



DB Corp Limited
Q3 FY17 Earning Conference Call Transcript
January 20, 2017

Moderator Ladies and Gentlemen, good day and welcome to the Q3 FY17 Earning Conference Call of DB Corp. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes.. I now hand the conference over to Ms. Malini Roy from CDR India. Thank you and over to you, Madam.

Malini Roy Thank you. Good afternoon everyone and welcome to the Q3 FY17 Conference Call of DB Corp Limited. We will be sharing the key operating and financial highlights for the quarter and nine months ended December 31st, 2016. We have with us today the senior management team of DB Corp Limited, Mr. Pawan Agarwal – Deputy Managing Director; Mr. Girish Agarwal – Non-Executive Director; Mr. P. G. Mishra – Group CFO; Mr. Rakesh Goswami – CGM, (Finance and Account), and Mr. P. K. Pandey – Head (Investor and Media Relation).

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 risk and uncertainties. Documents relating to the company's financial performance have been mailed to you. I invite Mr. Pawan Agarwal to share his outlook on the company's performance for the quarter.

Pawan Agarwal Good afternoon and welcome to DBCL's Q3 FY17 Earnings Conference Call. I will share key highlights of our financial and operating performance for the quarter following which we will be happy to respond to your queries.

The resilience of our operating strategy has been evident by our performance in Q3, which has broadly been a quarter of weak demand and subdued consumer spending. At the outset, I would like to thank the team for their dedication through this challenging time. Several noteworthy developments marked the quarter:

Dainik Bhaskar has been acknowledged as the nation's largest circulated multi-addition daily as the press in India report 2015-16 prepared by Registrar of Newspapers of India and released by Mr. Venkaiah Naidu, Honorable Minister for Information and Broadcasting, Government of India. We are very encouraged by this achievement which is an endorsement of our operating approach and philosophy. Comscore ratings of November 2016 have also declared DB Digital as the second largest digital group in India. Dainik Bhaskar Rajasthan foray completed 20 years as we hosted Bhaskar Utsav in Jaipur to commemorate the occasion. Dainik Bhaskar has been the undisputed leader in Pink City from the first day of its launch since beginning of its journey in December 1996.

Over the quarter, we continue to undertake several initiatives that have strengthened and expanded the business. In our radio segment, we have launched six new frequencies in Aurangabad, Nanded, Sangli, and Ahmednagar in December 2016, and Nashik and Jalgaon in January 2017. Following these new launches, MY FM has extended operations to 26 live stations out of 30 and the remaining four stations are expected to be launched over the next few months.

Moving onto the financials, let me begin by highlighting our performance for the nine months of the fiscal:

Total revenues grew by 13% YoY and stood at Rs. 17,528 million as against Rs. 15,586 million during nine months FY16. Advertising revenue grew 11% YoY from Rs. 11,212 million to Rs. 12,406 million during the period. EBITDA grew by 24% YoY for the period stood at Rs. 5419 million as against Rs. 4379 million in nine months FY16. Operating margins for the period stood at 31% as against 28% registered during nine month FY16, high by 300 bps. PAT grew by 34% YoY to Rs. 3106 million as against Rs. 2318 million in nine months FY16. PAT margins for the period stood at 18% higher by 300 Basis points primarily driven by better operational efficiency.

Coming on to the quarterly performance:

Total revenues for the quarter stood at Rs. 6309 million compared to Rs. 5947 million in Q3 FY16 reflecting a growth of around 6% on YoY basis. Our advertising revenues came in at Rs. 4513 million higher by 4% on YoY basis. Circulation revenue has reported a growth of 9% on YoY basis to Rs. 1243 million from Rs. 1141 million, primarily due to yield-driven growth from mature markets.

We have consistently registered an impressive circulation growth of 15% CAGR for last five years highest among listed peer group. It is noteworthy that if we compare the ad revenue growth of Q2 plus Q3 FY2016-17 as against Q2-Q3 FY2015-16, we have reported 6.5% ad revenue growth. This indicates that the business continues to grow along the right track. In fact, we believe that this growth could have been stronger in double digits without the impact of demonetization. However, we expect the immediate mid-term impact of the currency purge undertaken by the government on consumption to normalize over the next few months which is already slightly started to improve.

EBITDA for the quarter stood at Rs. 2019 million against Rs. 1944 million delivered during Q3 FY2016, growth of 4% on an annual basis. EBITDA margins for that quarter stood at 32%. PAT for the quarter stood at Rs. 1181 million as against Rs. 1107 million in Q3 of last year representing a growth of 7% YoY.

