



DB Corp Ltd

DB Corp Limited Q3-FY15 Conference Call Transcript January 15, 2015

Moderator Ladies and gentlemen good day and welcome to the Q3 FY15 Earnings Conference Call of DB Corp. As a reminder all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes.. 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: Thank you. Good afternoon everyone. Welcome to the Q3 and nine-month FY15 Conference Call of DB Corp Limited. We will be sharing the key operating and financial highlights for the third quarter and nine months' ended 31st December, 2014.

We have with us today the senior management team of DB Corp Limited Mr. Pawan Agarwal – Deputy Managing Director, Mr. P.G. Mishra – Group CFO; Mr. Rakesh Goswami – CGM, Finance & Accounts; and Mr. Prasoon Pandey – Head, Investor & Media 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. Agarwal to share his outlook on DB Corp's performance for this quarter.

Pawan Agarwal: Thank you Malini. Good afternoon and our warm wishes to all for New Year 2015. We would like to share some key highlights of our financial and operating performance for the third quarter post which we will be happy to respond to your queries.

Over the past few quarters we have maintained strong efforts to ensure that the fundamental of our business remain strong through various growth oriented initiatives. In this third quarter our focus was on product quality, content, and distribution, through strong region specific coverage and several reader engagement and ground activation effort. We actively kept up our branding and reader connect initiatives which translated into good traction in SEC A and B readership profile particularly in Bihar, Gujarat, Jharkhand, and Maharashtra.



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Dainik Bhaskar continues to be the largest read newspaper of urban India and retains leadership position in legacy markets, while also strengthening presence in emerging regions. Audit Bureau of Circulation result for six-month period January to June 2014, declared Dainik Bhaskar as the "Largest Circulated National Daily" of India.

Going forward, we plan to focus specifically on the Gujarat and Bihar market, two important regions holding a lot of potential.

Our financial performance for the quarter and nine months' ended December 31st, 2014 is as follows:

Our consolidated total revenues for nine month FY15 stands at Rs.15,400 million registering a growth of 8% on Y-o-Y basis. Our ad revenues for the period are Rs.11,623 million expanded by 8% Y-o-Y and consolidated EBITDA stood at Rs.4,587 million with margins of 30% and a growth of 12% on Y-o-Y basis, after considering forex loss of Rs.20 million. DBCL's consolidated PAT for nine month FY15 stood at Rs.2,523 million with margins of 16% and Y-o-Y growth of 9% after considering forex loss of Rs.44 million and incremental depreciation of Rs. 173 million.

Our consolidated total revenues for Q3 FY15 stood at Rs.5,574 million compared to Rs.5,256 million in Q3 FY14, reflecting a growth of 6% on Y-o-Y basis. Our advertising revenues came in at Rs.4,283 million reflecting a growth of 6% on Y-o-Y basis against Rs.4,035 million of Q3 of last fiscal. EBITDA margin stood at 34%, and we reported EBITDA of Rs.1,876 million which is highest for any single quarter in DB Corp's records. The same factors forex loss of Rs. 0.5 million. We also bring to your attention that our mature editions EBITDA stands at 38% due to relentless focus on high performance efficiency.

Net profit for the quarter increased to Rs.1,051 million, highest ever for any quarter and net profit margins came in at 19%. The same factors forex loss of Rs.20 million and incremental depreciation of Rs.66 million. DBCL's Radio business advertising revenue came in at Rs.257 million as against Rs.239 million in the same period last year depicting a growth of 8% on a high base of Q3 of last year also factoring election and related impact. EBITDA margin stood at 45% with EBITDA of Rs.150 million. 52% of India's population is 24 years or younger comprising audiences of generation X, Y and Z. And we have successfully adapted our thrust to this electronic era as we capitalize on our strengths to offer greater value to audiences across radio, digital and mobile platforms.

Through real time news coverage of 800 plus cities across the country and supported by robust infrastructure, our Digital property saw good progress and registered a total of 540 million page views and 18.2 million unique visitors. We are excited about the future and we look forward to delivering content in more unique formats. We will continue to work harder to capitalize on our business strength. The organization has created a unique position for itself across India and plays a key role in unleashing the real potential and growth opportunities of Tier 2 and 3 towns and cities. At a macro level the government has been working towards speeding up the needed reform, implementations require to boost industrial and economic growth. And we expect to observe visible impact on better GDP numbers over the next two years. Thank you once again on your interest in the development of DBCL.



