



**DB Corp Limited**  
**Q4 & FY 2010 Earnings Conference Call Transcript**  
**May 28, 2010**

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**Moderator** Ladies and gentlemen good afternoon and welcome to the DB Corp Q4 FY10 earnings Conference Call. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing \* and then 0 on your touch-tone phone. Please note that this conference is being recorded. I would like to hand the conference over to Ms Malini Roy of Citigate Dewe Rogerson. Thank you and over to you Ms. Roy.

**Malini Roy** Thank you. Good afternoon everyone. Welcome to the second conference call of DB Corp Limited and we will be sharing the key operating and financial highlights for Q4 and FY2010. We have with us today, the senior management team of the company Mr. Girish Agarwaal, Non executive Director, DB Corp Limited; Mr. P. G. Mishra – Group CFO; and Mr. Prasoon Pandey – Head Investor Relations. Before we begin, I would like to state that some of the statements made in the today's discussion may be forward looking in nature and may involve risk and uncertainties. Documents relating to the company's financial performance have already been emailed to you. I now invite Mr. Agarwaal to please share his views on DB Corp performance for the quarter and the highlights of this financial year. Over to you Mr. Agarwaal.

**Girish Agarwaal** Thank you, Malini. Good afternoon everybody. Before joining us on DB Corp's second earnings conference call since our public listing, I shall discuss the financial highlights of the year 2009-10 and thereafter my colleague and I will be happy to take your questions.

Year 2010 continues to be a landmark year for DB Corp. Last quarter, we made the transition from being an unlisted and to a listed company. Over the last few months, we had continued our endeavour in the first by consolidating our position and presence in the Indian media landscape. We continue to be the only media house in the country enjoying a leadership position across multiple states, multiple markets, and multiple languages and with the rapidly expanding readership base. Our leadership of our flagship newspaper Dainik Bhaskar – Hindi; Divya Bhaskar – Gujarati, and Saurashtra Samachar has now combined average daily readership of 16 million leaders as per the IRS last report.

DB Crop has once again emerged as the largest print media group among the national daily as revealed by the IRS report. We remain a strong and a very

formidable player in Madhya Pradesh, Chhattisgarh, Rajasthan, Haryana, Chandigarh, Punjab, Gujarat, Himachal, Bombay, and also continued to be a well entrant position in several key regions over competition all across markets including MP; where we have a lead of around 160%; in Chhattisgarh, we enjoy a lead of 27%; in Rajasthan and Jaipur, we have a lead of 44% over competition and also we are ahead in the almost of the key urban towns in Rajasthan and in the CPH region up North, we enjoy a lead of 40% overall with a lead of 107% in Chandigarh city and also we enjoy a very formidable presence in Gujarat with a lead of 16% in Ahmedabad city itself.

This month, as you all know, the Board of DBCL has also approved the proposal to de-merge the radio business from its subsidiary Synergy Media Entertainment Limited and merging into itself. This new radio business operates under the brand name MY-FM 94.3 and we operate from 17 radio stations. I am happy to share with you that the radio business has already reported EBITDA breakeven as on 31<sup>st</sup> March 2010, well within an average age of 2.5 years of launch of all our 17 radio stations. We continued to enjoy strong relationship with our retail advertisers as they contribute almost 60% to our total advertising revenue and happy to share with you that we have a largest pool of retail advertisers in India accounting to almost 3 lakhs retail advertisers those who help us in continuing growth.

Another significant development that we share this quarter has been DB Corp expansion in Bihar, Jharkhand, and Jammu. We followed up with the announcement with prompt execution and this quarter, we commenced pre-launched activity around the launch of Dainik Bhaskar in Jharkhand and Jammu. The activities in Ranchi has already been started where our team is meeting people to understand the requirements of the newspaper, what exactly they need from an ideal newspaper, so that we can design the paper as per their understanding and their requirement. I am confident that the way things are looking, we should be able to achieve our target which will be to replicate our success what we achieved in Rajasthan, Haryana, Punjab, Gujarat, in the newer markets also.

Furthermore, I am happy to share with you the key highlights of the quarter and also financials that have gone by, although number are already with you. I will bring them to your attention again. Our numbers for the fiscal year under review our consolidated revenue has gone up by 11% totaling up to 1063 crores and we have advertising revenue which has gone up by 11%. Total amount is around 808 crores. Overall, our EBITDA margin has increased from 15% at Rs. 147 crores last year to over 32% this year at 343 crores roughly and our PAT is also expanded and today, the consolidated PAT is 182 crores, 183 almost and on a standalone basis on the print business, we have PAT of 199 crores.

Now, my colleague and I will be happy to take your questions. We look forward to interact with you more actively and you please continue to reach out to our investor relations cell head Mr. Prasoon Pandey for any further inquiries. Over to you now. Thank you.

**Moderator**

Thank you very much. The first question is from the line of Rishi Maheshwari of Enam AMC. Please go ahead.

**Rishi Maheshwari**

Hi, Can you please highlight how you look at the advertisement scenario at this point in time, last year it has been good for you. I heard your remarks on air earlier on today. So, could you elaborate on where do you see the advertisement profile growing from and what is happening with the national advertisers?

