DB Corp Limited

Investor/Analyst Conference Call Transcript for Qtr 3' FY 13
January 22, 2013

Moderator Ladies and gentlemen good day and welcome to the DB Corp Limited's Q3 and 9 months FY13 earnings conference call. As a reminder for the duration of this conference all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing * and then 0 on your touch-tone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Malini Roy from CDR India. Thank you and over to you ma'am.

Malini Roy Thank you Inba. Good afternoon everyone. Welcome to the Qtr 3 & 9M FY 13 conference call of DB Corp Limited. We will be sharing the key operating and financial highlights for the third quarter and nine months ended December 31, 2012. We have with us today, the senior management team of DB Corp Limited - Mr. Pawan Agarwal, Non executive Director; Mr. Girish Agarwaal Non executive Director; Mr. P. G. Mishra – Group CFO; Mr. Ashok Sodhani – Chief General Manager - Finance & Accounts, Mr. Rakesh Goswami DGM Finance 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 now invite Mr. Pawan Agarwal to share his outlook on DB Corp's performance for this quarter. Over to you Mr. Agarwal.

Pawan Agarwal Thank you Malini. Good afternoon everybody and welcome to DBCL's Q3 & 9M FY13 earnings conference call. I am sure you would have noted the salient points on this quarter's performance. I will share some key highlights of our financial and operating performance, following which we will be happy to respond to your questions.

We are pleased to have once again delivered a strong performance this quarter driven by several key factors. We continue to consolidate our all-India readership growth - especially in the newly launched regions of Jharkhand and Maharashtra – which are growing strongly; and also maintained a strict view on cost rationalisation – all of which have reflected in this quarter's performance. We also continue to focus on our internal capacities and resources and remain optimistic about our progress in every region.

As per IRS Qtr 2 2012, published in Oct.'2012, DBCL maintains its rank as the largest print media group amongst national dailies and continues to be the chosen brand across 19.60 million readers across India's fastest growing markets. Readership dominance continues in all its core and major markets of Madhya Pradesh-Chhattisgarh, Haryana, Chandigarh, Rajasthan (urban), Gujarat (urban), Punjab (JAL), and making steady inroads in newer market of Jharkhand and Maharashtra. Following highly successful subscription renewals in Aurangabad & Nashik, after one year of completion, the Jalgaon edition has also accomplished 110% renewal bookings, at a higher subscription rate in October 2012. Another key development has been the process of consolidating our businesses during the quarter - DBCL acquired the remaining stake in IMCL and SMEL from other shareholders and were integrated into DBCL. As a result, both these subsidiaries are now wholly owned subsidiaries of DBCL.

I would now, like to take you through DB Corp's consolidated financial performance for the quarter under review. Our total revenues came in at Rs. 4427 million in the current quarter as against Rs. 3980 million in Q3 of last fiscal, depicting a growth of around 11% on YOY basis. Our advertising revenues stood at Rs. 3412 million reflecting a healthy growth of around 12% on Y-o-Y basis against Rs. 3059 million in the corresponding quarter last year. DBCL reported EBITDA of Rs. 1230 million as against Rs. 983 million in corresponding quarter last year which has registered growth in excess of 25%. Our EBIDTA margins came in at 27.8% in the quarter (which factors Forex loss of Rs. 36.1 million, as per latest revised schedule VI requirement). Our Net Profit for the quarter grew by 28% YOY and stood at Rs. 706 million with Net Profit margins coming in at 16%. Our reported EPS stands at Rs. 3.85 against Rs. 3.02 in the same period last year. Our Mature market EDITDA margin stands at around 33.2% for Q3 FY 13.

I am glad to report that the radio business maintains a healthy growth path. We collected Advertising Revenue of Rs. 191 million as against Rs. 157 million in the same period last year reflecting a growth of 22%. Our EBIDTA margins in the radio business continue to remain robust at 38.3% with EBIDTA coming in at Rs. 73.1 million.

Now turning on to DB Corp's financial performance for 9M of FY13. Our Advertising revenues have increased by around 5.2% at Rs. 9100 million for 9M FY13 against Rs. 8651 million in the corresponding period of the last fiscal. Our total revenues for the period under consideration stood at Rs. 12064 million as compared to Rs. 11113 million in 9M FY12 - depicting a robust growth of around 9%. Our EBITDA came in at Rs. 2943 million and EBITDA margins at 24.4% with YOY growth of 6.3%. PAT for 9M FY13 stands at Rs. 1629 million with the PAT Margin at 13.5%, growth of 4% YOY.

