



DB Corp Limited

Q1 FY'17 Earnings Conference Call Transcript

July 22, 2016

Moderator Ladies and gentlemen good day and welcome to the Q1 FY'17 Earnings Conference Call of DB Corp Limited. As a reminder all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Ms. Malini Roy from CDR India. Thank you and over to you Ms. Roy

Malini Roy Thank you. Good afternoon everyone, welcome to the Q1 FY'17 Conference Call of DB Corp Limited. We will be sharing the key operating and financial highlights for the quarter ended June 30th, 2016. We have with us today the senior management team of DB Corp Limited, Mr. Pawan Agarwal – Deputy Managing Director; Mr. Girish Agarwaal – Non-Executive Director; Mr. P. G. Mishra -- Group CFO; Mr. Rakesh Goswami – CGM (Finance and Accounts) and Mr. Prasoon Pandey – Head, Investor and Media Relations.

Before we begin, I would like to state that some of the statements made in today's discussion maybe forward-looking in nature and may involve risks and uncertainties. Documents relating to the Company's financial performance have been mailed to you.

I invite Mr. Pawan Agarwal to please share his outlook on Company's performance for this quarter.

Pawan Agarwal Thank you, Malini. Good afternoon, everybody. And welcome to DBCL's Q1 FY'17 earnings conference call. I would like to share some key highlights of our financial and operating performance for the quarter, following which we will be happy to respond to your queries.

We are very happy to report a strong performance this quarter that reinforces the success of our growth and execution strategy. Over the last few quarters, our focus was on driving the yield strategy with a long-term perspective in a manner that will be a win-win situation for our advertisers as well as the Company.

We have been confident of successfully implementing this strategy along with key initiatives that were undertaken over the past quarters to propel the Company's growth and we are glad that the efforts have started to yield strong results reflected by a good recovery in volumes and market share.

Noteworthy initiatives include the launch of homeonline.com -- a real estate portal with many new features from 1st of August, 2016. The Company has been

investing in the portal since last one year, with the aim of integrating its strategy of protecting and covering its markets towards ensuring that the real estate market segment remains strong and protected.

In addition, we have also launched Post Pickle English language website, aimed at youth and women audiences which has reached almost 1 million visitors in very short time.

MY FM 94.3 acquired 13 new radio frequencies and we are all set to roll them out one-by-one starting August 1st, 2016. This will give MY FM 94.3, large coverage in Maharashtra with 10 cities.

Our consolidated total revenues stood at Rs. 5,745 million compared to Rs. 4,812 million in Q1 FY'16 reflecting a growth of around 19% on Y-o-Y basis.

Our advertising revenues came in at Rs. 4,136 million, higher by approximately 21% on Y-o-Y basis.

Circulation revenue has increased Y-o-Y 15% to Rs. 1,176 million from Rs. 1,022 million, primarily due to yield driven growth, 13.3% growth has come from mature market and approximately 1.7% has come from new centers.

We have consistently registered in impressive circulation growth of 15% CAGR for last 5 years, highest amongst listed peer group which clearly demonstrates strength of our product, content strategy and editorial philosophy.

EBIDTA for the quarter stood at Rs. 1,853 million, against Rs. 1,274 million delivered during Q1 FY'16 growth of 46% on an annual basis, after factoring a FOREX loss of Rs. 8.1 million and losses for new edition of Bihar which were missing in quarter one of last year.

EBITDA margins for the quarter stood at 32% as against 26% margin during corresponding period last year; expansion of approximately 550 basis points primarily owing to a healthy top-line growth and stringent cost efficiency measures.

Our mature editions EBITDA margin stands impressive at 36%.

PAT for the quarter stood at Rs. 1,040 million as against Rs. 643 million in Q1 of last year, representing a growth of 62% Y-o-Y after considering a FOREX loss of Rs. 28.7 million.

We take this opportunity to thank our associates for their trust that reinforces Bhaskar strong value proposition.

Our focus continues to be on our editorial strategy based on providing a product that is indispensable part of the reader's daily life. Our team is constantly exploring means to provide a better product, better variety in greater reader delight, for instance through unique association.

We recently enter into an exclusive tie-up with the world's renowned magazine "The Economist" for any language newspaper except English in India. Dainik Bhaskar is the only publication in India, across languages with tie-ups with world's topmost four credible brands, like New York Times, TIME MAGAZINE, Harvard Business Review, and now The Economist.