**Girish Agarwal** See, if you look there are two kitties for us in the advertising; one is retail and one is national. At 2008 and 2009, national took the largest beating, but the retail continued support. In 2009 and 2010 also, retail continued to support, but we saw the national picking up in the third quarter and again we are seeing that national is now coming back. For example, 60% of our advertising base is retail and 40% is national. We are happy that now the national market is coming back and most importantly what we feel that in the national business, we are also seeing a slight upward improvement in my yield also, specially when we look at the numbers of April which has already into this year, there has been some decent benefit going there and we have increased our ad rate also in the month of May and June this year which was long overdue. So, I guess advertising scenario comparatively looks much better going forward also and if you look at our Q4 numbers also, we have done around 11% growth on the print business and overall as the year also we closed that 11%. I guess numbers are now looking decent.

**Rishi Maheshwari** Has this ad increase being taken by all your clients and if one assumes that all goes well, what is the number that you are looking at in terms of percentage increase for advertisement in 2011?

**Girish Agarwal** See, as I told you the numbers are looking better, clients are looking at giving slightly better rate than what they were giving last year. Has it happened all across. In some cases, it already happened and in some cases, yet to happen, but things are looking better. Now, going forward, as you know as a company we don't give any future guidance. So I am unable to give specific numbers, but with the scenario around us we think, it is looking better than last year.

**Rishi Maheshwari** And your remarks on newsprint, what is the current price that is running right now and what is the kind of inventory that you own?

**Girish Agarwal** We have inventory for a period of almost two quarters going ahead, which is the first and second quarter for imported and for the Indian which is around 80% of our consumption is almost a month pricing wise we look whatever numbers we had as an average for the year 2009-10. The first 2 quarters are almost they are in the same number, but there are talks happening in the market about the newsprint price slightly going up and we are still in talks with our suppliers to negotiate for the quarter 3 and quarter 4 to arrive at a better number.

**Rishi Maheshwari** And on Bihar, Jharkhand market, having spoken to a few of your peers, we got to know large part of that market comes from government revenues and Jharkhand and others took a long time to actually penetrate into the government coffers. So, how do you see that going forward?

**Girish Agarwal** As per the data available, volume wise, yes government is large there, but if you look at value, government is not more than 20% although volume wise, government might be 40%. When you look at the government value, I don't think any current operator in that market would have more than 20-22% of the revenue from government according to our understanding and in our planning. As you will see that in our earlier market that we operated, government advertising is the last to come in. As we have done for Bihar, Jharkhand and any markets, we don't really bank on the government advertising for the first 2 years.

**Rishi Maheshwari** Fair enough and thank you so much and all the best.

**Moderator** Thank you Mr. Maheshwari. The next question is from the line of Abneesh Roy of Edelweiss Capital. Please go ahead.

**Abneesh Roy** Do you think that there is a potential for Urdu newspaper in your markets because there is a sizeable community which lives there and one of your competitor is actually talking very bullish on that segment, so I wanted to understand your views on that?

**Girish Agarwal** Okay. See, there are two things. Urdu, yes there are people those who speak Hindustani, which is actually a mix of Urdu and Hindi which becomes Hindustani as a language, but I have my own doubt of people reading that script, I am not too sure and confident about that number because Urdu as a language is not taught in the schools. In any of the government school or the private school, Urdu is not taught as a language. So that is the reason why largely especially in our markets I don't think it is a worthwhile language to do.

**Abneesh Roy** But what about their Madrasah and all that? You have done some study?

**Girish Agarwal** No in our market, Urdu is not a worthwhile language so even to spent couple of hours on that would not be considered worthwhile frankly speaking.

**Abneesh Roy** Okay. So you have spoken on advertisement wanted to get a sense in circulation. We have seen that in Q4, most of the Hindi players have reported very muted numbers on circulation. So next two years, will it be very muted because unless newsprint really spikes up. No newspaper uses that strategy. So, will it be fair to assume that it will be very muted next two years?

**Girish Agarwal** The circulation revenue number is actually the event of two things; what your cover price is and what is your circulation. What we have noticed that even when the prices of the newsprint went to the roof, we never increased the cover price beyond a particular limit which a consumer can easily take up. For example, in most of the markets, you are still operating Rs. 2.5. So I am not taking a major cover price hike on the cover price side and circulation wise, we are kind of maintaining our numbers in most of the market. In some market, where my price was too low like Punjab, I was operating at Rs. 250 a year which I increased it to almost Rs. 500 a year and that gave some initial 2-3% dip in the circulation and the low line areas of the lower strata of the socioeconomic class, but otherwise I don't think circulation wise there is any issue, since the numbers are looking better from the revenue; we are pushing circulation in most of our markets.

**Abneesh Roy** More cover price increase being planned for the medium term?

**Girish Agarwal** Not exactly because there is no point, we are in a expansion mode right now, even in the existing market, I want to expand the markets, grow number of copies, so that we can go to the advertiser and tell him there is a potential, come and tap it. At this point of time if I increase the cover price and reduce the penetration it may not be really advisable.

**Abneesh Roy:** Sir my last question is on the Indian readership survey - because it is of a three-month periodicity now how do you see the numbers really affecting you because some of your competitors seem to have grown faster?

**Girish Agarwal** In fact for this whole concept of making it quarterly, we can take the pride of saying that we were among those the first few people who supported this initiative. Simple reason because if at all market is changing on a monthly basis, why should the report come after 6 months, it should come every quarter. So we are very happy about this because this will give us some measure to judge ourselves on how we performed in the market. We can even do an internal understanding and go after the market. If you look at the last quarter result of the IRS, it has gone up enough fairly well like my numbers have increased in Ahmedabad, Jaipur, Chandigarh, in

most of the markets I think we had done a pretty decent job. We have to increase the total readership 4.5 lakh numbers in a period of 3 months.