Our Digital business has also been making steady headway. We continue in our efforts to make our digital properties more news worthy with greater localized content and interactive to domestic and global audiences and the response continues to be very encouraging. www.dailybhaskar.com has been re-launched with greater emphasis on entertainment and local content and with more appeal to young audiences.

As we progress and continue with our aggressive efforts to maintain our leadership rank and fulfill our long term vision of being the largest and most admired media brand, enabling socio-economic change, very actively and with great passion.

DBCL has always proactively supported and initiated campaigns through various CSR activities across India on critical issues as save water, preserving environment through tree plantation, education, etc. which continue to receive tremendous support from all our associates and readers. However, highlight for this Qtr. was distribution of woolen clothes to needy & poor in the fierce winters, wherein we distributed 14.6 lacs woolen clothes which was distributed amongst orphanage, Blind relief Association, senior citizens home, Rain Basera, etc. Readers of Dainik Bhaskar group, across all states in India, participated in huge numbers graciously supporting the cause of donating woolen clothes to the underprivileged – an activity that illustrated the already strong and cemented readers' connect and the strength of the Bhaskar brand.

On a general basis, the economic environment seems to reflect better sentiments on the back of positive measures taken by the government such as policy changes, a continuation of reform momentum and anticipated interest rate reduction by RBI; and we believe the economy is poised to reflect healthier growth. Going forward, we are well placed to capitalise on every growth opportunity. We will continue in our endeavors to utilise our competitive strengths most productively, strengthen our infrastructure, monetize our centers --- and translate this growth to deliver greater value to all stakeholders.

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

Moderator Our first question is from Abneesh Roy of Edelweiss please go ahead.

Abneesh Roy Radio business has seen 22% growth, which is consistently higher than the print growth. So is the risk of market share loss to radio is material? And with the next phase of the radio reforms also expected, how do you see that shaping up? Secondly, with emerging editions showing a very strong growth 32%, how do you see the same stabilizing in FY14 in terms of full year period for these editions?

Girish Agarwaal On the radio side, the total size of the industry is pretty small. This is not only the case in India but also in the arrived economies of the US and all, where the radio holds a particular percentage of the market pie. In India still there is some time for radio to catch up to that level. So, we don't see any kind of cannibalization of print by the radio directly as there are different categories of advertisers entering the radio space which are not present in the print. As for your second point on the margins of the mature markets, I think the matured market margin will further go up considering that the top line is increasing in those markets and we are able to control the cost in all the aspects. Especially in the newsprint, you'll notice that there is a quarter-on-quarter increase of 1-2% between Q2 and Q3., So that way, there has hardly been any increase in that cost. So, I think overall, margins for the mature editions should go up further, going forward.

Abneesh Roy The margins for the mature edition has surprisingly dipped by around 80 bps, from 34% last year to 33.2%, I wanted to understand as to what's the reason for that.

Girish Agarwaal If you were to look at Q3, the cost impact which has taken place in the last two quarters was largely on the mature markets, particularly on the personal cost and the like. Also you'll notice, we have increased the circulation in our mature markets. For example, if you were to consider Madhya Pradesh, we have increased around 40,000 – 42,000 more copies in that market. So, we have been able to further grow our numbers in our matured markets as well.

Abneesh Roy If you consider the raw material side, we are finally seeing some comfort there. So, wanted to get a sense on how you see the circulation revenue going ahead. Do you see the number of your circulation copies increasing now? And especially in Jharkhand and especially Bihar any change in strategy with the newsprint prices softening? Also, we have seen a very strong growth in circulation this year. So, will price hikes now be ruled out completely in FY14?

Girish Agarwaal No. You'll notice that our overall cover price today is Rs.2.72 paise. This is the average cover price countrywide for the entire 47 lakh copies. Though we have increased certain cover prices in particular markets and still feel that there is a lot of room to increase it further, we are not opting for it currently as the advertising numbers are looking better. So there is no point to further push on the circulation revenue after a while. However, the increase in prices we have driven this year, we will get the advantage of the same for the next year. Also, when we further realize it and for example in Madhya Pradesh, we increased the cover price by 5% and at the same time we were able to boost our circulation by 42,000 copies. So, it clearly indicates that the market has very well accepted our cover price increase and also on the newsprint rise, there is not a major increase in the cost. So, I think we are in a fairly comfortable situation on that front.