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

Moderator: Thank you very much sir. We have first question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Hello sir, congrats on the profitability. Sir my first question is in the Q2 concall you have said the first 15 days of October were quite good. Sir in the context of the high base and the first 15 days, if you could take us through how the other parts of the quarter were and do you expect any trend reversal in the Q4 in terms of the advertising growth.

Girish Agarwaal: The month of November and December after the Diwali season of October wasn't really encouraging at all. That is the reason you will see the overall top line has grown only by 6% in this quarter. And even the month of January so far has been okay not very interesting in the single digit still. Let's see how it goes with the repo rate coming down today by 25 basis points. Something should happen in sectors like automobile and real estate because they are the two sectors which can quickly contribute to advertising, because the products are already in the market for them and they need to simply advertise.

Abneesh Roy: Sir on ground why the spent is not happening? What is the sense you are getting from advertiser because most of the numbers which are supposed to improve have happened, but advertisers are still not spending and the interest rate sensitives if you could tell us as a percentage of your advertising, how they are currently and when do you expect recovery. Will it be in Q1 itself or will it be at least two to three quarters from here?

Girish Agarwaal: Frankly speaking, on the ground the movement for real estate and automobile has not been very great. Especially the real estate companies have been advertising but there has not been major takeoff happening on the real estate and same thing applies to automobile also to a large extent. Now reason for which are unknown to you are equally unknown to us also, but looking at the overall picture which government is trying to make positive, we do hope that things should improve in the coming days and months.

Abneesh Roy: So how much is Auto, Real Estate, BFSI, Consumer Durables if you could tell us segment wise as a percentage?

Girish Agarwaal: Automobile, Real Estate and Consumer Durable all put together would account for around 20% of my advertising revenue.

Abneesh Roy: So what was it three, four years back was it much higher than this 20% because these sectors have not spend that much in the last two to three years. So as a percentage was it much higher earlier?

Girish Agarwaal: Let me just give you a small correction, these three sectors all put together would be almost 26%. I do not have the numbers handy for the last three, four years with me. But in terms of percentages they would be real estate was slightly higher earlier and automobile was slightly lower. So these numbers keep changing on a quarter-to-quarter base in terms of their contribution to the overall kitty.



- Abneesh Roy:** Sir banking, insurance why you are not mentioning that, because that could also potentially be much more aggressive on advertising, is that too small as a percentage?
- Girish Agarwal:** Yes. For us banking, insurance all would be hardly 2-3%.
- Abneesh Roy:** Sir my next question is, in terms of the other large print player if you see they have made this large radio acquisition, in fact one of the largest in the unlisted space. What is our thought process in that because radio in the coming years because of the next phase and overall advertising recovery, why we are not going after similar acquisition what is our thought process in that?
- Pawan Agarwal:** We are waiting for the auctions to happen and I guess a part of our strategy is to expand the radio stations into the market that we are already in and grow the company from there. So the auction is around the corner now, hopefully another three, may be six months the auction should happen and the migration both should happen at the same time.
- Abneesh Roy:** Sir last question, in Jharkhand now we have a much stronger government and also the same government as the center, so there for the entire market do you see a good trend reversal and in that context are we now going to be more aggressive in terms of further expansion in terms of the number of copies sold in that market because of the new entire ecosystem?
- Girish Agarwal:** We already have pretty entrenched position of ourself in Jharkhand, in all the cities we are pretty strong there and now with the new change of the government and a more stable environment, we hope to see the result in next 12 months' time. Once we have the result then I think we will do more penetration going to the smaller rural market.
- Abneesh Roy:** The same applies for Maharashtra also?
- Girish Agarwal:** In Maharashtra as you know we already have seven locations here and Maharashtra results are much more encouraging than Jharkhand.
- Moderator:** The next question from the line of Shobhit Khare from Motilal Oswal.
- Shobhit Khare:** My first question is on advertising if you could break between yield and volumes for this quarter and also what has been the contribution from the government segment?
- Girish Agarwal:** Government has been around 10% to the overall kitty. And in terms of volume there has been a growth of almost 5% from a year-on-year perspective in terms of volume. In fact in this quarter I think the only growth has come because of the volume not on the yield because yield improvement we have been taking from last seven, eight quarters. So in the last quarter the growth largely came from because of the volumes.
- Shobhit Khare:** And sir what has been the growth in government in the last call you had mentioned that this segment needs to fire. Is it still lagging the overall growth?
- Pawan Agarwal:** No, government growth has been decent in double digit if I have to compare quarter-to-quarter. We hope that this should continue.