We have maintained our leadership in legacy markets of Madhya Pradesh, Chhattisgarh, Chandigarh, Punjab, Haryana, urban Rajasthan and urban Gujarat. We maintain our leadership position with the largest circulated national daily in India, since last two years as per Audit Bureau of Circulation results.

DBCL's non-print business continues to make steady strides through our digital and radio experience and our strategies. We have reported impressive progress across our digital properties by focusing on engaging content and expansion of platforms.

dainikbhaskar.com the largest Hindi news website continues to secure the number one spot in the Hindi news and divyabhaskar.com continues to remain number one Gujarati website.

Our properties have been implementing very successful digital campaigns for advertisers through efficient audience targeting our capability to offer end to end campaign management have attracted strong online leadership which has been drawing clients across verticals.

Local understanding and unique brand positioning has enabled radio business to deliver impressive performance during the quarter as reflected by strong financial performance of the business.

Advertising revenue grew by about 31% to Rs. 281 million and EBITDA of Rs. 98 million, margin of about 35%

Our Radio business continues to maintain the highest EBIDTA margin amongst other radio companies.

Going forward with the three new frequencies, we aim to be the biggest player in Maharashtra, Rajasthan, Chandigarh, Punjab and Haryana while further strengthening Gujarat with Rajkot.

On an overall basis, the second phase of economic reforms indicates an optimistic way forward. Developments including the implementation of the Seventh Pay Commission and good monsoons will provide further impetus to the economy as well as the domestic consumption story.

We continue to maintain a prudent yet aggressive approach constantly studying the environment to capitalize on growth opportunities.

Moderator

Thank you very much. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy

Sir, my question is on your digital revenues this quarter one strange thing is your digital ad growth and your print growth is similar. And your digital revenues for three quarters have been absolutely flat. So want to understand why suddenly your quarter-on-quarter growth which uses to be there earlier quite impressive which should be there also, it is evolving medium and you are launching new sites also. So what is the reason why digital ad growth is not much higher versus say it used to be some 80%-30% this time it is just 20%.

Girish Agarwaal

Yes, we appreciate your point of view and we are equally working on it. But at the same time we have been able to do the good traction on the page views and the unique visitors on that site. But yes, there is a lot of improvement possible in the digital. We have already restructured realigned our sales team on that and have

put the focus back again on the ad sales on the digital and you will see the response coming forward in the coming quarter.

Abneesh Roy So, it has nothing to do with the advertiser's side may be the online retailers are cutting down so were they large advertisers on your website?

Girish Agarwal Not exactly, we had some issues with one or two large buyers because of the rates and all that which we have resolved and we are hoping that in the coming quarter we will show up better results.

Abneesh Roy Sir, following up on homeonline.com, how you expect this business to scale up there? There are a lot of sites already in this of course they are more towards the bigger cities. So here what is the differentiator and what the losses you are expecting in this business. How it will be different and what is the revenue model here?

Girish Agarwal I would request Mr. Pawan Agarwal to answer this please.

Pawan Agarwal Homeonline is being done in markets where we have a print presence with an intend to give complete offering to the builder and it is a small capital outlay, operating expense outlay and I cannot unfortunately give you details of the top-line and the bottom-line just for competitive reasons. But it is basically consigned to our own print markets. And we are starting with few cities right now. So, we are going to be starting with Bhopal and Raipur to begin with and then we will add more cities as we see the success of these two cities.

Abneesh Roy Sir, so obviously this will be advertising led model, right?

Pawan Agarwal Yes, it will be advertising led model only.

Abneesh Roy Sir, my next question is circulation revenue. When I see you have done extremely well for the last many quarters. Now when your ad growth is coming back very strongly, are you planning to go slow on the circulation revenue growth? Why I am asking this is last 3 quarters again if you see your circulation revenue has been in a very tight band of just Rs. 114 crore to Rs. 117 crore. So, one is do you take every quarter some kind of increase or because the circulation that happens and what is the strategy now in a much better advertising growth market?

Girish Agarwal See in our case if you see this quarter, we have grown circulation by around 5% from the last year quarter of 49.47 lakh copies we are at 51.83 lakh copies which is 5% growth and also we have taken average around 9% growth on the average realization and we hope that this average realization in that percentage will continue because the copies which we are adding on a few markets we are increasing the cover price there as the launch price is slightly lower. And good thing is that the readers are willing to pay for it because they find that kind of quality in the newspaper.