Abneesh Roy The Jan month has been reasonably good for you. The 2008 – 2009 slow down lasted for 14 months and now the current slowdown is also almost matching up to that level. So, are you seeing the definite signs of reversal or is it still flow-through of the festive season? And Can we get a better indication in Feb?

Girish Agarwaal As of now, the third quarter went very well and even the indications of January are pretty strong. So, we are hopeful that the way things are looking; we should continue having numbers like this.

Moderator Our next question is from Shobhit Khare of Motilal Oswal Securities. Please go ahead.

Shobhit Khare Firstly, could you quantify the contribution of the festive season getting postponed into the third quarter?

Girish Agarwaal Frankly speaking, we can't really give you the exact percentage on that. But if you were to look at the overall numbers, the advantage is that the growth has come from all the segments, including the automobile, FMCG, electronics and lifestyle segments. Furthermore, not only the month of November, but December too has been good enough in terms of numbers considering the festive season generally ends in November Also, whatever indications we have of the last 15 – 20 days, the month of January has also been encouraging. So, it will not be wrong to say that there seems to be some kind of a revival happening in the entire sector.

Shobhit Khare And secondly, if we were to look at the emerging edition losses, those have been coming down. Also for the last six quarters, we have seen the operating costs are almost flat at around Rs.55 crore per quarter. What are our plans for investment here? Are we going to invest more and therefore, should we expect the costs to increase? Or will this kind of trend continue wherein the revenues are growing but the costs are sort of stable?

Girish Agarwaal For the next 12 to 14 months, we don't have a plan of entering a new market. So while there has been no new launch planned, there will be some small expansions happening within our existing markets.

Shobhit Khare I wanted to understand the FOREX loss. Are we taking any steps to address this kind of volatility?

PG Mishra Total forex loss was Rs.8.4 crore, out of which the impact on P&L is Rs.3.6 crore and the impact on capital assets is Rs.4.8 crore.

Shobhit Khare Sir, can you shed more light on the Rs. 3.6 crore figure?

PG Mishra Out of Rs. 3.6 crore, Rs.70 lakh is booked under admin expenses and Rs.2.9 crore is booked under financial expenses at PBT levels. The amount, Rs.2.9 crore belongs to the buyer's credit .

Shobhit Khare So, is this not a part of the EBITDA?

PG Mishra The amount, Rs.2.9 crore is not a part of the EBITDA, while the figure of Rs.70 lakh is a part of it.

Shobhit Khare So, then I would also want to understand as to why our other expenses have increased quarter-over-quarter by around Rs.13 crore?

Shobhit Khare Yes, I was under the impression that this is because of the FOREX.

Girish Agarwaal See, I will tell you in this, the operating cost in Q3, last year carried a FOREX gain of around Rs.47.06 million, but in the current Q3, the same carries a loss of Rs.36.06 million. Thus, the total increase of Rs.83.12 million is only on account of FOREX fluctuation and the remaining increase of Rs.47.5 million is only nominal.

Prasoon Pandey Rs. 4.7 crore was the gain in other expenses in the last year quarter 3 and Rs.3.6 crores has been the FOREX loss in this current quarter. That is the difference - of almost around Rs.8.3 crore out of Rs.13 crore. Otherwise, if you ignore both the items it is a 1% increase Y-o-Y in the other operating costs.

Shobhit Khare FOREX is not a part of the interest cost , but a part of other expenses,

Prasoon Pandey Correct.

Moderator Our next question is from Nitin Mohta of Macquarie. Please go ahead.

Nitin Mohta Firstly, I do understand that the ad growth was broad based but can you still provide some more color in terms of which sectors were the most important contributors? Can you also give us the split between national as well as retail numbers?

Girish Agarwaal Yes, the national and retail sale is currently at 64%-36% combination and segment-wise, automobile, real estate and lifestyle are the three top segments in terms of the growth also. For example, automobile actually shows a strong double-digit growth. Same applies to the real estate sector, albeit largely due to the local market., Only one category which has shown a decline, which generally tends to happen may be education as the last quarter was not the education quarter, So, there was some decline on that front. Otherwise, most of the segments have done a pretty decent growth.