- Shobhit Khare:** And my second question is on Radio business. So quarter-on-quarter the growth seems to be less than print so is there anything specific there?
- Pawan Agarwal:** Radio had a large component of election revenue in the previous quarter last year in Q3 of last.
- Shobhit Khare:** Sir I am talking about quarter-to-quarter if I see versus last quarter, third quarter versus second quarter. It seems to have grown lower than print. Normally in previous years we have seen a bigger increase in spend in radio in the festive quarter.
- Girish Agarwal:** Generally what happens is, radio business as you know we are not working on the festivity alone because as you know in radio the inventory is fixed. It is a 24 hour inventory, unlike print I cannot increase the inventory in radio. So that is the reason if you notice my growth in the radio for all the quarters have been much higher in terms of even the yield improvement and in radio the large target is on the yield improvement rather than the quantity, but quantity we cannot take it beyond a point. So if you are comparing from Q2 and Q3, so for us the seasonality of Diwali season doesn't make much of difference in radio because this we have been working from last one and a half year that we need to take the yield up with the irrespective of the quarter.
- Shobhit Khare:** Sir my final question. If you could give some trends on the international newsprint price what is your expectation. You seem to have increased some inventory if I see quarter-o-quarter.
- Girish Agarwal:** Yes. We have increased the inventory to some extent and largely there has been a dip of the rates in the international pricing. As you would also understand the freight has come down because of the diesel price is going down. Marine freight has come down, also Russia as a market has opened up which was earlier not looking at India. Now because certain sanction being imposed on them by the European market. So they are supplying the stuff to Indian market so considering all that prices for the newsprint are looking better going forward also.
- Shobhit Khare:** Sir what kind of correction can we see from the third quarter levels?
- Girish Agarwal:** We are expecting anything from 1.5% to 2% going forward.
- Moderator:** The next question is from the line of Jay Doshi from Kotak Securities. Please go ahead.
- Jay Doshi:** Sir I was trying to understand if you look at mature editions our existing markets there is barely any growth and not just this quarter but may be the nine months FY15 so far, so what is exactly happening in those markets are the markets not growing at all or again if you can give us some color in terms of whether local advertising is not doing very well, how do you split between local and national, and our key markets. And how do you see things improve and what could probably drive growth in these markets. So slightly longer term picture would help.
- Girish Agarwal:** First of all I do agree with you that there has been an overall lull when it comes to the retail advertising and national both on the overall picture. But saying this that the mature are not growing may not be 100% correct because if you look at the number it is not an apple-to-apple comparison because there are markets those



who get mature and get shifted to the mature from the emerging and that's the reason you see some changes happening in terms of quantum also happening there. But otherwise if you look at the number for this quarter even if I take out the number of my emerging editions the growth in the mature market is on the topline around 5%.