**Abneesh Roy** Okay sir. All the very best.

**Girish Agarwal** Thank you very much.

**Moderator** The next question is come from the line of Rohit Dokania of B&K Securities. Please go ahead.

**Rohit Dokania** Firstly if you look at your competition mainly Jagran this quarter they have grown by about 20% as far as their ad growth is concerned. Even for full year, they have grown by 16% whereas we are at 11%. So is that the markets that they operate in are growing much faster than the market that we operate in or is it that they are gaining market share?

**Girish Agarwal** See I don't compete with Jagran expect in couple of markets like Haryana and Punjab actually. And in those markets, my number looks better, but yes I have seen their number, they have done a good job and I really compliment them for that. We are also trying to understand what is the reason -- may be last year base was much lower and they were able to show a larger number, I really don't know that. But looking at our number, if you look again whatever market we are operating in, I have been able to increase my market share and yet grow the top line and bottom line. So I think I am pretty happy with the numbers we have.

**Rohit Dokania** Okay. So have we actually grown our market share in the market that we operate in?

**Girish Agarwal** Yes, yes, we have.

**Rohit Dokania** Okay. Any hint on the kind of margins that we would be seen going forward especially because of the pending launch of Bihar Jharkhand. I believe it will be towards the end of this calendar year, so FY11 might not be impacted as much, but any sense on 32% margin where we could see it in the FY11 or FY12?

**Girish Agarwal** This year we have an EBITDA margin of 33%. What we feel going forward with the launches and my EBITDA is around 342 crores, 343, 346, and going forward the way our numbers are looking and the way the size of Bihar, Jharkhand is looking, I think anything in the range of 29 to 32% is a doable EBITDA margin. But having said that there are two things to note. As a company we will certainly ensure that we have enough reserve or the bandwidth with us in terms of numbers. At the same time I am sure investors wants us to work hard and capture more market, so that we are able to deliver better, because the money which I earn when I keep it to myself, it earns about 7%- 9% utmost; while if I plough it back in the market, I can show an EBITDA of 30% plus.

**Rohit Dokania** Sure. Okay and What would be the rational of getting radio from a subsidiary to merging it with the standalone?

**Girish Agarwal** For simple reason because 44% of the radio business was in that subsidiary owned by the family directly and since we have been listed now and we thought more appropriate to bring everything under one umbrella. That is the reason we thought it should be merged and since now it has become EBITDA positive – this is the reason and the right time, to bring it into our folds so that all the interests are aligned.

**Rohit Dokania** Sir is it also because once phase III comes up, we as a combined entity will be in a better position to take any debt if required for .....

**Girish Agarwal** Certainly yes, but in the phase III also, if you look at my phase II, my total bidding cost entire 17 stations was around Rs. 52 crores. You will appreciate in the round III also if I go with another 17 stations with the same kind of number assumingly, and then I guess the company will have enough resources to growing at this rate.

**Rohit Dokania** Great sir. Thanks a lot for all the answers. All the best.

**Moderator** Thank you. The next question is from the line of Amit Ahire of Ambit Capital. Please go ahead.

**Amit Ahire** How do you see the ad revenue growth in the radio segment going forward and second what are the accumulative losses which will come into the DB Crop business and what will be effective tax rate?

**Girish Agarwal** Let me start with the advertising numbers first. Radio since the base is smaller, has been a growth of almost 30% plus. For example, this year in the radio business total revenue is around Rs. 36 crores, around 29-30% growth has already happened. This percentage growth may continue with the radio business for couple of years more because the base is small. Coming to the losses, accumulative losses is around 99 crores in the radio business which will come into the fold DB crop now.

**Amit Ahire** 033%.

**Amit Ahire** So there would be no benefit from the accumulated losses because probably you will try to use it.

**Girish Agarwal** Yeah. Certainly, there will be some losses, because acquisition was not done with that intention.

**Amit Ahire** Okay and another question is what is the circulation revenue number for this quarter and for the full year?

**Girish Agarwal** For the circulation revenue is for the quarter the number stands at 527 million. And for the full year, number stands at 2118.

**Amit Ahire** Thanks a lot.

**Moderator** Thank you Mr. Ahire. The next question is from the line of Abhishek Gaoshinde of Emkay Global. Please go ahead.

**Abhishek Gaoshinde** Hi, how did the emerging editions perform in FY10 in terms of revenue PBT and EBITDA and how many editions are still not broken even?

**Girish Agarwal** Okay, let me give the example on the how emerging edition has performed. For example, Punjab until last year was the emerging markets, we launched Punjab in October 2006, Jalandhar and Amritsar after that we launched Ludhiana in 2007, happy to share with you that Punjab has done EBITDA positive as a standalone market for us and as you know definition of our emerging market is around 3 to 3-1/2 years time. Punjab very well did it within that time and number of editions which are still emerging would be almost 7 and including the Business Bhaskar of around 8 to 9 editions will be there.

**Abhishek Gaoshinde** Okay and what are the revenue PBT on EBITDA for FY10 from emerging editions segment?

**Girish Agarwal** If you look at emerging edition segment, I have EBITDA loss of just Rs. 11.4 crores from those editions. You can see the number is almost 22 % 09. I am sure this should turn profitable within very much within a three year time.