Abneesh Roy Sir, last question is on the print ad revenues, so here if you could tell us 20% growth is on a decline of 10%. So from a two years' perspective how is the ad rate hike and how is the volume hike?

Girish Agarwal So I would say this time the largest growth which has come is on the volume. As you know last year we were talking about the rates and the yields so, that result have paid off and we suffer a bit of the volume growth numbers over last year. So this time the largest growth I would say, large chunk of it coming from the volume

growth and this year for the next three quarters also it will be largely led by the volume.

- Abneesh Roy** So, versus two quarters back your revenue is broadly 10% up so, 20% growth this time minus 10%. So two years back it is around 10% higher so, this will be evenly split between volumes and ads. So in that case was your sharp rate hike the right strategy which you took last year so, will you again do it or there are learning's from what has happened?
- Girish Agarwaal** Yes, with the learning's we are going to do it again but in a more moderate manner because we already have taken some kind of improvement in terms of paginations and positioning of the ads and all.
- Moderator** The next question is from the line of Arjun Khanna from Kotak Mutual Fund. Please go ahead.
- Arjun Khanna** Just trying to understand in terms of advertising which has come back so, which sectors have led the advertising coming back and there any sectors that are not comfortable with the price hikes as yet?
- Girish Agarwaal** Frankly speaking it is not only about the price hike, it is also the price hike and some of the momentum in the ground market place, which means the attraction, is coming to that category. So for example in this quarter education obviously was the highest growth churning for us, also government fortunately this quarter was able to spend better number automobile is another category which grew. Only one category which was still not very robust in this quarter was the life style, the jewellery the fashion apparels and all that this is also because of the e-Commerce clients going slow in the last quarter. So jewellery there was a strike of the jewelers for almost a month in various markets and also the e-Commerce client those who were active last year, this year they have gone slightly soft.
- Arjun Khanna** Right. But I understand in the previous call you mentioned that the e-Comm segment was extremely small for us so that should not have affected too much or...
- Girish Agarwaal** I am just mentioning about the life style overall as a category is around 6% for us so, within that 6% the growth did not come.
- Arjun Khanna** Fair enough and in terms of incremental growth for the rest of the year given that we have had good numbers for the first quarter do we have any guidance for the year?
- Girish Agarwaal** As you know whatever numbers we are able to achieve depends on two things, our efforts and the market acceptance and the market movement on those categories. So I can assure you from our side that we will not leave anything any stone unturned but market also is to respond positively. Last quarter market did respond well let us see how it go on because we are positive because of the good monsoon also the Seventh Pay Commission has come in so, all that money will flow in the market increase the consumption and hence the advertising should be robust.
- Arjun Khanna** Right, perfect. Secondly, sir you mentioned 51.86 lakh copies and if we just do a back calculation we come to roughly Rs. 2.50 realization a copy. Incrementally going forward do we see this increase at roughly 10% a year for probably a couple of more years? What do you think when you look at this business the upper limit in realization per copy?

Girish Agarwaal Frankly speaking it's the consumer mindset, there is a benchmark in consumer mindset which keeps changing year-on-year. So a couple of years back he was more happy paying only a Rs. 100 a month, now that number has gone up to almost Rs. 140 - Rs. 150 a month as an overall cover price. So I think with every year going by his psychological barrier to pay for our newspaper increases in terms of money. So, based on that we will keep increasing the cover price depending how hard, does he accept it.

Arjun Khanna Just trying to understand, in some markets where we are leader the cover prices are probably at the higher level and in some markets they would be much lower. So how much headroom do we have out there?

Girish Agarwaal It all depends on the market-to-market, for example in couple of the market where we are the leader but yet we have kept the cover price slightly moderate because we see there is a lot of potential in the market to grow. So we want more copies to come in to us. There is a reason we still have big headroom over there in the next couple of years to increase the copies and increase the cover price also.

Arjun Khanna Sure, fair. And sir, my last question is the impact of GST what impact and what line items do we think could get affected?

Girish Agarwaal Frankly speaking we have done some internal working on this but we are not too clear as of now that what they will charge GST on and will there be GST only output and the income and all that so, we have not yet able to pin point a number and the line item. So it will be right on our part to comment on that currently.