Our editorial strategy continues to focus on strengthening our product and build deeper connect with the reader. We maintain a leadership and legacy markets of Madhya Pradesh, Chhattisgarh, Chandigarh, Punjab and Haryana, urban Rajasthan and urban Gujarat.

Once again Audit Bureau of Circulation latest results January to June 2016 has declared Dainik Bhaskar Newspaper as the largest circulated national daily in India consistently since last five times, that is, since last 2.5 years. While content continues to remain at the forefront of our every effort with "*Kendra Mein Pathak*" reflecting the ethos of Dainik Bhaskar, our focus on objectivity and unbiased stance as a publication is integral too. We launched the '*Azad Soch*' campaign in Punjab with the aim to urge readers to practice independent thinking and mindset that will guide our readers towards positive and correct decisions. The campaign is getting executed in three phases, '*Sahi Socho, Sahi Chuno and Vote Dijiye*', and was

centered on the idea, '*Sahi Padho, Sahi Socho*', '*read right and think right*', through a 360 degree launch campaign across Punjab, in Ludhiana, Jalandhar, Amritsar, Patiala and Bathinda. In Aurangabad and Nashik, Divya Marathi announced '*Swatantra Vichaar*' campaign based on the central theme, '*Swatantra Padho, Swatantra Socho*', '*read independent and think independent*', with the aim to position Divya Marathi as Maharashtra's only independent and objective newspaper not influenced or affiliated to any political institution. Once again an integrated marketing approach was adopted with a mix of print ads, radio ads, innovative outdoor, on-ground activation and creative tread millers.

DBCL's non-print business continues to make steady strides. Dainikbhaskar.com, the largest Hindi news website, continues to secure the number one spot in the Hindi news and divyabhaskar.com continues to be the number one Gujarati website. Across our digital properties, unique visitor has risen 3x to 80 million in December 2016 from 27 million in December 2015 and page views grew to 2.6 billion for the month of December 2016 from 784 million in December 2015. Improving operational performance is also translating into higher revenue growth for the business as reflected by advertisement revenue growth for the quarter amounting to Rs. 162 million resulting in a growth of 33%. We are also significantly leveraging technology to ensure a seamless, uncluttered user experience which is actually one of the key drivers of the digital world. To ensure that we are able to capitalize on the true potential of user experience and its impact on the growth of the platform, we have maintained a strong focus on technology and innovation with platforms like Wisdom to track real-time data of various platforms, Big Data to improve further accuracies, speed to address local time issues and also created our own recommendation engine using Big Data.

Local focus and strong brand positioning has enabled our radio business to deliver good performance during the quarter. Advertisement revenues grew by 12% to Rs. 363 million and EBITDA of Rs. 148 million, margin of about 41%. MY FM continues to be number one in Rajasthan, Madhya Pradesh and Chhattisgarh while we are also the biggest players in Chandigarh, Haryana, Punjab and rest of Maharashtra. Our Radio business continues to remain and maintain the highest EBITDA margin amongst all radio companies and is strongly positioned ahead of peers with the retail model well supporting performance.

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

- Moderator** Thank you. Ladies and Gentlemen, we will now begin with the question and answer session. We take the first question from the line of Shalini Gupta from Quantum Securities. Please go ahead.
- Shalini Gupta** Just wanted your thoughts on this that we have taken pretty steep price increase and the economy itself is not really going anywhere, so what is the way forward for you? I am not asking for guidance, but broadly speaking what kind of growth should one look for?
- Girish Agarwaal** I am assuming you are talking about the advertising income right?
- Shalini Gupta** Yes sir, advertising income.
- Girish Agarwaal** Advertising income if you look at the numbers as you mentioned that we have a 4% growth in this quarter itself and the earlier quarters have been very good. Even if you look at our ad added ratio and the number of pages, this quarter has been slightly better than the last year quarter, which means that the Diwali month

particularly was very encouraging this year compared to last year, but unfortunately because of demonetization, there has been a big impact in the month of November and December, but I am sure this is a temporary phenomenon and should get over in couple of weeks, maybe a month's more time, so whatever way forward we are expecting, we will have to take this two-three months out of our thinking and then look at the average going forward, I am sure we are in a good situation.

Shalini Gupta What kind of volume growth would you look for going forward, because like I said we are not expecting pretty robust economic growth?

Girish Agarwaal Frankly speaking whatever volume has gone down in last two months' time if that even comes back then also we are back to almost very high single digit or almost touching a double-digit growth.