Nitin Mohta Sure and can I get some initial thoughts for FY '14? Is there a potential for doing a high teens ad growth? Do your conversations with the media planners etc. indicate that it could be a year of the high teen growth?

Girish Agarwaal As of now, there are mixed reactions from the media planners and we just can't bank on them as you'd know 64% of our revenue comes from the retail, wherein there are no media planners, but only the owners or the retailers and the distributors themselves. So, they have an indication which is largely a monthly indication with them. But overall on the retail side, our team is pretty bullish because things are looking much better. On the national side too, after 4-5quarters, the quarter which went by had a strong growth. So, gauging the overall environment, it appears that people have understood that they need to invest in the advertising to get the consumer coming to their stores. And that's what is happening now.

Nitin Mohta On the margins for the emerging business, if there are no further launches in the next 12 to 18 months should we actually expect EBITDA?, Can the losses that you are making on the emerging side pretty much turn into a no loss situation?

Girish Agarwaal As we mentioned, that we have no new state launch planned in the next twelve months. So, suddenly there will be few more launches on the smaller side in the existing editions to increase the penetration in those markets and gain more dominance. So, largely there will be no major expense on that front.

Moderator Our next question is from Vikas Mantri of ICICI Securities. Please go ahead.

Vikas Mantri Given that our new business is now stabilizing, why are we not looking at any other state? Is it because there are low opportunities or do we have enough on our plate now?

Girish Agarwaal I think it's a mix of both. We have enough on our plate because we have launched editions in Maharashtra and Jharkhand. Also, in our existing markets we are putting the thrust to grow the copies. As I mentioned earlier that we have grown 42,000 copies in Madhya Pradesh alone and have had a similar growth in Rajasthan and Gujarat. We are increasing the number of copies there. So I think we realized that rather than looking at a newer market, there is a lot of potential left untapped in our existing markets, So, we have tapped that and as a result, the numbers have been good from our existing markets as well.

Vikas Mantri How would your circulations be placed in both your mature markets and Jharkhand and Maharashtra?

Girish Agarwaal The circulation for the newspapers this quarter stands at 46.98 lakh, copies, to be precise, at the group level. Whereas, the overall circulation including that of magazines is around 49 lakh copies. And in Jharkhand, the circulation is around 3,00,000 copies and in Maharashtra it is around 3.7 lakh copies.

Vikas Mantri And sir in Maharashtra, how would our competition be placed and what is the next 2-3 year target in terms of circulation in that market?

Girish Agarwaal If you were to look at our markets in Maharashtra, that is Aurangabad, Nasik, Jalgaon, Sholapur, as well as Ahmednagar; in all these markets we are very strongly placed in terms of our strength and competitive edge. Hence, we are looking at newer markets in those areas. As and when we finalize on the strategy, we will disclose it to you.

Vikas Mantri But as of now we are very competitively placed and we don't need to increase our circulations in these cities.

Girish Agarwaal In these cities, we don't need any more copies.

Vikas Mantri And how would we be placed as against competition in terms of difference in circulation?

Girish Agarwaal In some markets, the difference is more than 40% and in some markets it's at 25%. So, that's the range.

Moderator Our next question is from Siddharth Goenka of JM Financial. Please go ahead.

Siddharth Goenka Sir, my first question is on the FY14. Elections I believe are also due. So, what kind of an election impact can you expect on the overall industry and on us as a company?

Girish Agarwaal There are elections in 2013 – 2014. We will have elections in few of our states such as MP, Chhattisgarh and Rajasthan will have an election. Now, in these markets we really need to see as to how much government wants to ensure that the agenda of growth comes back. We have to wait and see if they talk about themselves or if they open up new schemes, etc.. We have a mix of the parties in the states that we operate. Like in Rajasthan, its a Congress ruling Government, while in Chhattisgarh and Madhya Pradesh, there is a BJP ruling Government. So going by how these parties decide to push their agenda, the revenue from the elections can be planned accordingly.

Siddharth Goenka But don't we have any internal target for the elections or anything that we have worked out internally?

Girish Agarwaal No, we actually don't have any target for the election numbers at all as they are very vague.

Siddharth Goenka And sir, my second question is on the balance sheet. If we look at our debtor days, they have gone upto around 75 – 78 levels, according to the 9-month balance sheet. Why is that?

Girish Agarwaal Owing to the festive season, the billing number went up and hence the debtor days have also increased.

PG Mishra So the billing numbers went up by Rs.58.5 crore.