Moderator Thank you. The next question is from the line of Vikash Mantri from ICICI Securities. Please go ahead.

Vikash Mantri Sir, just on the advertisement side can you break it up into volume and yields?

Girish Agarwaal So large chunk has come from the volume and very miniscule chunk has come from the yield because yield growth has already come in the last four quarters.

Vikash Mantri Okay. There is no question of a yield decline per se yield is still a positive contribution?

Girish Agarwaal Yes, certainly is.

Vikash Mantri Okay. Can you help us break this growth in advertising across your markets Rajasthan, MP and the northern side?

Girish Agarwaal The biggest performer in this is Rajasthan, Gujarat and Bihar, in terms of percentage and also absolute number Gujarat, Madhya Pradesh and Rajasthan has done a much better job.

Vikash Mantri Okay. In terms of your ad yield strategy which was placed last year which of these market have had a better acceptance and which of the markets where there is still scope to have further yield increases?

Girish Agarwaal If you ask me, all the markets have the scope to increase the yield. But every market has their different challenges. In some markets the overall growth of the market is not very vibrant. So hence, the advertiser finds it difficult to put in more money in the market because the market is not moving for him. In couple of markets the response is good, we need to see how much we can load that market

in terms of advertising cost. So it is a ongoing thing and this is not a one-time affair it is going to be continuing in a different format going forward also.

Vikash Mantri

Okay. And sir, anything which suggest that the number that we have reported in this quarter growth that we have seen any possibility of one-offs in this and the same optimism might not continue for the rest of the quarters.

Girish Agarwaal

If you look at this quarter number, I do not see any one-time benefit coming to us because there was no election, there was nothing major happening in any of the markets. So I would say this is a overall market buoyancy for us and I hope if the market continues to work like this and I told earlier also there are two factors in any kind of number growth, one if our efforts and also the market acceptance and the market ability. So in the first quarter things were good, in the second quarter also we feel the monsoon is good, Seventh Pay Commission is coming in, so, the consumption ability of the people will increase, with more of their money in hand will increase. Based on that their consumption pattern will go and the companies will advertise more to attract the consumer or the customer and hence the advertising should be better.

Vikash Mantri

Thank you, sir. One remark from my side, in case your other media cable companies are listening they should take coaching from you who is able to grow his circulation revenues by 15% for the last four years to five years whereas they keep struggling with normal 4% to 5% ARPU growth. So do help them out with advise whenever they approach you, sir.

Girish Agarwaal

Thank You Sir for the compliment.

Moderator

Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak

On radio side growth was very good so, was it all organic or there are some new frequencies that have contributed?

Pawan Agarwal

The entire growth in radio is organic, of course in the last year same quarter there were calls taken on yield improvement so, the volume has also jumped back in this quarter for radio, the entire growth has been organic. It does not include any new stations. The new stations will start rolling out in August.

Dheeresh Pathak

13 new frequencies you have...

Pawan Agarwal

Yes, but they will start rolling on one by one, from August it will take another three months to four months to launch all these frequencies as the government prepares the infrastructure.

Dheeresh Pathak

And existing frequencies are how many?

Pawan Agarwal

17.

Dheeresh Pathak

17. Larger part of the revenues is coming from MPCG is that correct?

Pawan Agarwal

So the stations are spread across Gujarat, Rajasthan, Madhya Pradesh, and Punjab. The revenue is actually in each state equally divided as of now.

Dheeresh Pathak

Okay. And what would be the inventory utilization for the 17 existing stations?

Pawan Agarwal We consider 10 minutes of advertising per hour as a inventory utilization at a base so, we are at about 130% to 140% utilization on a 10 minutes per hour. Usually radio stations take 20 minutes as a benchmark, so we are about 15 minutes in an hour ad inventory. We still have some headroom.

Dheeresh Pathak Okay. And this 30% growth was mainly volume led?

Pawan Agarwal It is a mix of volume and yield, but a larger growth has come from so, I would say about 8% - 9% from yield and balance from volumes.

Dheeresh Pathak Okay. And can you also just refresh me last year's cover price increase for the full year? This quarter you said 9% cover price increase.

Girish Agarwaal If you see last five years CAGR we have been able to increase the circulation revenue by almost 15% and out of that 15% I would say 9-10% come from the cover price increase only.