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

Vikash Mantri Sir, in terms of this quarter's growth, can you break it up between yield and volume growth and clearly going forward based on the impact of demonetization, which sectors do you think will be challenging in terms of Ad growth and which can aid further growth?

Girish Agarwaal The entire growth this quarter has been primarily volume driven, and there has been no growth in volumes, in fact there is a decline in the volume because in November-December there has been a decline in the volume. Now going forward, we believe that and we all are very confident and hopeful that economy will revive soon, if that happens, then I think with the same volume, we are back in a good situation.

Vikash Mantri What was the yield improvement this quarter?

Girish Agarwaal The entire number which has come is from the yield only. In fact there is a decline in the volume in the month of November and December.

Vikash Mantri So volume was what kind of a decline?

Girish Agarwaal I will not be able to give you the exact number on the volume decline, but I can indicate very comfortably that there is a decline in double digit in the month of November and December.

Moderator Thank you. We take the next question from the line of Neeta Khilnani from Bativala & Karani Securities. Please go ahead.

Neeta Khilnani Sir, can you give us a sense of which sectors fared better during this tough times and which sectors have been really impacted and if you have seen some sort of a bounce back from the traditional sectors such as FMCG and Retail?

Girish Agarwaal Let me start with the negative first. Real Estate is one segment which was on a negative in this quarter as well as Healthcare and FMCG were in negative in this quarter. The category which sailed through was Automobile, Lifestyle which was almost sailing through. I think Lifestyle because of that bumper Diwali month, we saw that benefit, and one sector which outperformed all the sector with a very small number is the Banking and Financial Services, and government also continued to be a good category in this particular quarter. We are very confident that going forward, this Real Estate, I am slightly doubtful, but in terms of Healthcare, FMCG and Lifestyle, these categories will further improve and Automobile for that matter.

In fact, in Automobile we have seen in the month of January itself there has been a substantial improvement in Automobile.

Neeta Khilnani How much have government revenues contribute?

Girish Agarwaal Around 11%.

Neeta Khilnani Is this in line with what we traditionally do or is it little higher this time?

Girish Agarwaal Almost the same, this quarter it was 12%, so there is slight 1% improvement in government contribution.

Neeta Khilnani In order to sort of control costs, did you also reduce pagination?

Girish Agarwaal No, actually in the month of October, the pagination was higher, but overall the pagination ratio has been almost the same just to let you the number, in Q3 of last year, we were at 23.46 pages and in the Q3 of this year, we were at 23.57, so this clearly indicates that October was much higher but November-December went down.

Moderator Thank you. We take the next question from the line of Abhinav Ganeshan from Canara Bank Securities. Please go ahead.

Abhinav Ganeshan Just one query from my side is that can you give some fillip on the radio business specifically now that you have started with Nashik and rest of Maharashtra, how are they doing and what is the way forward?

Pawan Agarwal In the radio business, it has just been four days that we launched in Nashik, this was on Monday and Aurangabad has been launched about a month ago. Our focus in radio business is to launch stations where we already have a presence either in print presence or radio presence. So we are very confident that we will be able to replicate the largest market share in the retail segment and we are getting very, very good response from these markets because we have also customized the radio stations here as per the local needs. So we are pretty much on track to make them break even in two to three years of time.

Abhinav Ganeshan One more point, I just wanted your thoughts and some color on how are the Ad revenues going because of the Uttar Pradesh elections, are we one of the beneficiaries of the same?

Girish Agarwaal No, in fact Uttar Pradesh is not our market, but Punjab is our market where the election is going to happen. But frankly speaking our experience so far says that the election spike happened only for that particular month, which is not a six month exercise anymore and that too, not bringing very substantial money.

Abhinav Ganeshan Maybe for this quarter, we may see some volume growth in Punjab?

Girish Agarwaal Yes.

Moderator Thank you. We take the next question from the line of Jai Doshi from Kotak Securities. Please go ahead.

Jai Doshi Just one bookkeeping question, from when is DAVP price increase going to be effective and what is the extent of price increase are you expecting, or has it been communicated?

Girish Agarwaal DAVP has not yet announced that how much and from when they are going to implement the price increase, but I think the government needs to understand that the DAVP rates are anyway pretty low, so they should look at a strong double-digit growth for us.

Jai Doshi But it happens just once in five years, is that correct?

Girish Agarwaal There is no formula as such, depending on whenever the government feels or whenever they feel that they need to provide some support to the industry and when they realize that, yes, it is high time for them to look at our numbers.

Jai Doshi When was the last time there was a price increase?