- Jay Doshi:** Are you talking of overall revenues or ad revenues to mature?
- Girish Agarwaal:** Advertising revenue. Circulation revenue in the mature market is actually higher is almost.
- Jay Doshi:** Right. Okay, I will look at it again. So what are the factors how do you see things improving in those markets?
- Girish Agarwaal:** See only one single line the off-take of the product have to improve across the country. There are more buyers of real estate or automobile or FMCG or clothes or whatever. The advertisers will come back to us because most of the companies we have seen that they are launching products they are advertising but they are not taking it through because there is no major off-take happening. So I guess everybody is not waiting for some more movement to happen at the ground level for the sales off-take.
- Moderator:** Thank you the next question is from the line of Rohit Gala from Insync Capital.
- Rohit Gala:** Sir I just wanted to understand what kind of a traction are you seeing into your regional readership?
- Girish Agarwaal:** See regional readership to be very honest we judge it from the circulation and from a circulation you see there has been a 4% growth if you compare my last year to this year. Now readership data unfortunately the currency which was available in the country there has been lot of question marks on that report. But when we do our internal surveys to understand how we are growing the leadership that is looking encouraging. But unfortunately there is no currency available right now which can show us the number out, so I really do not know how to answer your question on that prospective.
- Rohit Gala:** But can you just guide us to which geographies you would be doing better may be into Jharkhand or Maharashtra or Gujarat, Bihar where do you see much more?
- Pawan Agarwal:** The areas which are doing better is Rajasthan, Gujarat, part of Haryana, some part of Maharashtra, Jharkhand is one market which is not doing too great in terms of readership also over there. So that is one area, some part of Punjab also is not very bouncy still. So that is the overall picture.
- Rohit Gala:** And sir just would like to know what would be your strategy on to the digital business and what kind of a numbers are you planning for next couple of years?
- Pawan Agarwal:** We have close to about 18 million unique users now, who have consumed about 540 million page views. The size of digital in India is growing at a very fast pace now, close to 80-100% every year people are acquiring smartphones the question is how many of them actually spend money on data to consume the content and product using their smartphone. But we are staying ahead on that curve that we are ready with all our content and products to make sure that we have a large



chunk of those customers coming on to the internet. We have a pretty aggressive plan on developing the content and making sure that those readers when they come on to the internet also consume us.

- Moderator:** The next question is from the line of Rohit Dokania from IDFC Securities.
- Rohit Dokania:** Sir, the interest expenses gone up sequentially although it is a very small number we just want to understand what is happening there.
- Girish Agarwaal:** It is because of the foreign exchange.
- Rohit Dokania:** Okay so that foreign exchange component would be how much Rs.1.5- Rs.2 crore odd here?
- Girish Agarwaal:** Rs. 1.9 crore. In the interest cost element.
- Rohit Dokania:** And if you look at the other expenses which are expenses excluding employee and raw material. The first nine months they have just grown by around three odd percent. So in this like how does the next fiscal looks like, I understand you would not have much visibility of advertising but I am sure in terms of expenses you would have more visibility. So, this other expense piece how does it look like in next fiscal?
- Girish Agarwaal:** Apart from the man power cost I think we would be, we are actually working hard on the similar lines. On the similar lines that the number should not cross what we already done, unless and until we increase the number of pages, unless and until we increase circulation, if we increase circulation, if we increase number of pages we will see more advertising coming in. So that way we are pretty clear on the costing.
- Rohit Dokania:** Okay, so it would be a mid-single digit kind of a number?
- Girish Agarwaal:** Yes, that is what we are working on.
- Moderator:** The next question is from the line of Srinivas Seshadri from CIMB. Please go ahead.
- Srinivas Seshadri:** My first question is regarding the impact of elections on the current quarter numbers. So if I understand correctly last year you had MP, Chhattisgarh and Rajasthan elections and this quarter you had elections in Maharashtra and Jharkhand. So, sir if you were to just kind of do some kind of stripping off of all these impacts then what is the underline growth of the advertising in your business right now?
- Girish Agarwaal:** If I take out the election of Maharashtra and Jharkhand anyways that was insignificant for us because these were a smaller market. And compared to last year the number looks slightly better. But frankly speaking it is not really apple to apple comparison because when you take out the political advertising out then you also have to add back the certain government advertising. So that becomes quite a unpredictable exercise but overall in one line if we can say that when I take that broad number without the government advertising, election advertising these numbers looks better.