Moderator Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal So continuing with the radio business, you mentioned an ad inventory of about 15 minutes on a per hour basis?

Pawan Agarwal 15 minutes on a per hour basis, that is correct.

Ankur Periwal And this will be how many hours on a daily basis average?

Pawan Agarwal So we consider about 18 hours on a daily basis. The night band which is 12 to 6, we usually do not play ads or we do not even play the station at that time. So we consider 18 hours.

Ankur Periwal Sure. So incrementally also the 13 frequencies that will be rolling forward so, we will be starting with the sort of the same benchmark with 15 minutes?

Pawan Agarwal Yeah, we will have the same benchmark but we also need price you can fill those 15 minutes on day one if we give them free. But of course we will need some time to develop the local market as well as get the right price from the national advertisers. So, it will take full one year to get the inventory up to that level of the desired level.

Ankur Periwal Sure. And in terms of any timeline you can share when these 13 stations will be fully operational?

Pawan Agarwal Hopefully depending on the government but the way it is moving we hope that by the end of this calendar year, by the end of December everything should be up.

Ankur Periwal All these 13 stations?

Pawan Agarwal Yes.

Ankur Periwal Great. And sir, one more question, in terms of you have mentioned that most of the ad revenue growth is driven by volumes but at the same time aggregate news print consumption is almost flat -- probably decline on a Q-o-Q basis. So is there significant change in ad edit ratio that way?

Girish Agarwaal No, let me explain., On a quarter to quarter, there is a total tonnage gone up by 9% -- from 43,000 tonnes we are at 47,000 tonnes that is Y-o-Y which means last year quarter to this year quarter. But when I say from this last trailing quarter which means Q4 and to Q1 there is a flat growth so, there is no circulation growth in last three months' time. But in certain markets as you know the Q1 some copies goes down because of summer vacations and all that; and there is a 3% pagination increase compared to last year to this year. So, that is the reason overall there is a increase in 9% in the news print consumption.

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

Yogesh Kirve Sir, is it safe to say our print ad volumes have reached levels which were there before we initiated the rate hike last year or there is head room?

Girish Agarwaal We have actually reached that level but there is a lot of headroom to go ahead because in last year's time and this year the overall market size has to grow. So, I would say whatever last year growth we left out in the market this year we have to take that back.

Yogesh Kirve Right, sir. Secondly with such a major ad rate hike behind us I believe there is a management bandwidth which would have got freed up, So, what could be the next areas of strategic focus going ahead from next two years or three years' perspective?

Girish Agarwaal As a business when we look at our markets we feel there are market those which still have a lot of opportunities in terms of our penetration and the advertisers to get their desired response from those markets and also correcting the relative investment of those advertisers in those markets. So I would start with Gujarat that is one important market then move on to Rajasthan then to Punjab and to Bihar, Jharkhand and within Madhya Pradesh also some markets. So as a strategy we want to now focus on the circulation growth in these markets, also want to focus on the development of these market for our advertisers. At the same time, content is one key area for us going forward because as you know reader wants to see a change every day, every time in the news paper and we need to keep him engaged. So as you rightly said, the management bandwidth has slightly freed up now so, we will be focusing more on these areas.

Yogesh Kirve So on the circulation I guess we have seen a 5% growth in this quarter, so can we expect the circulation growth could be more higher now that focus would be also on that?

Girish Agarwaal This circulation growth as you know comes from two aspects – one is where we launch a newer market and also within our markets we put more copies, we open up new center within our existing markets. So our endeavor would be on the same lines like this year as I told you, we are focusing on Gujarat, we are focusing on Rajasthan, we are focusing on Bihar and Punjab also. So you may see some kind of circulation growth coming from these markets also.

Moderator Thank you. The next question is from the line of Prasad Padala from Investec Capital. Please go ahead.

Prasad Padala Sir, one question, so if I look at your digital business the page views have actually gone up by 200% year-over-year but the revenue has increased by 22%. Can you help me understand what is the correlation between the two --like shouldn'tt the revenue number been higher than that?

Pawan Agarwal The larger growth on the digital is coming from mobile and mobile revenue per user compared to the desktop revenue per user there is a difference between the two and hence the entire industry right now is working on optimizing how the mobile ARPU, which is the revenue per user goes up and it is a function of that and it is a matter of time to correct it. So there are couple of new codes, new properties, and new tie-ups that we have done which will also start giving us the similar revenues which will start reflecting in quarters to come.