Girish Agarwaal Almost two-and-a-half years back.

Jai Doshi What would be the discount versus your regular pricing, at a very ballpark level?

Girish Agarwaal Depending on market-to-market, but at least they will be not more than 20% of the market price.

Jai Doshi So 80% discount.

Girish Agarwal Almost, you are right.

Moderator Thank you. We take the next question from the line of Depesh Kashyap from Equirus Securities. Please go ahead.

Depesh Kashyap If you could tell us the like-for-like growth in the radio business this quarter please?

Girish Agarwal It is around 12%.

Depesh Kashyap If you exclude the new channels that you have launched this year?

Girish Agarwal The new stations revenue is hardly anything in last two months' time, I would say largely from the main stations only.

Depesh Kashyap Is there any one-off in your radio margins this quarter also as last quarter?

Girish Agarwal This quarter, no, nothing.

Depesh Kashyap Generally, your radio margins are around like 35% to 40%, so this quarter you have done (+40%). There is a general thought that when you launch a new station you increase your employee cost and operating expenses. So how is that going to payout or impact, because the margins have actually improved?

Girish Agarwal I would take it as a compliment from you. There is hardly any cost on the new launches in terms of operating cost, those stations which we have launched. We hope that with this number further growing up, we should be able to maintain this kind of margin.

Depesh Kashyap If you would clarify what kind of digital business that a DB IFTL was having, now that it has merged in your business, what kind of additional business was it having?

Girish Agarwal I Media Corp was into the event business and merged into DB Infomedia, so there was revenue of almost 1 crore in IMCL, which we are now planning to merge for consolidation. That will also reduce the number of entities and regularity and legal compliances. So frankly speaking those companies do not have much of the size right now, but the idea was to merge them up and and consolidate what there is.

Depesh Kashyap Event management business like in this quarter has generated very good revenues like it is almost similar to what you generated last year. So how should we think about the event business? How it is doing and has profitability actually fallen this quarter?

Girish Agarwal The event business is very much again market dependent. If some client really comes up and ask us to implement a particular event for them in our market, we go ahead and do that, so really cannot predict because we are not actively scouting for the event business in the market, this is a kind of a service we provide to our advertiser if they need something from us on that.

Depesh Kashyap This basically goes with inline with your radio business right, so radio has more event management, that kind of thing?

Girish Agarwal Not exactly, because this is not like a bundled with radio or print. It is like if client tells us that they need some support in a market to execute something, we do it for them.

Moderator Thank you. We take the next question from the line of Rohit Dokania from IDFC Securities. Please go ahead.

Rohit Dokania Just a couple of questions sir, one is can you talk about, if you notice the MIB Minister is talking about taking the print sectors' concerns into view and he is talking about the Wage Board and also the GST, so can you talk about what kind of impact these two things have had or can have and are we expecting anything from the government after these recent comments?

Girish Agarwal These kind of reviews with the government are most welcome, and if they can really provide some help to the sector, it will help the industry as such. Wage Board as you are already aware about the whole issue and GST as of now, advertising is not part of the GST, but certainly government if they want to extend support, they have various ways to do that and the guess could be that input tax they give us the benefit on that, there could be advantages coming in and we are very thankful to the Honorable Minister and Government of India to look at us.

Rohit Dokania Just if you can refresh our memory, the Wage Board from our perspective, we have already implemented it, so if there is any revision downwards if that happens that should be helpful for us?

Girish Agarwal Should be, yes.

Rohit Dokania The other thing was can you talk about the newsprint price outlook especially with crude moving up and some bit of a rupee depreciation also happening?

Girish Agarwal If you look at a nine-month number, we have around 4% increase in the newsprint prices, and overall, we feel that this number could stay there or maybe depending on the dollar, it could go up or go down, so we will look at that largely it should be the same, because there are some talks happening that the US Dollar may get depreciated by some 1-2%, so that advantage would come to us. Frankly speaking

the 4% the number which is already grown by nine months, we are hoping that should stay there now.

Rohit Dokania It has been almost two to three years since we have actually shown a double digit kind of an Ad growth on the print side, do you think the next year which is FY18 looks like a year when we could potentially go back to a double digit kind of an Ad growth on the print side?