**Abhishek Gaoshinde** Okay so it means some more editions will come and will join this emerging edition bucket after the launch of this?

**Girish Agarwal** Certainly yes and I wish my emerging edition list should never get empty. This business is all about the growth. If I don't have any emerging editions happening, then I am just sitting on the existing edition and beyond a point, I will not be able to grow the emerging editions so focus now is to grow from the existing market as well as the new market.

**Abhishek Gaoshinde** Okay, best of luck.

**Moderator** Thank you Mr. Gaoshinde. The next question is from the line of Ruchit Mehta of SBI Mutual Fund.

**Ruchit Mehta** During the current year, what would have been the fall in the yields on the year-on-year basis, you are realizing 100 last year. In the current year, what would have been the average fall in the yield that you have experienced because of discounting or whatever?

**Girish Agarwal** This year the yields are improved. If you look at the last year numbers - supposing it was 100 in 2008-09, this actually went down from 78, what happens is the numbers starting from October of 2008 till March 2008 the market was really bad. Volume took a dip for a couple of months. We were month on month almost negative. And these are now looking improved. So, there is improvement in the yield actually speaking.

**Ruchit Mehta** Sir what would that improvement have been?

**Girish Agarwal** In a single digit.

**Ruchit Mehta** That is less than 5%.

**Girish Agarwal** Yes.

**Ruchit Mehta** Okay and in FY08, want to know your perspective on how was the yield actually fall in 2009. In 2009 versus 2008, what was the yield decrease?

**Girish Agarwal** I don't have the number ready with me on that, but there was a sharp decline in October 2008 onwards for 5 months time and that is the reason 2009 number was okay and 2010 number is good.

**Ruchit Mehta** Okay and you mentioned that the subscription is about Rs. 212 crores for the full year. What would have been the average cover price which came in.

**Girish Agarwal** It is Rs 2.40 roughly is the average, which is roughly 235 and that is because most of the market we are operating at a cover price of either Rs. 2 or Rs. 2.5.

**Ruchit Mehta** And how will this compare versus last year.

**Girish Agarwal** Almost the same except, couple of markets like Punjab where since we are already established our self strongly amongst readers, so we took a price hike over there and we are doing a subscription booking Rs. 250-300, we have now gone to the cover price of Rs 1.50 daily basis, so while giving a substantial jump there in Haryana we took an increase in the cover price, but nowhere beyond our reasonable limits.

**Ruchit Mehta** Okay and if you roughly mean that you have about 7.5 crore copies a day, your readership circulation?

**Girish Agarwal** My last year circulation numbers on an average if you look at almost was roughly around 42-41.7

**Ruchit Mehta** Okay. And a little bit on a broader sense on overall in terms of ad growth that you are looking at, say industry numbers are anywhere from 11-12% growth for the current year but how do you see growth for ourselves would it be substantially better than what printing business has done?

**Girish Agarwal** See one positive thing which we saw in the month of April this year are the national advertisers who had a bit lull over the last 18-16 months, has started showing a promising trend in the last actually four months. I guess that is one big ticket item which things are improving and we can see the sales of the companies are improving and hence and people are now launching more products and all that. So that looks positive.

**Ruchit Mehta** Okay. Great thanks.

**Moderator** Thank you Mr. Mehta. Our next question is from the line of Amit Kumar of Kotak, please go ahead.

**Amit Kumar** Hello! In terms of your fourth quarter 11% advertising revenue growth could you please help break that up in to volume and yield?

**Girish Agarwal** Roughly speaking this 11% largely is driven by the volume and if I have to see percentage wise though I do not have the exact number for the breakup for that but I can give you that roughly around 30-70 ratio, 70% is the volume growth and 30% is the value growth. Now what happens if you remember the quarter of last year, the fourth quarter of the last year which was January, February, and March 2009 quarters because the market had just taken a beating that time we actually ran a lot of incremental schemes in the market to woo the advertiser to come back. So we actually dropped the rate quite a lot and we were able to get the volumes on that. So top of this 11% though in isolation looks slightly less to you but I think it is a decent numbers.

**Amit Kumar** Okay. Sir now that you have taken an ad rate hike, how do you see this moving going forward, I mean 70% would mean roughly around 7.5% would be volume and about 3.5% would be yield?

**Girish Agarwal** That should change to other way. Because beyond a point, you cannot expect the volume to keep growing. So I think now this should change other way as it will be more of the yield improvement happening and bit of volume.

**Amit Kumar** So bit of volume are you expecting a similar 7-8% number or that might drop a little bit?

**Girish Agarwal** See the overall number we are expecting is better than 11. Now let us see how it goes and turns out on month-on-month basis.

**Amit Kumar** Okay sure. And specifically on to the MPCG market, just wanted to have an understanding on what the competition is doing in that particular market notably Nayi Duniya and Patrika?

**Girish Agarwal** If you look at Indore the last report of IRS for Indore it very clearly says I have been able to maintain my lead over the Nayi Duniya in Indore. Patrika did launch Indore but could not make any impact they are still I think number 3 or number 4 in Indore that too a weaker one. In Bhopal I am still the largest with the wide margin and especially in the top segment of socioeconomic class A and B I am like way ahead than the competition. At the same time we have also taken up a task in Madhya Pradesh to improve our rural readership because we see now MP is also coming to a point where we can push the readership in the rural market and our advertisers are also trying to looking at that we are doing that. In Chhattisgarh we are pretty strong and we are further launching one or two more printing establishments in Chhattisgarh going forward so that we can increase our reach in the interiors.