Prasad Padala Got it. So how much is it lower in the percentage term?

Pawan Agarwal I cannot give those figures I am sorry. They vary from company to company directly.

Prasad Padala Fine. Sir one more question, so in your press release under the radio strategy, you are mentioning that adaptation of retail model and with the localize revenue streams under the FM radio strategy. So can you help me understand what is it?

Pawan Agarwal So like print, a large chunk of radio revenue is coming from retail revenues and also from clients who do not advertise at all. It also gives them an opportunity to spend small budgets in radio so, the radio also is engaged heavily into doing activities for the clients and that revenue which does not consume air time has gone up to almost as high as about 12% this year, which is what we call activation. So it does not consume my airtime because basically it includes rj mention and doing ground activities for the clients.

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

Jay Doshi Sir, when I look on a sequential basis the actual increase is about Rs. 55 crore in print advertising is extraordinarily good and we have not seen such sequential jump in prior years between 4Q and 1Q. So in terms of the yield strategy we were perusing it for almost three quarters or four quarters throughout the year but we see a significant improvement in numbers in this quarter. Even if I were to look at your fourth quarter FY'16 versus fourth quarter FY'14 and first quarter FY'15 versus first quarter FY'17, I see a significant improvement. So what is changed in this quarter? Have you gained some market share or volume share that you had lost perhaps in the 1Q last year or market has improved overall for all the players?

Girish Agarwaal So three things – since you are talking about the absolute number now, one is that our rate has improved. Second, because of our rate improvement the client focus has become very specific. Earlier if the client was trying to advertise in terms of volume with three publications now he wants to focus on one or two publications; because of that also we have increased our market share in various markets. And also in certain categories where we actually have gone out and done a lot of work with that particular category, we have seen much higher market share and also the absolute number. So what I was trying to say that we have been able to grow the volumes also in certain categories and also as I mentioned to you that the market also in the last quarter has been good enough in various categories so, I think we took the advantage of all of that.

Jay Doshi My second question is any updates on IRS, you skipped the year and last time I heard perhaps in 2016 it will be conducted. If you could share some update?

Girish Agarwaal Yes, so as what we hear from IRS they have already started the ground survey, ground work has been started and they are hopeful that by this year-end they should be able to come out with the first report that is what the indication has been given to us.

Jay Doshi And from industry perspective do you think that the necessary corrective measures have been taken hopefully this time it will be accepted?

Girish Agarwaal That's what they have mentioned to us, that they have corrected all the measures. We had a couple of meetings with them and based on their commitment of ensuring that there is no lose ends on the ground we have gone ahead and paid them the subscription money and all that. We will wait for the report, do the analysis of the report, if we feel the report for every publication is not biased, we will go with them but if we feel there are rooms for further improvement, we will take up the matter with them.

Jay Doshi Just final small one on digital. Do you pay any amount or is there any arrangement with let us say Google or Facebook for the traffic that comes to your portal through those platforms?

Pawan Agarwal We get traffic from both Google as well as Facebook, the way it works is that we have almost about 10 million likes of a page on Facebook just for Hindi and another 2 million likes of a Gujarati page, so put together we have about 12 million users who have liked our Facebook page and so they get content from us. And happy to share with you when you do a Google search on Hindi news Dainik Bhaskar would be on the top of the search. So that is how we drive traffic. A large part of traffic is also direct by the people but will type the domain name and come to the site and also the apps which are directly accessed by people who just come straight to the apps. So we have a complete strategy in distribution as well as direct both in place.

Jay Doshi No, my question is there revenue sharing understanding or absolute amount that you pay?

Pawan Agarwal Not with Facebook. Facebook does not do revenue sharing, Google also does not do revenue sharing for sending traffic to us but what Google does we work with Google as an ad partner so, we show some of the ads which are powered basically by Google.

Jay Doshi Understood on your portal. But in case of Facebook there is no such arrangements right now.

Pawan Agarwal Not to share revenues, that is correct.

Jay Doshi Sorry, but do you pay some amount to them or you do not pay, there is no cost associated through?

Pawan Agarwal We pay a small amount to Facebook to boost some of our post.

Moderator Thank you. The next question is from the line of Dharmesh Gupta from Trivantage Capital. Please go ahead.