Girish Agarwaal Frankly speaking, we were hopeful for this quarter after seeing the October growth. We have actually had a mid-term review with our sales team, and said, guys, really things are happening, really great so we should do something major going forward and team is very gung-ho, but unfortunately the demonetization has suddenly taken all of us unaware, but let us see how the overall economy of India performs because the Automobile or Real Estate and all that they all need to start performing, they need to sell for us to help us advertising, so I think it all depends, but barring Real Estate all other category we feel are improving and even within Real Estate, thanks to the announcement by the Honorable Prime Minister where they are saying the affordable housing will get a lower interest rate, if the real estate category starts getting into that and start making more of the flat like affordable scheme, aided equally by better interest rate, they should be back in business and we should be getting advertising from that category.

Rohit Dokania One last question if I can put that in, can you talk about any, earlier you had said that probably you are not planning any new market expansion, would this whole sort of a pause that the demonetization has caused does that delay your any market plans expansion that would have had, let us say in FY18 or you would be pretty much on track and this is just a sort of one-off kind of a thing?

Girish Agarwaal Frankly speaking as we mentioned to you last time, we do not have any new market on the cards right now, but within our existing markets of Gujarat, Rajasthan, Bihar, Punjab, we have certain expansion plans opening up new publishing centers and all that, that is going to be very much on track.

Moderator Thank you. We take the next question from the line of Amit Kumar from Investec. Please go ahead.

Amit Kumar Just a bookkeeping question to begin with, what is the circulation growth for this particular quarter?

Girish Agarwaal Circulation growth for the quarter is 0.5%.

Amit Kumar Ok sir and on the advertising sides and I am not sort of looking at the specific data, but broadly how are the local versus national advertisers especially post-demonetization period and how do you see those trends sort of emerging?

Girish Agarwaal Frankly speaking because of this demonetization, the impact on national market is comparatively much lower because the companies are still launching brands, companies are still looking at overall brand equity to be still continued in the market, but a retailer who does not do any brand advertising who do more of a sales, he releases an Ad in the morning and he get the response by evening, that category has gone down very slow, so I think national is still comparably okay, but Retail is bad right now, that needs to come back faster.

Amit Kumar Are you sort of seeing in the month of January 15-20 days, have you seen some sort of an uptake on the Retail advertising side also because that forms the majority of advertising more than 60% actually?

- Girish Agarwaal** What is happening in that segment also it is a mix basket. Real Estate is very bad. I think the developers are pretty scared right now and there is a misconception in the market that the prices may fall by 20-30%. So people are not buying, but education as a category has grown, for example, local response category has come back to normal, banking and FSI largely national, but little bit happening in the local also, but I think the two category in local which are still a concern, one is a real estate and second is the local Lifestyle.
- Amit Kumar** Just one final point at my end, the IRS which was supposed to come in the current running quarter, got delayed by two quarters, could you just give us the broad color on why the delay and what are your expectations from the Management side?
- Girish Agarwaal** I think they are still trying to be ensuring that nothing goes wrong on the ground. They are very careful this time and that is the reason they are taking more time. Latest information what we have been informed last month that they are now talking about the report coming out sometime post June 2017, so that is the last update we had. Let me again check with them if there is something more happening.
- Moderator** Thank you. We take the next question from the line of Anuj Sehgal from Manas Capital. Please go ahead.
- Anuj Sehgal** I just wanted to continue on the previous question between local and national, so given local advertising is almost 60% of your business, I would imagine these are smaller businesses, SMEs, while you said that Real Estate is bad and Education is good and some of the sectors are still, there is not much clarity, would you not say that this segment has been impacted the most, some of these people might have to change the way they do business, and therefore, and some of this business could be permanently gone, and therefore, it would be very difficult to take a call as to how and when this business exactly comes back to a growth level?
- Girish Agarwaal** I may differ to agree with you on this because the advertisers with us those who are operating in the local market, they are not those very hand-to-mouth kind of kirana shops and all that. These are the smaller businesses in these markets whether it is an automobile dealer or it is a consumer durable dealer or a jewelry store or a hypermarket or a lifestyle store or the state governments and all that. So I do not totally agree with you that they may have to change their lifestyle or change the way they do the business or they may shut shop, so that is not a correct estimation by you. All these guys as you know the consumption pattern of a consumer got hit, that is the reason they suddenly stopped advertising and we see some of the sectors are coming back to normal going forward.
- Moderator** Thank you. We take the next question from the line of Lalit Kumar from MCA Management. Please go ahead.
- Lalit Kumar** Sir, like you said in the October-November you had a volume decrease, but your revenue has grown up from Rs.520 crore to Rs.607, so is it purely because of any price increase despite demonetization?
- Girish Agarwaal** No, let me correct you. October was a very good month because of the Diwali 30 days, so October was high in terms of yield and as well as the volume also, but November 8th onwards there has been a sharp decline in the overall volume and December came back to some extent but not to the normal number, hence the overall number got dinked, so whatever growth has come to us is because October was good and November and December was bad. We are still able to manage that 2.5% of the print growth.