**Amit Kumar** Okay and this rural initiative, will this also be a factor in your other markets like Rajasthan, Gujarat, and CPH?

**Girish Agarwal** We are doing all across. Actually this plan for increasing the rural reach was with us even in the year last year before last year, also but since the numbers were looking very discouraging so we thought that it is better to hold it for a while. Now since the advertising numbers have come back, the profitability of the company is back, I would now rollout my expansion plan within my existing market to also this year.

**Amit Kumar** Which advertisers are actually driving this expansion to rural because we have heard from some of the other players that FMCG has also started to advertise in print surprisingly and besides FMCG which other advertiser are you seeing who are looking to tap into that rural market?

**Girish Agarwal** To be honest with you rural markets from the print side I do not think most of the advertisers really look into it. Because what is rural, a village with the population of less than 5000 -- but unfortunately what is happening is there are publications in my competition those who are to gain the numbers they actually go and work hard in the rural because over there you can get a multiple of 14 or 16 or 18 people reading a paper and you are able to show a larger overall readership as the case may be in Gujarat and in may be Rajasthan also. So I am forced to actually increase the circulation in rural which actually speaking is not a real paying number in our short-term or mid-short term, but overall scenario looks better so there is a some percentage of advertiser those who still carried away by the overall numbers and take a decision off the cuff. So to even retain those advertisers or to attract them also I have to increase this copy but if you really ask is it a great revenue churning the way for example if increase 1 lakh copies in a city I know with that 1 lakh copy I can increase that amount of advertising on the very first day. But in the rural market this 1 lakh copy might take me three to four years' time to pay back but I will have to do it to take the overall number up.

**Amit Kumar** Okay got it. Thank you sir.

**Moderator** Thank you Mr. Kumar. Our next question is from the line of Tejas Shah of Axis Bank, please go ahead.

**Tejas Shah** Hello. Just wanted to know our selling expense has jumped from Rs. 15 crores last year this quarter to Rs.19 Crores and again administration expenses also jumped from Rs.10 to Rs.16 crores?

**Girish Agarwal** This Rs. 4 crores jump which happened in the selling expenses it was largely because we started, as I explained, to the earlier caller, that the circulation promotions that we have decided, expand the circulation days in our market. Furthermore on this basis we have increased our circulation selling expenses in our markets. The administrative cost has gone up for two reasons, we have done some provision for the bad debt of around Rs. 20 million and at the same time there are heads like electricity, repairs and maintenance going up from the previous quarter. Also our personnel cost has increased, if you look at the number from there is basically on account of the perquisite tax of staff and incremental HR promotion activities in Q4 along with the new recruits for the expansion plan.

**Tejas Shah** Sir this bad debt is \$20 million?

**Girish Agarwal** Rs. 20 million like 40 crores.

**Tejas Shah** And tentatively by when we are planning to launch our Bihar edition?

**Girish Agarwal** I can say we are in full swing. Our ground work has started and our team is meeting people over there door-to-door to find out the requirement. And we are all out for that. Obviously I cannot reveal the exact date to you at this point of time. I hope you will appreciate that.

**Tejas Shah** Yes sir but can we expect it before Bihar assembly election like guidelines from Election Commission starts.

**Girish Agarwal** No that much I can assure you we are not part of the Bihar election campaign. We are not launching before that.

**Tejas Shah** Thanks a lot sir.

**Moderator** Thank you Mr. Shah. Our next question is from the line of Ritesh Poladia of Almonds Global, please go ahead.

**Ritesh Poladia** Sometime back right you gave some interesting number on retail advertisers of 3 lakh. What would be this number over the year they have panned out?

**Girish Agarwal** See this number is improving a bit. For example, last year this number was around 285 thousands. It has increased now. Really what happens is that these advertisers some of them in the peak time they advertise regularly and when the market is not good they may advertise once in six months or once in a year, but I need to maintain the relationship with them, because they are a small time retail advertisers, so they have no fixed plan but it is important for me to keep a connect with them, so I do that.

**Ritesh Poladia** And what would be the population of this retail advertisements. What would be the market size number wise?

**Girish Agarwal** It depends on market-to-market for example our advertisers of Rohtak who spends Rs. 10000 in a quarter is a decent guy for me. While a guy Rs. 4 lakh a quarter in a Jaipur is a good guy for me. It depends on market-to-market.

**Ritesh Poladia** If 3 lakh is your advertisers what would be identifiable according to you in terms of number of advertisers?

**Girish Agarwal** It is very difficult to comment why because I would put this way that -- anybody who is having a shop of selling something that is attracting consumers should advertise. Now can we really go and convince all of them? Though we try but it does not happen like that so our endeavor is to keep increasing this number getting many more people into our fold to advertise.

**Ritesh Poladia** Okay fair enough. You operate in mainly three states, MP, Rajasthan, and Gujarat and you are market leader everywhere.