Siddharth Goenka Right. Are we likely to stabilize this number by the end of the year?

Girish Agarwaal Yes, it will happen. As soon as the recovery of this quarter comes in, the number automatically goes down.

Prasoon Pandey If you compare on Y-o-Y basis, during last year's Q3 the number of days for debtors were 75 and in this quarter number of days for debtors are 72.

Siddharth Goenka	So basically, it's in line with the earlier trends.
Girish Agarwaal	Yes.
Moderator	Our next question is from Amit Patil of Angel Broking. Please go ahead.
Amit Patil	I have a question regarding the radio business. I interacted with a couple of radio operators. They believe that the growth in radio business now is mainly due to an increase in inventory and prices are actually flat or even declining for radio operators. So, can you comment on that?
Pawan Agarwal	We are operating in all tier 2 markets, where more than 70% of revenues come from retail and only 30% from national; whereas in most of the national operators it's a reverse scenario. In our case of 70% retail inventory, we have been able to balance the inventory growth as well as the growth from the yield.
Amit Patil	Sir, so what would be our ad inventory per hour?
Pawan Agarwal	We run about 12 to 15 minutes per hour depending on the station. The larger stations go to anywhere from 12 minutes to 14 minutes per hour and the smaller stations would do anywhere from 8 minutes to 9 minutes that is during peak time and rest of the day inventory is as low as may be 8 minutes as well
Amit Patil	Yes, so it is possible to have a sustainable growth in radio because the inventory is lower compared to that of the national players which is at 20 minutes per hour.
Pawan Agarwal	Yes, because the yields are still very low. There is still opportunity on the yield side.
Moderator	Our next question is from Prateesh Krishnan of Antique Stock Broking. Please go ahead.
Pratish Krishnan	In terms of the national and retail split, can you just help us with the number for last year?
Girish Agarwaal	See this quarter, we are at 64% – 36% as I told you, last year on the same quarter we were at 59% – 41%.
Pratish Krishnan	Yes, it seems like you know probably in terms on the national side the growth has not been that much., It's a slow single digit kind of number, whereas retail is in almost double-digit plus. So how strong is the national kind of thing? Is there a turn around and is it sustainable? Can it further improve from here on in? What is the trend that you are seeing here?
Girish Agarwaal	The national side is improving. For example, if I compare quarter-to-quarter, last quarter of Q2 national was 34% and now it has increased to 36%. So, from that perspective there has been a growth in the national segment. Though, it is yet to catch up with that 40% number, but, there has been a growth here.
Prateesh Krishnan	And can you say that since you have had a better January so far, you expect this quarter to also be better and given that we had almost a double-digit growth, should we assume that you would probably end up with a double-digit growth for the Q4 as well? Any band that you would like to give?

Girish Agarwaal So far, the numbers indicate that.

Prateesh Krishnan Lastly in terms of volume versus price, can you give any sense in terms of what was the contribution of volume during the quarter?

Girish Agarwaal See our growth this time actually has come with the volume as well as the yield improvement. So, we have been able to push some yield improvement as well. As we were very clear that we don't want to only have a volume based growth. So this time, the growth is split to the extent of almost 60% in volume and 40% in the value.

Moderator Our next question is from Hiren Dasani of Goldman Sachs. Please go ahead.

Hiren Dasani I have a few balance sheet related questions. Firstly, what would be the gross debt as of December, both term as well as working capital put together?

Girish Agarwaal It's around 122 and 45, including the buyer's credit. So it's around 167 million.

Hiren Dasani Is this the number for all kinds of debt, including the working capital, and term loan?

Girish Agarwaal Yes.

Hiren Dasani Okay. Two items that have seen an increase from the September quarter, are the goodwill and the other one is non-current investments. Can you just explain as to what that is leading to?

Ashok Sodhani If you see there is an increase of around Rs. 40 crore in fixed assets. This is on account of goodwill which was created due to an acquisition of balance equity shares in our subsidiary, IMCL. So around Rs.37 crore was increased due to this acquisition. As far as non-current investments are concerned, we have invested in Gitanjali Gems as part of a private treaty deal. The amount for which is Rs.39 crores.

Hiren Dasani Would that be like an ad for equity?

Ashok Sodhani That's right.

Hiren Dasani How much of our advertising revenues would be coming from such treaty deals on an average percentage yearly?