Lalit Kumar Your other expenses, I do not have the breakup, has increased from Rs.106 crore to Rs.143 crore on a QOQ basis, so any specific high jump in other expense?

Girish Agarwaal Yeah, there are two things. One is event cost also in that, that also has been taken has the revenue cost, so that is one cost in the event, then there is some outsource manpower cost in that and also some business promotion of around Rs.2 crore.

Lalit Kumar Everything is one time or is it going to recur on a quarter-on-quarter?

Girish Agarwaal No, all the other expenses what we show they are the one time over there.

Lalit Kumar Can you throw a light on the working capital cycle post-demonetization, how is it looking because as on March 30, the receivables seemed to be at about Rs.380 crore, so what is the current receivable and any change in the working capital cycle?

Girish Agarwaal No, frankly speaking nothing substantial because money which comes from the circulation is as per the process, no change in that. Only thing is that in certain payment process there could be a delay of some 15-20 days and the festival quarter is actually bigger one, October quarter is a bigger one, so because of that there is some spillover happening, otherwise nothing to concern about.

Lalit Kumar What is the trade receivable at this point of time as on December end, any number do you have?

Girish Agarwaal It is almost the same, I think there is difference of around three days only.

Lalit Kumar On the Bihar side of it, you have broken even on it, the Bihar segment?

Girish Agarwaal Bihar, there is Patna, there is Muzaffarpur, Gaya and Bhagalpur, so Patna is on the right track, I should be able to give you a good news sooner, but Bhagalpur, Gaya and Muzaffarpur which were launched later are still in that period of settling down.

Moderator Thank you. We take the next question from the line of Sharan VS from Karvy Stock. Please go ahead.

Sharan VS Sir, I just wanted to know the daily circulation?

Girish Agarwaal Our circulation as per this quarter of Q3 is at 52.65 lakh copies.

Sharan VS What would be realization per copy?

Girish Agarwaal Our net realization per copy is Rs. 2.62 in this quarter which was Rs. 2.41 in the last year quarter.

Sharan VS Can you give consumption of newsprint for nine months or this quarter?

Girish Agarwaal Our total consumption for nine months has been 1,44,000 tons.

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

Yogesh Kirve Sir, I had a few question on the internet and the digital business, so I understand it is quite early days, but can we understand what sort of Ad sales was happening on

internet, if it is part of the overall print advertisement or there are standalone monetization, which is happening on your digital properties as well?

Pawan Agarwal The Ad sales on digital are independent, they are not combined with print because the team which buys the space on digital in agency side is different, Ad sale is bought also by networks which is another ecosystem, so the Ad sales has been growing by 20%-25%, this quarter has been grown by about 30% but as I said our focus is not on growing the revenues in digital, our focus is on building the audience and the frequency, we are first focusing on audience and not revenues.

Yogesh Kirve Considering that we generate lot of traffic from our core market, out of our core markets in metros as well as out of country, are we generating any Ad revenue out of this metros or outside India?

Pawan Agarwal Divya Bhaskar is a very good brand for generating revenues from outside India because there we get a very affluent Gujarati audience in the US, but that sales also happens through various channel partners as well as network partners, as internationally we do not sell directly. In India, we do sell directly to our premium customers.

Yogesh Kirve If I see on your website, there is an app we have certain videos up also, but are there any plans of generating original videos sometime in future?

Pawan Agarwal Yes, that is also underway.

Yogesh Kirve You just now said that Ad revenues are growing by odd 30%, but if I see your overall revenue growth in internet has been higher than that, close to 40% to 50%, so what are the other drivers of growth or other sources of growth which is happening?

Pawan Agarwal On the digital side, it is only advertising which is the core revenue, there is no subscription revenue on the digital side nor do we see subscription revenue coming in the next couple of years.

Yogesh Kirve We have seen over the last two quarters net traction has improved, rate of growth itself has gone up on a higher base, so is it a reflection of the value in penetration or we are taking some new initiatives which is also contributing?

Pawan Agarwal We are taking new initiatives to acquire new customers actually and as you know the internet penetration is increasing and the base of Hindi and the vernacular language is growing in India, So we are also benefiting by being there at the right time.

Yogesh Kirve Losses are very minimal in this quarter, is this kind of a trend that we can expect or there could be additional investments also going forward?