**Girish Agarwal** Sorry let me chip in here we do not operate in three states, we operate in 11 states.

**Ritesh Poladia** Yeah definitely this would be the main markets which would be driving your sizeable advertisement.

**Girish Agarwal** I would further like to comment on that we operate on 11 markets and most of the markets we are the leaders or a formidable player and all the markets are equally important for me. Also I am happy to share with you that none of the single markets contributes more than 33% to my top-line or bottom-line. So it is not that my dependency is on one particular market beyond the point. So that is the reason why even a Haryana, Punjab, Chandigarh, Rajasthan or Gujarat, Madhya Pradesh or Chhattisgarh they all are equally important for me.

**Ritesh Poladia** How would the regional concentration or discussions of your business are?

**Girish Agarwal** We do not give out the number region wise but in our working we work on a cluster for example MP and Chhattisgarh is one cluster for me, Rajasthan and another one Gujarat and CPH which is Chandigarh, Punjab, and Haryana is another cluster. All these cluster are equally important and they all are I think competing each other in terms of the overall first position.

**Ritesh Poladia** Okay in terms of growth of these four clusters, would there be significant difference in nature of growth?

**Girish Agarwal** Not exactly, if you are saying that somebody is growing at 5 and somebody is growing at 15, not like that.

**Ritesh Poladia** Okay. On circulation revenue sometime back you said average price is 2.40 I guess that would be average cover price and not realization.

**Girish Agarwal** Yeah this is a cover price.

**Ritesh Poladia** Okay, average realization would be about 1.5-1.6?

**Girish Agarwal** Average 1.50.

**Ritesh Poladia** Okay and total newsprint would be about 137,000 tons?

**Girish Agarwal** 131,000.

**Ritesh Poladia** Sir, if that is the case that means number of pages which you used to do at peak has not yet reached?

**Girish Agarwal** No. Yet to reach. Obviously it has not yet reached. If it has reached then I am not at 11%. I am talking of some other different number.

**Ritesh Poladia** Okay. Can you expect that in this year we would reach that all time high in terms of number of pages?

**Girish Agarwal** Certainly, we are trying our best. My entire team is geared up for that. We all are working hard towards that and we need all your best wishes for that.

**Ritesh Poladia** So that means volume and value both would grow hand-in-hand in terms of advertisements?

**Girish Agarwal** Frankly speaking we are expecting that because last year volume has grown, now we feel it is time for value to grow.

**Ritesh Poladia** Okay and I guess in last con-call you said that our losses from the emerging market would be significantly less than 50 crores, you maintain this number for next year with Bihar and Jharkhand loss?

**Girish Agarwal** Let me give you the current year number; it is 11.4 crores for this year. Now next year with Bihar and Jharkhand coming in you can always take a guess.

**Ritesh Poladia** Okay. Thank you very much sir.

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

**Vikash Mantri** Just wanted your view on how is the print industry growing in terms of advertisement revenue? There has been recent reports that few of the segments have been taking away advertising from print and moving to the broadcasting space. So just your views on that and may be a comment on how our emerging editions ad growth is and our mature editions ad growth is?

**Girish Agarwal** Now to map the industry growth is slightly difficult at our level because I can look at my number and couple of my competition which I map on a daily basis and then I have to rely on people like you to give us the larger aspect of the country as a number. So we really do not have that number but what you have been hearing from the market that the industry as such is able to grow around 4-5% that is what we have heard from the market. I really do not know the details behind it. Second point is where you said that couple of categories have been taken away by the broadcasting community segment from the print, I do not really think so that there is any specific category which has been taken away. Yes, there had been some movement here and there by certain categories, for example if you look at the IPO business has now come back to the print, the real estate which was bad last year has now improved in the print again. Even the FMCG has shown remarkable growth in the print advertising. So I guess yes in couple of category may be automobile 1-2% has gone more to the broadcasting, I am not too sure about that but largely speaking I do not think there is any category which is gone into that.

**Vikash Mantri** Okay and could you comment on your ad growth in some of the emerging editions which are new and in your mature editions?

**Girish Agarwal** See emerging market if you look at the ad growth is varying because the sizes are small but their number is almost 20%. But they are the smaller markets like for example, Punjab this year turned from emerging to mature. For example, Ratlam in Madhya Pradesh is an emerging market for me or Mehsana in Gujarat is an

emerging market for me. So they are showing upwards of 20% growth but their size is small.

**Vikash Mantri** Okay. Thank you sir.

**Moderator** Thank you. Our next question is from the line of Mr. Vikas Mantri of B&K Securities. Please go ahead.

**Vikas Mantri** Sir, Three questions basically if you could provide me what was the average cost of newsprint for the entire year?

**Girish Agarwal** My per KG cost is roughly around Rs. 25.17 paisa.

**Vikas Mantri** As against last year?

**Girish Agarwal** Last year it was almost Rs. 29.7.

**Vikas Mantri** Okay and at what prices have we procured it? Since you said that we already have inventory for the next six months, so it is at the same current prevailing level average price Rs. 25.17-26 or something...

**Girish Agarwal** Almost that.

**Vikas Mantri** And is it possible for you to breakdown the advertising revenue between Hindi and non-Hindi market?

**Girish Agarwal** We do not disclose it by the region because of competitive reasons.

**Vikas Mantri** But could give us a sense of as to what could have been the advertising growth in the Hindi market vis-à-vis other non-Hindi market? Like we have an overall growth of 11% so out of this how much could be from Hindi market and how much could be from a non-Hindi market?

**Girish Agarwal** See non-Hindi market for us is only Gujarat and the growth percentage is largely the same, 1% here and there, but there is no drastic or dramatic difference between the two.