- Srinivas Seshadri:** So would it be double digit or not there yet if broadly, if you were to adjust for these?
- Girish Agarwaal:** Almost there.
- Srinivas Seshadri:** And sir just following on that in the next quarter are there any those kind of revenues in the base number for you, or that 340 crores of advertising?
- Girish Agarwaal:** Some bit of the pre-election campaign of the Government of India. Because the election started in the month of May before that right from March-April there was some built up of the government advertising.
- Srinivas Seshadri:** And would the quantum be similar in terms of the challenge in terms of growth on that base for you next quarter or is it just on a percentage basis?
- Girish Agarwaal:** Not that significant.
- Srinivas Seshadri:** So ideally the growth rate should improve in the fourth quarter for you.
- Girish Agarwaal:** We are all hoping for that. We are working for that, let's see how it goes.
- Srinivas Seshadri:** Then the second question is sir, you had a fairly good improvement in the circulation revenues seems to be driven more by cover price hikes. So just wanted to understand what is the potential from next two to three quarter basis, what are the actions being done in terms of various states or edition price increases, and how it could translate into better yields?
- Girish Agarwaal:** See on circulation as you know on quarter-to-quarter our current yield becomes almost Rs.2.11 net rate on the cover price. We have taken it up from market-to-market. Certainly there is a scope going forward also, but to what percentage we would like to take it up it all depends how the market keeps going. So ideally speaking if you ask me, if the newsprint price stays lower and the advertising picks in a stronger or at least a double digit then I would not like to touch the circulation cover price.
- Srinivas Seshadri:** And sir are there any base effects like for example you had launched Bihar at the same time in the fourth quarter of last year, if I remember correctly. So, given that it should be an anniversary quarter this time, would you have some kind of improvement in yields from that particular Patna edition, anything significant at a company level?
- Girish Agarwaal:** In terms of Patna per se number there will be a huge improvement but in the exact terms of numbers from the company's perspective that is too small a number, because just Bihar market compared to the rest of India. So nothing significant for the company but for the specific market it is very encouraging.
- Srinivas Seshadri:** Sir last question on digital, you have given this number on the page views which is 18.2 million unique visitors, so just wanted to understand what is this number is it like 18.2 million visitors over a period of one month or one quarter. And secondly whether does this capture the traffic coming from your apps also or is that a very negligible number at this stage if you can give some color on this number?

- Pawan Agarwal:** 18 million unique people who have visited the app and the website and the mobile site over a period of 31 days of December actually and pages that have been consumed by them is also pages that have been consumed during the last 31 days of December.
- Srinivas Seshadri:** And sir just a follow up on that, this appears to be a fairly sizeable number even relative to your print readership also. And obviously what you mentioned in the past is that there is a lot of kind of non-print area based readership especially overseas and other metro markets, etc. So what are the kind of a marketing initiatives you are taking to kind of monetize this kind of a traffic which is coming online to your sites?
- Pawan Agarwal:** So we are pushing our mobile apps, we are also pushing more content. A lot of these readers do not come every day to the site, these are people unlike newspapers where all our readers read the newspaper every single day. This 18 million does not represent daily visits to the sites, these are people who would have visited over a period of one month. So, with more content in place and with habit also building in place, we would increase this number then also increase the repeat visits of these people on a more continuous basis.
- Srinivas Seshadri:** My question was specific to the marketing side like what are the initiatives being taken to get advertisers on board to tap this kind of a traffic which is there already.
- Girish Agarwaal:** Frankly speaking as we mentioned to you earlier also at various occasions that our focus right now is not on the top-line or bottom-line of this business, our focus is more on the traffic because we are very clear that once this 18 million unique visitor goes up to say 50 million unique visitor and 500 million page views goes up to 1 billion plus then I am sure the advertising will simply flow and that time is much easier for us to frame how do we do it. So right now frankly speaking the entire focus is on the traffic. Now for that we are doing a lot of marketing, a lot of things to like creating various interesting thing on site, we are just creating some sub-sites and the main sites and all that so a large focus is over there, because on our this year like we are estimating to close our digital business at around Rs.30-32 crore. Now even if the sales team do whatever best this Rs.30 crore can become Rs.40 crore but that Rs.10 crore will not make a difference to us this year. The ideas that how this 18 million can become 20 million by the time we close this year for us. That is the large focus on.
- Moderator:** The next question is from the line of Ankit Kedia from Centrum Broking..
- Ankit Kedia:** Sir first question is on some new editions. Next year can we expect you penetrating the Bihar market more deeper apart from Patna where we already have an edition and apart from that certain editions in Maharashtra can we add next year?
- Pawan Agarwal:** So we are looking at expansion in Bihar this year, anywhere six to nine months from now there will be some expansion. Maharashtra is being consolidated, Maharashtra will only see certain more copies in market to increase their dominance, and sure Bihar will see an edition.
- Ankit Kedia:** So our total number of copies what should we look at in terms of percentage for next year, given that you mentioned if newsprint prices remain stable we will not see a cover price increase, so what could be the copy increases for next year?