Pawan Agarwal Forward, we will be spending additional money in digital, so we will also ramp up our investments in digital to build this case in the coming quarter and the year.

Moderator Thank you. We take the next question from the line of Jai Doshi from Kotak Securities. Please go ahead.

Jai Doshi One small question on the digital side, are you tracking or would you have an idea what percentage of your traffic or engagement with digital audience comes from states where you do not have physical presence and are you able to monetize that

today or at what point of time do you think you will be able to monetize that opportunity?

Pawan Agarwal

So, we have a large number coming from metros as well as Hindi markets where we do not have a presence and of course in Gujarati from the entire overseas and in Hindi also from lot of overseas cities, so as I said monetization is not key matrix at all actually. All we are chasing right now is how do we get this user to become sticky and come much more often to us and build a loyalty and sort of make changes in the product, so it becomes a part of his day-to-day life. As we do that, the monetization, the advantage in digital is digital monetization is a derivative of your size and your audience and a bulk of your sales also happen through lot of network partner and hence we do not see that as a challenge. Our key focus emphasis has been on building the network and we are benefiting of course by getting lot of traffic from other states where we also do not have a presence.

Jai Doshi

Correct, so just trying to understand are you already capturing significant percentage of traffic from other Hindi speaking states where you do not have physical presence or by default people from a particular state sort of tune into a digital portal of the local daily available in that state?

Pawan Agarwal

The only Hindi state where we do not have a physical presence is Uttar Pradesh. We have a large digital team for reporting on ground in UP, which is helping us get ready. We are also running multiple campaigns in UP to get that audience from UP, and as far as the audience from metros is concerned, there we are not doing much because that audience is very small in metros wanting to consume Hindi or Gujarati. There we are being benefitted by the fact that we have a great product and they have brand loyalty with the newspaper because they have grown with the newspaper and moved to those markets, so they carried the brand essentially with them to those markets and that is why they are coming back to us.

Jai Doshi

Second question is you mentioned about that you will sort of look at the cost in a very different way and you sort of mentioned about zero base cost structure, cost approach. Could you share some more thoughts and what are the areas in your business where you think there is a significant opportunity for you to cut on cost structure and how should we look at this from next one or two years perspective?

Girish Agarwal

Budgeting we are doing across verticals right from even manpower, looking at various departments, how do they function, do we need X number of people in a particular department, is there a way technology can help us, looking at even the handling of raw material areas, looking at raw material, so wherever is possible, we are getting into that area to see what best benefit we can take out of that. Unfortunately, in our segment almost 40%-45% cost is newsprints. That is an external factor not much in our control but even there also we are seeing how we can take further benefit of rates or grammage and all that, and rationalization of pages, so we are trying everything possible from our side.

Jai Doshi

Is there a possibility where you can sort of maintain your X newsprint rest of the cost structure at current levels for maybe a year or two without affecting consumer experience and the way business works?

Girish Agarwal

So, i really cannot comment on that. We are working on it. We are saying can we reduce the manpower number for example so even after giving the increment my overall manpower costs should not go much higher, that is one. In other areas also we are trying to do wherever possible, but to say that will be a zero increase next year in the cost may not be the right thing.

Moderator Thank you. We take the next question from the line of Shalini Gupta from Quantum Securities. Please go ahead.

Shalini Gupta Sir, couple of questions like you said the circulation during the quarter grew by 0.5%, so this is much lower than the 3% odd growth that we have seen in the previous quarters? Would you think that the circulation growth is coming back to 3% or we are now on a low growth trajectory here?

Girish Agarwaal No, what has happened whatever growth we did last time, the annualization impact has already come on that, but at the same time we are further growing, copies in particular market, so you may see the impact of this going forward.

Shalini Gupta I mean we are expecting a lower circulation growth?

Girish Agarwaal There are two ways to look at circulation growth, one is on the actual number of copies and one is the cover price, so cover price we have taken some growth and on the circulation, you can not expect a 5% growth year-on-year on circulation unless and until we enter a new market, so with the existing market, we are hopeful that we should be able to maintain 1-2% growth going forward.

Shalini Gupta If you could give some update on Maharashtra like which are your profitable markets, how the market is growing and how you are placed vis-à-vis your competition?

Girish Agarwaal We are present in Aurangabad, Nashik, Jalgaon, Ahmednagar, Sholapur, Akola and Amravati, and happy to say in most of the major markets where there is Aurangabad, Nashik, Jalgaon, and Sholapur, we are pretty strong and ahead of the competition in most of these markets. The overall revenue is concerned, we are on the right track. Hopefully, the addition which were launched later showed break even soon. In fact, the first phase of the launch, the edition which we launched in the first year had already EBITDA positive now.