Dharmesh Gupta What is the trend on the newsprint prices and what is the outlook for the same?

Girish Agarwaal You are talking about the news print, this quarter has been flat in terms of pricing but in the coming quarters we expect that the news print price may go up by a couple of percentage.

Dharmesh Gupta This is quarter-on-quarter and what is the trend Y-o-Y for this quarter?

Girish Agarwaal In both the ways if you look at quarter-on-quarter and Y-o-Y is almost flat.

Dharmesh Gupta But you expect this to go up by a couple of percentage points?

Girish Agarwaal Yes.

Dharmesh Gupta Therefore significant increase is expected?

Girish Agarwaal May be in the second quarter or third quarter there could be a couple of percentage increase expected.

Dharmesh Gupta Understood. And sir, can you talk a little bit about your growth in Bihar?

Girish Agarwaal So Bihar growth has been very encouraging in terms of our circulation also and in terms of ad revenue. But the overall in terms of absolute number is not that great but the percentage wise they have been able to grow by almost 100%. So we are hoping that they continue the same trend and Bihar becomes important in the overall kitty for us.

Dharmesh Gupta And this healthy ad revenue growth that you have seen in this quarter has it been concentrated in certain geographies or is it across all the states where you are present?

Girish Agarwaal No, as I mentioned to you earlier that most of the growth has come from most of the areas. But certain areas certainly took advantage like Rajasthan, Gujarat, Bihar, or Punjab so their percentage growth is higher than the other markets.

Moderator Thank you. The next question is from the line of Rajiv Anand from Narnolia Securities. Please go ahead.

Rajiv Anand I have couple of questions. First, how much revenue came from Bihar this quarter and in this what was the contribution of government's ad?

Girish Agarwaal The government's ad contribution was in the range of around 14%, but as you know we do not disclose the state wise number for each state. So, I would not be able to give you the number for Bihar please.

Rajiv Anand Okay. And my second question is what is your CAPEX guidance for FY'17?

Girish Agarwaal So CAPEX guidance for this year is the normal CAPEX, there is no abnormal or extraordinary CAPEX required. So, I think the maintenance CAPEX of around Rs. 20 crore - Rs. 25 crore would be the number this year and plus radio whatever comes in for the launches.

Moderator Thank you. The next question is from the line of Ankit Kedia from Centrum Broking. Please go ahead.

Ankit Kedia Sir, we have seen a steep drop sequentially in the admin and other expenses 15% whilst year-on-year growth is only 5% to 6%. So is this sustainable giving that we were expecting few launches in Maharashtra in the second-half of the year while radio startup expenses would also come. So if you could just throw some light on that?

Girish Agarwaal See these numbers are sustainable based on our current projections, if there is any major changes happen we will come and report to you.

Ankit Kedia Sure. But why is there a drop sequentially?

Girish Agarwaal It is because in the last year in this quarter there were some schemes under circulation drive that were happening in couple of states. This year that drive is not happening, so may be in the going forward months it will happen.

Moderator Thank you. The next question is from the line of Amit Kumar from Investec Capital. Please go ahead.

Amit Kumar Just wanted to get some sense of the 20% overall advertising growth -- specifically how the FMCG and real estate categories have performed?

Girish Agarwaal So FMCG has been able to grow in double-digits, good number, real estate growth has been also very good. For this our team really worked hard and the people believed in us and we tried to move the market. But in absolute terms, real estate numbers still are lesser because frankly speaking there is no major traction on the ground for real estate sales, so, we are trying to do some work with them to see how we can push the numbers for themselves also. Large categories those who performed very well has been the education and automobiles and also government.

Amit Kumar Okay. Just quickly on the FMCG though I mean the result season has just sort of started the largest advertiser out there HUL which is also fairly active on the print side, they have not really seen a very significant jump in their ad spends. So actually two things if you could call out – one is with respect to HUL and the other one is there this new sort of advertisers coming in like Patanjali, etc., is this double-digit ad growth from FMCG is coming from the existing clients that you have or have you been able to add new clients like Patanjali onto the roster?

Girish Agarwaal So it is a mix of both and we are happy to have Hindustan Unilever also with us. At the same time other clients, like new client like Patanjali and there are other small clients which you may not have heard off but they operate on the state level they also have come in. There is a mix bouquet of the old and new clients. Good thing is that what I realize that in few categories there has been a lot of traction because of the new entrance in those categories. So certain clients those who are not very actively advertising have started advertising in print especially.