- Pawan Agarwal:** It will be a very low single-digit number on a large base because the base is very large. The base is almost more than 50 lakh copies, so the overall impact will be very low single-digit.
- Ankit Kedia:** And sir my second question was on the emerging editions after a long time we have seen emerging editions show some positive EBITDA. So any particular edition, particular state where we saw good traction in ad revenues or is it more to do with benign newsprint prices where we have seen strong EBITDA?
- Girish Agarwaal:** Frankly speaking this happened because of two reasons – some of the newsprint advantage and Maharashtra and Jharkhand election and these two editions are specifically in the emerging editions and the festival also so largely because of that. But you will appreciate Maharashtra is now almost three years old, Jharkhand is almost 4 years old, average age of four years so they are almost on the verge of becoming EBITDA positive hopefully in coming months. Also in Bihar as you know the bigger edition is done in Patna, now we are planning to may be launch a smaller edition in next 9 to 12 months' time.
- Ankit Kedia:** So smaller edition in terms mean outside Patna?
- Girish Agarwaal:** Yes, outside Patna.
- Moderator:** The next question is from the line of Vikash Mantri from ICICI Securities.
- Vikash Mantri:** Sir wanted to understand more from a perspective FMCG companies how that they have done in their last quarter and more importantly given that we are seeing a trend of raw material cost reduction for them, are they likely to be better spenders on our medium?
- Girish Agarwaal:** FMCG growth has been flat. If I compared last year to this year it has been flat. But if I compared quarter-to-quarter there has been a 15-20% growth but that is more of a festival time growth. On a nine-month basis if I see, there has been a growth of double-digit almost 15%. So we are hoping that this 15% should improve further more.
- Vikash Mantri:** In terms of trend amongst FMCG companies who have you seen the larger guys spending or it is edition of newer players who have started to come in because they are potential likely to get margin expansions?
- Girish Agarwaal:** Unfortunately what has happened the smalltime players in FMCG have actually declined. The small players from various hinterland of India, their revenue has actually taken a beating, the larger player still continue to grow. So that what we are trying to understand that how do we bring these guys those who come from a small town and still do a competition to the bigger giants countrywide so that we are still working on.
- Moderator:** The next question is from the line of Dipesh Mehta from SBICAP Securities Ltd.
- Dipesh Mehta:** Just to understand this digital side we suggested we have around 18 million unique visitors. So whether we have done some kind of analytic run on those data to understand who would be the unique visitor and from whether we are seeing more from the local market where we are present or more visitor we are seeing



from other markets where we are not present kind of thing, if you can say share some data and what would be the international visitor kind of thing?

Pawan Agarwal: Sure. So if you look at the Gujarati website it will have more than 55% people coming from outside of India and largely from the US which is a good market. If you look at Hindi site we also have another 25% people coming from outside India and even in the Hindi site there is a large chunk which also comes from the national markets where probably people from our markets have migrated or still have an interest in following the brand. So it's a mix of all three and that is how it is growing, so all three are growing still.

Dipesh Mehta: To tap this kind of visitor profile, for getting maximum benefit from monetization of advertising perspective what strategy we are adopting to get maximum mileage out of it?

Pawan Agarwal: So our strategy is to increase the visit, so the number of times a person comes to the site should increase, he should build loyalty over a period of time, and we are adding more content, we are making the products more and more interesting for him to come many times during a week. And that's how in future the digital will be monetized.

Dipesh Mehta: And sir when we say let say in Gujarat 55% as you suggested from US, Hindi 25% outside India, this percentage are changing from trend perspective or it largely stabilized for us?

Pawan Agarwal: It is largely stabilized so while the Indian numbers are growing so let say Gujarati site was probably 60%-65% may be few years ago, from 65% it has come down to 55%. So the audience is growing in those markets as well, while the Indian audience is growing.