Shalini Gupta That will be which edition?

Girish Agarwaal Aurangabad, Nashik, and Jalgaon.

Shalini Gupta My last question, radio has been growing by upwards of 30% for everybody including yourself. So next year do you expect growth to be slower or you expect radio growth to still continue to be robust?

Pawan Agarwal We still have some headroom to increase the inventory. However, our focus is only on increasing the yield because we still have a lot of scope in the yield though we have a yield difference of almost up to 15% to 40% over the nearest radio stations, so that itself is a challenge, how do you take the yield up, but the good thing is that we have a substantial market share in local advertisers in most of our radio stations and hence that is giving us confidence to increase our rates even further. With the combination of new stations that we have acquired, we feel we will be in a healthy double digit growth in the next couple of years.

Shalini Gupta Ok and the six new stations where you started operations this quarter, if you could just repeat the names?

Pawan Agarwal The stations that have been launched this quarter in Maharashtra, the six which is Aurangabad, Ahmednagar, Sangli, and Akola, and two have been launched just this month which is Nashik and Jalgaon.

Moderator Thank you. We take the next question from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

Vivek Subbaraman Couple of questions; one, what is the gap between your cover prices and that of number two player in MP and Chhattisgarh, and what about the gap between you and the market leader in Gujarat, Maharashtra, and Rajasthan?

Girish Agarwaal It differs from market to market, when I say Chhattisgarh, within Chhattisgarh it differs from Raipur and Bilaspur. It differs from Bhopal, Indore, and Gwalior, but I can comfortably say in terms of MP and Chhattisgarh, we have a range of almost Rs. 20 to Rs. 40 per month difference between us.

Vivek Subbaraman What about the markets where we are number two or a close number two?

Girish Agarwaal Again, it depends on that particular market like in couple of market we would be at par with the competitor and in couple of markets in spite of very close number two, we have decided to increase the price may be Rs. 10 higher than them on a monthly basis.

Vivek Subbaraman You are saying in some markets where you are a close number two, you are still higher than the leader in your cover price?

Girish Agarwaal Yeah, depending on the market to market, so as you know we have 62 editions, so the cover price of each edition is different and the competitor cover price also is different in each edition. If you want detailed analysis on this, Mr. Prasoon Pandey from our Investor Relation will be able to help you out with each and every station detailing.

Vivek Subbaraman Thanks for this. Secondly on the subject of your digital strategy just wanted to understand how much of the content gets consumed on your own website and how much gets consumed on other platforms like Facebook and so on Is that something you are tracking?

Pawan Agarwal Everything gets consumed on our site because we do not let anybody consume our content in their own ecosystem, so for example, Facebook has instant articles, so we do not participate in that. We would have content spread across social media but anything comes to our site and the good news is when a person comes to our site, he does not read that story alone and leaves. He also reads couple of other stories, so it becomes part of our ecosystem, but the large number of audience still comes to our site which is the mobile site WAP and app directly as well.

Vivek Subbaraman What proportion would that be?

Pawan Agarwal About 30%-40%.

Vivek Subbaraman For the referral traffic you would have to make investments in advertising right?

Pawan Agarwal Not really because when somebody likes our story, he shares it on a social and that traffic comes organically back to us.

Moderator Thank you. We take the next question from the line of Amit Kumar from Investec. Please go ahead.

Amit Kumar Just a quick one, this radio growth of 12% and how do we sort of look at it on a yield versus volume basis and the other one is that I remember even in 2Q you had launched couple of channels, I think three radio stations were launched in 2Q, so

they would have seen a full quarter of operation this time around, so actually just wanted to get a sense of the legacy station Ad growth versus new stations in 3Q essentially?

Pawan Agarwal

The YTD top line has grown by about 21%, without the new stations, this top line is about 18%. The new stations which had been launched is just one month actually in the quarter for these four stations, the other three that was launched, Rajkot was the largest station followed by Hisar and Karnal. Hisar and Karnal were smaller stations as far as our category is concerned, so those three markets have done well and only about 20 days billing. So we will wait for the next quarter to share full details of all the new stations because then we will have a complete view of how these new 13 stations are doing.

Moderator

Thank you. That was the last question. I now hand the floor over to the management for their closing comments.

Pawan Agarwal

On behalf of the management, I thank you for your participation and time on this earnings call. I hope that we have been able to respond to your queries adequately and we will be happy to be of all assistance through our Investor and Media Relation.