Amit Kumar Could you call out couple of those categories or call out those new clients coming in?

Girish Agarwaal For example, Hair Care is one category which was not very active in last two years' time suddenly we see almost 50% growth in that Hair Care category within FMCG. At the same time, Skin Care also has suddenly improved. So whatever things are happening on the ground there is a lot of competition on ground in these categories. So, I think they all realize at the print delivered to them and they are focusing on print also.

Amit Kumar Okay. Finally, very quickly on real estate, I remember the discussion in 4Q and I think at that point of time you sort of indicated education was picking up but real estate was still down. So seemingly during the quarter things have changed sort of substantially. Is this more of a market led recovery or is there is something that DB Corp specifically has been able to do in its core markets?

Girish Agarwaal What we did we realize that the real estate the market was not really moving, so we went ahead and had lots of meeting with the local association of the real estate and we said why do not we work together organize Awas Melas in every city, organize some joint promotions, attract the customers to at least come and do a site visit for you and come and discuss with you because the real estate clients are willing to offer discounts to their clients. But because of the overall lull in the market

people are finding it difficult to even do a site visit. So we were able to motivate our client base and also their client base and hence the result came in our favor. Now the challenge would be that in the coming quarters how do we continue that momentum and keeping these people active and aligned with their consumers.

- Moderator** Thank you. The next question is from the line of Shalini Gupta from Quantum Securities. Please go ahead.
- Shalini Gupta** Sir, just one small question from my end. I just wanted to understand in this quarter we find that other income is far lower than in the previous four quarters. If you could just explain that please?
- Girish Agarwaal** See in this quarter, we had Rs. 8 crore one-off reversal of the private treaty client in quarter four. So, that is the reason you see a difference on that.
- Shalini Gupta** Pardon me. Like reversal of the private treaty client, if you could just explain that.
- Girish Agarwaal** This client has also taken out from the income side and also on the expenses side in the Q4. So, this period it was over and that is the reason on this.
- Shalini Gupta** Okay. And sir, during the call you mentioned that there will be couple of states which will be your focus areas and you had also just spoken briefly about the strategy in those states, if you could just please explain that again?
- Girish Agarwaal** So, as mentioned to you we feel that there are markets like Gujarat, Rajasthan, Punjab, and Bihar where the market has more potential available and we need to go and penetrate it further more. So company has decided that this year we will be looking at all those markets more rigorously.
- Moderator** Thank you. The next question is from the line of Rohit Dokania from IDFC Securities. Please go ahead.
- Rohit Dokania** Just one question from my side, you spoke about the markets of focused but somehow Maharashtra was missing out of that. So could you please talk about any edition expansion that we are looking at specifically in the Maharashtra market and also anywhere across else as far as the country is concerned?
- Girish Agarwaal** So Maharashtra we may not be launching any new edition this year, whatever the existing editions are we are working hard to make them further profitable, so that is the focus. And also I just like to reiterate the fact that when I saying the Company is focusing on those four markets - five markets that does not mean that we will not focus on the Maharashtra in fact MPCG, Maharashtra, and Haryana are markets where the company is anyways more focused in working. So other markets this year we have made a separate division within our company in terms of man power forcing. So that they are able to focus on these markets where we feel the return could be much higher.
- Rohit Dokania** And any new markets or any new editions that you could talk about?
- Girish Agarwaal** We will not be launching any new states this year but within the states we are going to launch few more editions within the states.
- Moderator** Thank you. I would now like to hand the floor over to the management for closing comments.

Pawan Agarwal

On behalf of the management I thank you all for your participation and time on this Earnings Call. I hope that we have responded to your queries adequately and we will be happy to be of all assistance through our Investor Relations Department headed by Mr. Prasoon Pandey for any further queries. Thank you and have a great day.

Girish Agarwaal

I would also like to thank all of you for standing by us in the last four to six quarters where the numbers were not great exhibition by us, but you all trusted in our strategy and we are glad that we are able to live up to your expectation and showed the right number this quarter and hope that we will be able to do it going forward in future also. Thank you.

Moderator

Thank you. On behalf of DB Corp that concludes this conference. Thank you for joining us and you may now disconnect your lines.