Dipesh Mehta: And last part is about can you throw this data point number of copies sold and number of pages per copy for the quarter?

Pawan Agarwal: Number of copies for the quarter was about 50,69,000 and this is an increase of about 3.5% over last year and the average pages were about 23.26 which is an increase of about 1.7% over last year same quarter.

Moderator: The next question is from the line of Amit Kumar from Espirito Santo Securities.

Amit Kumar: My first question pertains to the currency issue and we have sort of debated this in previous calls also that, is it that ABC the circulation numbers that you get is that going to be enough because there was some sort of a talk within the industry to actually replace IRS with a new currency, similarly to what is happening in broadcasting within the next six months. Nothing happened to that, no traction on that side. From a long-term perspective for how long can the industry sort of work without credible currency out there?

Girish Agarwaal: We also have the same concern in our mind but unfortunately what happen when different forces work in a different direction in the industry, this is what happens. Because in publishers also those who have been favored by this particular report they are very happy, those who have raised the questions and objections certain set of committee did not want to answer that. Advertisers are very happy that their reports are showing the readership going down because then as you see an



advertiser can arm-twist the publications to negotiate and all that. So, having said that I think the advantage what we have seen in last 1-1.5 years' time is this, that we have gone to our client and saying that since there is no readership currency available the best judge of our response is your local dealer. So why don't you pick up a phone talk to your sales person, talk to your local dealer sitting in any part of the country and say which newspaper works better for you. And if he says that particular publication that is what the currency should be used. So what happened beyond a point a media planner and a buyer he sees the data on a system and the data may be 6 months old, 12 months old, and the data is very quantitative there is no quality beyond a point in that. So based on that this is how things are moving right now.

Amit Kumar: While for large products like auto or durables this actually works very well but as far as FMCG or telco guys are concerned there is a, it is not just a sale driven advertising. An FMCG is purely to a very large extent branding-led advertising so how do the media planners or in that sense the head of marketing also decides the ROI on these kind of investments which is the long-term worry here that print or specific players because of his issue and then in the sense lose out. So what is the possible long-term solution here?

Girish Agarwaal: Various industry leaders are trying to resolve the issue and I am confident that it is a matter of couple of months more where everybody understand because in any industry forum people cannot work together unless and until they all believe that we are equals. Somebody can be first among equal but we all are equal so I think that is what is likely seeping into this particular industry also and the solution should come out soon.

Amit Kumar: My second point was that with respect to the difference between volume and yield growth for this particular quarter, what is really driving that because as I understand it the company had taken a decent rate hike at the beginning of the year and as I understand it that was getting accepted by advertisers as well but this quarter seems to be a bit of differential to that?

Girish Agarwaal: See what happens, as a sales person I can answer you this, in seven or eight quarter we were pushing the yield and every time I go back to the client and ask for a yield so this time we said okay whatever yield we have taken in this particular season time take the volume back so we got the volume growth this season and again from this quarter we are back to asking for yield improvement.

Amit Kumar: So it is just a one quarter phenomenon, I mean from next quarter or next year From the first quarter next year onwards we will start seeing yields again moving positively?

Girish Agarwaal: One thing is very clear when I look at my numbers and my yield, we are very much underpriced. Markets like Gujarat, markets like Rajasthan, markets like Haryana are very-very underpriced. We feel that the pricing correction need to happen and that is what we are working for. And I am very thankful to all the advertiser agencies to understand our point of view and look at our request.

Amit Kumar: Just one final bookkeeping question. Sir your loans and advances during the course of the year in the balance sheet have actually gone up quite substantially. In fact if I look at your long-term and short-term loans and advances now they are almost touching about Rs. 320 crore so just wanted to get a sense on, I remember the base number was more because of some change in law while back but in the



first nine months also we have seen a fairly large increase so if you could just throw some light on that.

Girish Agarwaal: There has been a growth Rs. 96 crore in the long-term loans and advances and the short-term put together from Rs. 223 to Rs. 319 crore. Out of this there are various categories. One is we have our prepared expenses of roughly around Rs. 7 crore, government deposit of around Rs. 6 crore, advance to raw material, then we have security deposit for office space.

Amit Kumar: Out of this Rs. 96 crore what is contributing dominantly to this?