**Vikas Mantri** And what are the major categories of advertisers for us in print. Largest is education which stands at almost 15% and then automobile is number 2.

**Vikas Mantri** Could you provide the percentage?

**Girish Agarwal** I can give you some -- like first two or three, 15% is education, around 12% is automobile, and around 9% is government. These are the large numbers.

**Vikash Mantri** Okay and just like one of your competitor's paper, I-next, do we have any plan to get into the categories of a bilingual sort of paper or a tabloid in which we will have English cum Hindi or English cum Gujarati, something of that sort.

**Girish Agarwal** You are asking me that will I do something like this in 6 to 9 months' time.

**Vikash Mantri** Yeah may be one year's time something down the line.

**Girish Agarwal** No.

**Vikash Mantri** So there is no value accruing out of that, in a sense.

**Girish Agarwal** Yes, may be, you can say that.

**Vikash Mantri** Okay sir. Thanks a lot for taking my question. Wish you all the best.

**Girish Agarwal** Thank you.

**Moderator** Thank you Mr. Mantri. Our next question is from the line of Nikhil Vora of IDFC SSKI. Please go ahead.

**Nikhil Vora** You gave a brief about how you are aligning sponsor interest into a single company by merging the radio operations our here. Would the same logic apply at a certain stage to look at the DNA?

**Girish Agarwal** No, for simple reason because DNA is an English newspaper operating out of metros while DB Corp is a company; our focus is all about the Tier-2 and Tier-3 cities of the country which is actually a fastest growing market. So that way I don't think we see any synergy of these two getting aligned.

**Nikhil Vora** It would not really matter so much about the fact that the advertisers are literally the same. One has to scale up business beyond the regional franchise that you have. You would obviously need a front line metro to support that.

**Girish Agarwal** No, I beg to differ on this for simple reason when an advertiser decide to advertise in Ahmedabad or Aurangabad or Kanpur or Jaipur, he doesn't do it because he mostly advertises in Bombay or Delhi. He decides that his requirements of these markets are different and if you go through the recent report of Ernest & Young, which talks about tapping potential beyond metros, that report clearly indicates that most of the advertisers and markets have realized that the 70% market is sitting beyond metros and hence they need to focus on those markets independently of the metro. We would actually be looking at all these Tier-2 and Tier-3 cities. For example, if somebody has to look at Rajasthan or Gujarat or Punjab or Haryana he cannot club it up with Bombay or Delhi for that matter.

**Nikhil Vora** So right now there is no cross rate between DNA and DB's marketing is it?

**Girish Agarwal** No.

**Nikhil Vora** Okay. Good. Thanks for this.

**Moderator** Thank you Mr. Vora. We have round of the follow up questions now. Our first question is from the line of Abneesh Roy of Edelweiss Capital.

**Abneesh Roy** I wanted to understand your radio business better. Most of the radio players we speak to are not that bullish in terms of profitability and in terms of scale. Where do we stand because we have broken even in a remarkable time and so what are we doing differently because we are also there in Tier-2, Tier-3 towns, is there any synergy that we are deriving from our print which is helping us in a better way.

**Girish Agarwal** Rightly speaking the synergy between the print and the radio lies in the promotion of a particular station. When I operate in Jaipur or Bhopal or Indore or Chandigarh through my paper I am able to promote my radio station and vice-versa so that is one. I understand that market much better because I am already operating in the print business from quite some time, so that knowledge does help me to operate on the radio station. Third thing is that how we were able to do it faster as a company,

is very clearly because we understood this business right from day 1, which is my shoe string budget business. So you have to operate not considering what you are comfortable in but considering what the business has to be comfortable in. So we realized that this business cannot afford that kind of luxury of life, so we operated on a shoe string budget and you can see the results we are on.

**Abneesh Roy** Third phase is very likely, so wanted to understand what is your view on the royalty payment, what is going to be liberalized in the third phase, say networking, news. So you must be talking to the regulators, so where do we stand there?

**Girish Agarwal** Frankly speaking whatever people are talking to the regulators and what they decide cannot be really commented on because we are not the government of India, while they may decide anything. People are requesting them that the phase III of the round should happen fast on certain conditions that we have. Radio companies have requested the government to give us also a five years extension of the same license which we have bought for 10 years the way they have done for the telecom sector. So we are looking at that but it all depends on whether the government agrees or they do not.

**Abneesh Roy** Lastly, could you comment on our strategy on outdoor and internet, some of the other companies are planning for expansion.

**Girish Agarwal** Outdoor, we are not into it because somehow we could not understand the growth plan or could not see it as a large driver for us. On the internet, yes we are bullish about it. We are investing for the future, but at the same time we are not investing creating a great thing that we may say happen tomorrow. So for example, if you look at my number of page views, it has improved drastically in the last six months' time. We are in Hindi and Gujarati in Dainik Bhaskar and Divya Bhaskar. We are working hard on that but we feel there is a long way to go on that. It is better to keep ourselves prepared for that.

**Abneesh Roy** And could you comment on Business Bhaskar how many editions do we have and is it extremely leveraged on IPO advertising?

**Girish Agarwal** We have seven editions in Business Bhaskar and we launched it one and half years to two years back with the understanding because 'business' as a concept is now being read by Hindi people or Gujarati people also in their own city and in their own language. So that was the concept and when the market crashed this paper could not take off the way we wanted but now things are looking better. So I guess the advertising revenue for Business Bhaskar also should improve. So I think we are there on track with this.