Ashok Sodhani For Q3,it is around Rs.3.5 crore and I believe as against Rs.5.5 crore in Q2.

Hiren Dasani So that's roughly about Rs.12 – 15 crore per year.

Ashok Sodhani Yes, that's right.

Moderator Our next question is from Pranav Kshatriya of Brics Securities. Please go ahead.

Pranav Kshatriya Sir may I have the exact number for the newsprint consumed in this quarter?

PG Mishra It's at 43,000 tons roughly.

Pranav Kshatriya We have increased copies in MP and we have also increased circulation in other emerging markets. So I think despite this the quantity consumption of newsprint has remained same. So, are you doing something with the pagination? I would like to understand as to how this is happening.

PG Mishra This is due to low grammage of paper.

PG Mishra Of the imported quantity we were using 45 and recently we have used some 42 and 43 also.

Pranav Kshatriya And sir my second question is regarding the newsprint prices. We are seeing that the newsprint prices are softening. But how much was the closing price at the end of the quarter?

Girish Agarwaal Our average rate per kilogram for the Q3 has come up to 33,500 per tonne.

Pranav Kshatriya Sir, but that is an average. You had mentioned in the news conference as well that the prices are softening. So, are they coming down or is the closing price less than that?

Girish Agarwaal No. In the Q2, it was Rs.33.15 and in Q3 it has increased to Rs.33.50. So, there is hardly a 1% increase in the number. So, if 1% increase happens then if you remember from Q1 to Q2 there was a 2.57% growth. So, that way it looks like that this number is going to get flattened.

Pranav Kshatriya Now, in radio you have reported a very good margin of around 38%. So, how sustainable are these margins since the other players are not showing such margins?

Pawan Agarwal These are very sustainable because the overall cost proportion is not like print and there is no newsprint per se in the range of business. The costs are pretty stable, So on the back of good economy and improvement in yields, margins are pretty sustainable.

Moderator Our next question is from Amit Kumar of Kotak Securities. Please go ahead.

Amit Kumar Firstly, as per what was mentioned by you earlier, auto was one of the biggest contributors to the growth for this particular quarter. But when you speak to the auto companies as well as media buyers, they mention that there is not too much of enthusiasm in the business per se. Do you see the auto growth or the ad spend growth by automobile companies correcting, going forward?

Girish Agarwaal You are talking to the media planners and their clients are different who are talking about their sales. We have been telling our advertisers from the last four quarters what every possible book in management and marketing says, that they have to invest in their brand, infrastructure and advertising when the times are bad. Now, in the last three quarters, the sales were not happening. So the companies in their bid to cut cost, decided to stop advertising. Now, thankfully we have been able to convince them that they need to invest and make their consumers aware about their features and their brand, so far the number looks good and I am sure they will get some benefit in the market and they would continue putting in more efforts towards that.

Amit Kumar That's actually the issue. As you'd know that the volumes for the auto sector, despite a fair amount of advertising in this particular quarter ,as a whole, has not really grown significantly.

Girish Agarwaal Agreed. But I am saying that if they would have not put in these efforts of promoting their brand, the numbers would have further gone down.

Amit Kumar Could you talk a little bit about few other sectors, particularly about big sectors like education, BFSI, services? How are they trending in terms of incomes of ad growth and what's your expectation from these sectors going forward?

Girish Agarwaal Real estate has grown pretty healthily again at around 21%. Lifestyle is also moving. FMCG is pretty strong too. Education has taken a dip because may be due to the effect of some examinations getting centralized and the like. I think there's only the issue with education. Otherwise, the remaining categories have been doing fine.

Pranav Kshatriya And what about the Banking, Finance and Services sector (BFSI)?

Girish Agarwaal Nothing much on that.

Pranav Kshatriya And any expectation on these sectors going forward?

Girish Agarwaal I can't really comment. As this sector has a lot to do with the overall sentiments of a retail investor and factors such as international money inflows etc. So, there has not been any growth at all in the banking and financial sector.

Pranav Kshatriya My final point pertains to what you mentioned earlier. That growth this time around has come from yields as well as volumes. That's a little bit surprising because typically at the onset of an advertising recovery we generally see growth that was supported more by volumes rather than by yields. So what has changed this time and is this really more due to the Jharkhand and Maharashtra factor - the new markets which are giving you more benefit in terms of network yields?