Girish Agarwaal: One is the CAPEX advance we have given which is around Rs. 12 crore, then one is a real estate barter we have done which is around Rs. 24.5 crore, then we also have given some raw material advance to the party which is also in the same range.

Amit Kumar: So rest everything is fine if you could just throw a little bit of light on this real estate barter this is sort of ad for real estate if I may put it that way?

Girish Agarwaal: Yes. So what we have done this is our slightly different version of the private equity deals which we use to do which we have stopped from last two to three years. So here in our markets we realize that there are lot of real estate advertisers those who want to advertise guys but because of the off take issues they were not spending money. So we said okay you have a cash flow issue, we can come along, and we said we will sign up the advertising barter deal with you where you give us the property. So I take a physical property from you, it is an under construction property or a constructed property depending on the deal we take that property from you and from that property we give you the advertising for that value over a period of a year or two. And that property whenever we get the possession and we feel it is the right time to sell, we sell and realize the money.

Amit Kumar: Just one final clarification on this, is this some specific developer or is this spread across multiple properties and multiple developers?

Girish Agarwaal: This is some 110 deals we have done.

Amit Kumar: 110 deals worth 24 crore?

Girish Agarwaal: What happens these are the small advertisers having an Rs.30 lakh flat in a particular market and the total number of property involves is roughly around 200. So we have not taken a 20 crore or 10 crore deal with one single developer, we have gone to smaller developer, he saying okay one Rs.30 lakh flat we take from you and give you advertising worth Rs.30 lakh in our small edition you do that. Because they are local advertiser, they don't need more than Rs. 30-50 lakh a year advertising.

Moderator: The next question is from line of Aruna Bharti from Pari Washington.

Aruna Bharti: I just have a couple of bookkeeping questions. One is what is your average cover price at this point in time?

Pawan Agarwal: Average cover price is about Rs.3.28 with a realization of about Rs.2.12.



Aruna Bharti: How much have you spent this year and what is your CAPEX plan for the next year?

Pawan Agarwal: We have spent close to about Rs. 43 crore this year on CAPEX.

Aruna Bharti: Okay, and what is your plan for next year?

Pawan Agarwal: We will be in the similar range for the full year.

Aruna Bharti: And then my next question is your tax rate continues to be at 35% for the past about three quarters I just want to know the underlying reason behind this?

P.G. Mishra: This is a written rate of earlier year's provision disallowances and it is hardly 8.9%, I think it will be in the line in next two to three quarters.

Aruna Bharti: It will come back to the marginal tax rate of 32.5?

P.G. Mishra: Yes, next two to three quarter after this.

Moderator: Thank you. We have next question from the line of Dhaval Shah from Siddhesh Capital. Please go ahead.

Dhaval Shah: Sir how much would be our expected outlay in the radio auctions?

Pawan Agarwal: The auctions are still not clear as to how many stations would come up. We are only looking at as of now the migration policies. The migration has been discussed that will be done at a certain percentage increase because instead of 10 years the license will be for 15 years and hence at least a 50% higher price to migrate plus inflation. But it not still found firmed up yet and as far as the bidding is concern we still don't have absolute clarity on which month would the bidding start and how would the bidding happen?

Dhaval Shah: Agreed, but still like an approximately budget if we have in mind okay fine we want to spend this much money in to this, so I think I remember when we meet last time you were mentioning something that this is the limit we will go up to.

Pawan Agarwal: We kept ourselves under Rs.30-40 crore for an additional investment but it will all depend on how the stations come up and when actually. Do they come up all in one go or in phases. So most likely it looks like they will come up in two-three trenches now instead of all being auctioned at once.

Dhaval Shah: So our internal cash flows would satisfy that requirement correct?

Pawan Agarwal: Looks like.

Moderator: Thank you. I would now like to hand over the floor back to the management for their closing remarks. Over to you sir.

Pawan Agarwal: Thank you. On behalf of the management I thank you for your participation and time on this Earnings Call. I hope that we have been able to respond to your queries adequately today and we will be happy to be of all assistance through our



Investor Relation department headed by Mr. Praseon Pandey for further enquiries.
Thank you very much and have a good day.