**Abneesh Roy** But are we planning to expand beyond this seven or...

**Girish Agarwal** No, we will hold it for a while till the time these seven have achieved stability. We will look at what we want then ....

**Abneesh Roy** And largely in Gujarat markets only these are 7 editions?

**Girish Agarwal** No, they are all Hindi markets.

**Abneesh Roy** Okay sir thanks a lot.

**Moderator** Thank you. Our next question is from the line of Hiren Dasani of Goldman Sachs Asset Management. Please go ahead.

**Hiren Dasani** Hi, wanted to check about this Rs. 2 crores provisioning -- is it to do with the private treaty investment?

**Girish Agarwal** It is actually the doubtful debt because we follow auditing norms in whatever E&Y is recommending. So certain debts which are outstanding which is beyond two years or a particular age has been provided for.

**Hiren Dasani** You have not taken a write-down of your private treaty in this?

**Girish Agarwal** We have done it for Rs. 3 crores over the last year that is not on this particular quarter.

**Hiren Dasani** And the total outstanding private treaty is about Rs. 20 crores.

**Girish Agarwal** Yes. Also just to add on to that we have also clubbed this private treaties further assignments on as we realized that it is not really a great business model which we could...we have realized and we have stopped all the current...in fact out of the deals which we had, three to four have been cancelled with the buyers and we have been able to recover some money from them.

**Moderator** Thank you. Our next question is from the line of Ruchit Mehta of SBI Mutual Fund, this is a follow up question. Please go ahead.

**Ruchit Mehta** I just wanted clarify you said your net cover realization of about Rs. 1.55 paisa and what was that last year?

**Girish Agarwal** It was 9.89% growth over the last year.

**Ruchit Mehta** Okay and in terms of the event side of the business, what will be the EBITDA of that business?

**Girish Agarwal** Event business is actually a small portion not even 1% of our total revenue.

**Ruchit Mehta** Is it breakeven?

**Girish Agarwal** This event business have not happened for example we organized a book fair and education fair in Ahmedabad if my total cost is Rs. 30 lakh I give the sponsors about Rs. 40 lakh I make 15-20% margin generally on the event.

**Ruchit Mehta** Okay great. Thanks.

**Moderator** Thank you. We have a follow up question from the line of Ritesh Poladia of Almondz Global. Please go ahead.

**Ritesh Poladia** Sir any comments on our dividend payout policy?

**Girish Agarwal** Board has taken a call to undertake total 20% of the dividend payout, 7.5% was already given as interim bonus dividend and 12.5% will be as a final dividend given out so total standard 20% payout. It is 20% of the PAT.

**Ritesh Poladia** So 20% of the PAT would be minimum.

**Girish Agarwal** Yes.

**Ritesh Poladia** We have our loan fund of about 320 crores, any plans to further decrease that?

**Girish Agarwal** No if you look at our long-term secured loan it has come down to 238. And we have our bank and our cash balance of almost 192 so our net debt would be 38 crores.

**Ritesh Poladia** Okay and in terms of radio what would be the peak investments assuming you bid for the phase-III license?

**Girish Agarwal** In the Phase-II when I did the bidding my total cost was 52 crores for the bidding with the 17 stations so we have given that for the round 3 it will be lesser than this.

**Ritesh Poladia** Okay thank you very much sir.

**Moderator** Thank you. Our next question is a follow up from the line of Rohit Dokania of B&K securities. Please go ahead.

**Rohit Dokania** Yeah I just wanted to know the CAPEX for the printing business level for FY11?

**Girish Agarwal** I do not think we have any CAPEX required. The company did major CAPEX investments last year where we bought the machine from Germany KBA and upgraded our facilities in Ahmedabad and Jaipur and because of that my other centers also got upgraded so I do not think company needs any large CAPEX requirement year-on-year for the next four-five years. At the most 15-20 crores year-on-year that is it.

**Rohit Dokania** Okay. Thanks a lot sir. That is all from my side.

**Moderator** Thank you. We have a follow up question from the line of Abneesh Roy of Edelweiss Capital. Please go ahead.

**Abneesh Roy** Just one small question, some of your competitors are taking the acquisition strategy, are we also part of those deals or are we totally not participating in those?

**Girish Agarwal** No certainly we are also the part of those deals. We are evaluating a couple of deals but they need to make sense for us and the right price so we are still in talks, nothing concrete as such to tell you.

**Abneesh Roy** So we will be more interested in states where we are not present right now right?

**Girish Agarwal** No it can happen in both the states also because if I do it in my existing market I will be able to consolidate better.

**Abneesh Roy** And you can do same in radio also because in radio everyone is bleeding sir.

**Girish Agarwal** Yes but radio I think we are happy with whatever we have right now.

**Abneesh Roy** Okay sir. Thanks a lot.

**Moderator** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Girish Agarwal to add closing comments. Please go ahead sir.

**Girish Agarwal** Thank you very much and on behalf of the Bhaskar Team I would like to assure the investor community that we will be striving hard to ensure that we deliver and live up to your expectation and at the same time we will observe all the norms for the

corporate governance. We will be more than happy for any kind of advises from you for us to further improve upon. Thank you very much.

**Moderator**

Thank you sir. Ladies and gentlemen that concludes this conference call. Thank you for joining us on the Chorus Call Conferencing Service and you may now disconnect your lines. Thank you.