Girish Agarwaal No, not exactly because we took a call from our learning of the '08 – '09. When the market was bad, we all started dropping prices and we decided to take the volumes up. But there is a limit, you can take the volume. This time we put our foot down in all of our key markets, like Jaipur, Chandigarh, Bhopal, Indore, Ahmedabad, and Gujarat especially. We decided that we are not going to discount beyond a point. Take it or leave it. In order to just grab another 3% - 4% of growth you will bring up your discount numbers So we have taken a strong call and we did lose our market share in couple of markets during initial months. But then the advantage came our way. We got our yield and volume growth too. One has to understand that all the Tier-2 and Tier-3 markets in India are majorly underpriced. Today, for our half a million copies or a million copies a price anybody pays for a metro market and a price you pay in a Gujarat market is one-fifth. So, all these markets are anyway underpriced. In fact, I strongly feel the entire Indian language newspaper organization needs to ensure that we hike up our price to the extent of 20% year-on-year. Today, a market like Bombay is sitting at a 10% consumption for any particular brand country wide and Gujarat is sitting at 11% while Rajasthan is at 7%. We need to be complied in those numbers rather than simply halving the prices for non-metros.

Pranav Kshatriya Actually, a small point. I met a media buyer recently and would like to share something related to my meeting. Within print, Hindi and regional print might be underpriced. But when you look at the entire media plan per se, print is still slightly expensive. Can I have your comment on that? And another point is that in the MPCG market, given our dominant position, we are able to charge a bit of a premium. But as Nayi Duniya and Patrika have sort of bridged that gap, do you see a threat to that premium to some extent?

Girish Agarwaal On the overall print medium being more expensive than television, it's a number that might appear expensive but it's what is more effective. I think print has proven time and again that in various categories they are much more effective than any other medium and every medium plays its own role. As for your second question, if it is that simple to bridge a gap, anybody could have done it in the last seven years' time. It's not that easy to bridge a gap. Especially if you consider Madhya Pradesh, we increased the cover price by 5% in Madhya Pradesh and in spite of that we increased 42,000 copies in Madhya Pradesh in the last few months. So, that clearly indicates that we are putting in all efforts to ensure that we continue to grow further our dominance in that market.

Moderator Our next question from Riken Gopani of Infina Finance. Please go ahead.

Riken Gopani Within your ad revenues, could you further split as to what would be the government spends within our ad revenues?

Girish Agarwaal Government spends including that of the PSUs, all state Governments, national Government etc. is around 10% and this number is maintained at more or less 10% over the years.

Riken Gopani Okay. So, with your overall ad revenue growth of 12%, would government spends also have grown in this quarter? Or what is that growth like?

Girish Agarwaal No, the government spending has not grown. It has grown by only 3%.

Riken Gopani On the yield improvement, you think that your next year's numbers also could have a 60% – 40% in terms of volume and yield or do you think that would be largely volume driven for next year?

Girish Agarwaal We are internally planning that it should be rather 60% from the yield.

Riken Gopani And on education, you said that was one negative. How large is education in our ad revenues?

Girish Agarwaal Education contributes around 4% to the total in this quarter.

Riken Gopani 4% of the ad revenues.

Girish Agarwaal Yes.

Moderator Our next question is from Vikas Mantri from ICICI Securities. Please go ahead.

Vikas Mantri Can you confirm the ad for equity composition in this quarter in our revenues.

Girish Agarwaal Rs. 3.5 crores.

Vikas Mantri And sir in Gitanjali Gems, what is the investment?

Girish Agarwaal Rs.39 crore.

Vikas Mantri And is there any timeline within which Gitanjali Gems need to make use of their inventory?

Girish Agarwal Yes, that is three years.

Vikas Mantri So, to confirm, in three years we will get Rs.39 crore from ad for equity from Gitanjali?

Girish Agarwal That's right.

Girish Agarwaal Apart from the 39 crores, we have also got cash transaction in the deal.

Vikas Mantri How much would that be?

Girish Agarwal Rs.21 crore.

Vikas Mantri So, is the total deal worth Rs.60 crore?

Girish Agarwal That's right.

Girish Agarwaal Yes.

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

Abneesh Roy Can you comment on the competitive intensity in Madhya Pradesh and Jharkhand post Jagran's entry there? Also, what's the next plan for Jharkhand in terms of revenue share? You have done quite well in terms of circulation, subscription, and readership, so in terms of market share in revenue, where do we see ourselves in the next 2 years?

