike next year?

Girish Agarwaal: This year when we did the price hike in the month of May, we did get some benefit out of it. As we said that whatever growth we have achieved so far it was 70-30 ratio, so we did get some benefit of it, and especially what happens when the advertising volumes start increasing, you know as a salesperson you actually want your tickets size to go up rather than haggling on the rate. Next year, we're restructuring our rate card, and we hope that our teams will be able to explain to the market better, so that we're able to get a more increase in the per unit price.

Pratish Krishnan: So should we assume that next year you would really continue with a strong volume growth and the price implementation would also be better, I mean is that a fair assumption?

- Girish Agarwaal:** That would be our endeavor.
- Pratish Krishnan:** No in terms of the geographical mix for a business, any particular markets which did better than the company average in terms of growth?
- Girish Agarwaal:** Right from Gujarat to Punjab to Rajasthan and Madhya Pradesh somehow fortunately whole India is growing pretty well, and all the markets fall in the Tier II and Tier III cities, so we're able to perform kind of equally in most of the markets I would say.
- Moderator:** Our next question is from the line of Mayur Gathani from Ohm Group. Please go ahead.
- Mayur Gathani:** So regarding this phase 3, there was note I was reading in the press that says extension of license from 10 years to 15 years will that be applicable for phase 2 also, or is it only for phase 3?
- Pawan Agarwal:** We're still waiting for I&B Ministry to come back formally on that, so the radio investors had pressed this issue, raised this issue that the current 10 year be also extended to 15, but we haven't had any development on that, but the new licenses would be for 15 years. So we're still awaiting clarity from I&B.
- Mayur Gathani:** And what you mentioned was SMEL now is debt free, right?
- Pawan Agarwal:** That's right.
- Moderator:** Thank you. As there are no further questions, I would like to hand the floor back to the management for closing comments.
- Pawan Agarwal:** On behalf of the management, I thank you for your participation and time on this earnings call. I hope that we've been able to respond to your queries adequately. However, we'll be happy to be at all assistance should you any further inquiries. Thank you.
- Moderator:** Thank you very much. On behalf of DB Corp Limited that concludes this conference call. Thank you all for joining us and you may now disconnect your line.