Girish Agarwaal In Jharkhand, we are doing very well in terms of circulation numbers. To be very honest, advertising revenue is good but not fantastic because the market unfortunately ,due to various factors i or problems on their own, is not really shaping up the way one would assume. Now, recently they have this political turmoil again regarding the President's rule. But regardless of the market and the market share, we are pretty okay with that.

Abneesh Roy But in terms of market share, is it trending towards what you did in Gujarat or Rajasthan when you entered there and in the same timeline, if we were to compare?

Girish Agarwaal Not exactly like that. To be very honest, when we went to Gujarat and Punjab the markets were booming. So, when you go to the advertisers in a booming market and demand more money from them, they are more than willing to pay for it but right now when my sales team goes and discusses in Jharkhand, that's not the case. So, the people are still supporting us. The market is still important but there are issues there. So, it's not that exciting a market like Gujarat or Punjab.

Abneesh Roy And in comparison, would you say Maharashtra although the timelines are different is showing a better promise?

Girish Agarwaal Maharashtra is fantastic.

Abneesh Roy And sir, why is that? Ultimately both are part of the Indian GDP and if there is a slow down in the Indian GDP shouldn't both suffer equally?

Girish Agarwaal Jharkhand has got a President's rule, while Maharashtra is still ruled by elected parties.

Abneesh Roy The President's rule happened just three days back.

Girish Agarwaal Yes, but you'd appreciate that the problem is going on from quite some time.

Abneesh Roy Sir, next question is on the important sector of education. For many quarters, we have seen this issue with the education sector across the print companies. So, when do you think this sector will bottom out in terms of advertising? As now, the base should start getting favorable. I understand Q3 is not the main quarter but even in earlier main quarters we are seeing an issue. So when do you see it bottoming out in terms of advertising?

Girish Agarwaal The indication that we are getting from the education category is that the last quarter and the Q1 of next year should be good but as to what extent, we are yet to see that. So, I think there are some fundamental issues happening because of the change in the government policy for the examinations and the like. So, it's yet to take some time for education category, as such, to shape up and get prepared for this.

Abneesh Roy Sir, my last question is on the ad for equity private treaty. Why specifically Gitanjali? Was there some thought process to that? Plus, this time we are seeing ad plus cash deals taking place. So is that the new trend? As it's better monetizable at present for ourselves. As compared to ad for equity which is completely in the future. Can you give us some insights into that?

Girish Agarwaal Exactly. I think you have got it right as one feels it's better to take some cash if possible so that you are able to get some revenue upfront.

Abneesh Roy And why Gitanjali in particular? Also, how much are we targeting or will it be completely based on specific deals?

Girish Agarwaal It is a specific deal.

Moderator Our next question is from Maulik Maniar of Motilal Oswal Securities. Please go ahead.

Maulik Maniar Since you don't have any plans of venturing into new states, so what is our stated dividend policy now?

Girish Agarwaal I am happy to share with you that in our board meeting the board has agreed to give 20% of capital as an interim dividend. It has been increased from the last time.

Maulik Maniar But on an average, what will be the minimum pay out ratio?

Girish Agarwaal If you notice right from the time when we got listed, we have been increasing our dividend with every passing year. So, I think company is very clear that if company does not need cash it's better to pay it off as a dividend to the stakeholders.

Maulik Maniar And sir on this transition with Gitanjali, how would you do the accounting assuming you've got an equity of Rs.40 crore and if there is stock price fall?

Ashok Sodhani In case of listed companies, the decline in prices on stock market is only temporary in nature. Only if we feel that the fall is of a permanent nature only then a provision for it is made in the books.

Maulik Maniar At what price did you buy the shares?

Ashok Sodhani No, these were actually debentures, which will be converted after 18 months at that price, as per SEBI guidelines.

Maulik Maniar Do these debentures carry interest or are these like advertising revenue?

Ashok Sodhani They carry 0% interest.

Prasoon Pandey But just to add Maulik, we have been doing decent provisioning in our quarterly results for profit and loss account on every quarter basis on all private treaty deals business till date.

Moderator That was the last question, I would now like to hand the floor back to Mr. Agarwal for closing comments.

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 and we will be happy to be of all assistance through our investor relation department headed by Mr. Prasoon Pandey should you have further enquiries.

Moderator Thank you very much sir. Ladies and gentlemen on behalf of DB Corp Limited that concludes this conference call.