



DB Corp Ltd

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Q3FY19 Earnings Conference Call Transcript January 24, 2019

Moderator Ladies and gentlemen, good day and welcome to DB Corp Limited Q3 FY19 Earnings Conference Call. As a reminder, all participants' lines will be in the listen only mode. Please note that this conference is being recorded. I now hand the conference over to Ms. Malini Roy. Thank you and over to you ma'am.

Malini Roy Thank you. Good afternoon everyone. Welcome to the Q3 and 9M FY19 Conference Call of DB Corp Limited. We will be sharing the key operating and financial highlight for the quarter and nine months ended 31st December 2018.

We have with us today the senior management team of DB Corp Limited, Mr. Pawan Agarwal – Deputy Managing Director; Mr. Girish Agarwaal – Non-Executive Director; Mr. P. G. Mishra – Group CFO and Mr. Prasoon Kumar Pandey – Head-Investor and Media Relations will represent DB Corp Limited on the call.

Before we begin, I would like to state that some of the statements made in today's discussions may be forward-looking in nature and may involve risks and uncertainties. Documents relating to the company's financial performance have already been e-mailed to you. I invite Mr. Agarwal to share his outlook on the company's performance for this quarter.

Pawan Agarwal Thank you, Malini and good afternoon everyone. Let me begin the call by highlighting the key financial numbers.

Beginning with our quarterly performance: Our consolidated Advertisement Revenue grew by 13% to Rs. 4813 million, circulation revenues for the quarter grew by 3% on a YOY basis to Rs. 1301 million. EBITDA for the quarter stood at Rs. 1417 million with a margin of 21% on the back of strategic cost rationalization measures and despite high newsprint rates. PAT amounted to Rs. 756 million for the quarter.

Let me now discuss the key operational highlights:

Our circulation expansion efforts which we have been undertaking over the last few years are clearly delivering results now. In Bihar where we are at #2 position with an average issue readership AIR of 9.11 lakh based on the commission survey conducted by Hansa Readership Research. It has translated into yield benefit and a good growth in market share. In Rajasthan for the first time Dainik Bhaskar has become largest circulated paper as per Audit Bureau Circulation January - June 2018. In Rajasthan also our efforts and hard work over the last two years are now bearing fruits and we have seen an increase in our market share in both the local and corporate categories with the larger increase in the local segment. Our editorial initiatives continued to be supported by three pillars of knowledge, idea-based journalism and differentiating news.

The focus is on ensuring that knowledge becomes the binding factor with our readers by delivering news with key takeaways and anchor points. We also continued to make associations with eminent personalities on different contemporary editorial themes to bring a wide canvas of insights and views to readers across age groups and segments. And on an industry level the government's 25% Ad rate hike which is effective from January 2019 is a welcome move for all players and will provide a strong impetus for growth.

Moving onto radio business:

DBCL continues to be the largest player in rest of Maharashtra and #1 player in Chandigarh, Haryana, Punjab, Rajasthan, Madhya Pradesh and Chhattisgarh. We had a stellar quarter as evident from the numbers. Advertising revenues expanded 39% for this quarter and stood at Rs. 465 million. EBITDA doubled to Rs. 202 million for the quarter while PAT grew almost 3x to Rs. 112 million.

The Phase-3 stations are already EBITDA positive and profitability has been achieved on the back of strong inventory management, program profile, cost efficiencies and growing popularity. The digital business charts a clearer way forward. We are implementing key learnings from previous quarters and have undertaken multiple measures towards improving profitability. Leveraging on our loyal user base, we are in the process of implementing strategies which will contribute towards organically building brand value.

I would like to reiterate that our strategic initiatives towards unlocking the potential across businesses continued to be on track and we believe that the same will help us deliver steady performance amidst the gradually improving economic scenario. My colleague and I will now be happy to respond to your questions

Moderator

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

Abneesh Roy

Sir, good to see the ad growth reverting to double digits but the circulation growth revenue, if you see is now flat for the last five quarters, broadly Rs.131 to Rs.134 crore, when do you see growth coming back here, what is the reason why no growth at all for the last 4-5 quarters?

Girish Agarwaal

Let me just give you some background to whole thing; as you remember we started the circulation drive from July of 2017. That time our total number was 50.41 lac copies and then we kept increasing in the quarter of March '18 it went up to as high as almost 57.94 lakh average copies also and then after that some of the copies have come down, so this quarter the overall number is at around 56.60 lakh copies. So, what happened wherever the growth of the copies advantage was to come because of these 2 lakh copies going down that has been nullified over there because we have not taken any cover price increase largely in most of the market. But looking at the overall scenario maybe next year we may reconsider looking at the cover price also.

Abneesh Roy

Sir, GDP growth rate of Bihar was highest in the country last year, now your market share has also improved dramatically and we have seen the leader out there reported very muted set of numbers, so how has been your growth in this quarter? Is it now translating to the level where the market share has reached?

Girish Agarwaal

We have got very good growth in Bihar. But frankly speaking the gap between us and the competition because we were present only in the few markets and they were all over in strength. Now looking at the overall scenario we still have a long way to go in Bihar. So, even if I say I am growing by some 40%-50% that doesn't make much of number because this percentage growth has to continue for maybe next five quarters to catch up to the level of the competition over there. Also, in Bihar I am very positive and happy to share with you, our Muzaffarpur and Bhagalpur editions have been already certified by Audit Bureau Circulation and

soon we are waiting for Patna and Gaya to be also certified by Audit Bureau Circulation which is in the process. Once that happens we will have the advantage of the ABC rates coming to us on a higher actual circulation, so that will also give us the benefit in Bihar.

Abneesh Roy Sir in Muzaffarpur and Bhagalpur now with this Audit Bureau Certification, how does the Ad rate compare for you in these towns and also secondly on a pan Bihar basis?

Girish Agarwal I will be much-much lower than my leader newspaper over there because we still have time to catch up in few markets.

Abneesh Roy Will it be half on a pan Bihar basis?

Girish Agarwal Frankly speaking less than that.

Abneesh Roy Where has the Certification has happened there how is it?

Girish Agarwal The Certification has just happened a month back, now the corporate market which commands 40%-50% of the Ad revenue that number will be based on the IRS. IRS is going to come out in the next couple of quarters because my Bihar number will not be captured in the IRS which is coming out in April because it's a 12 month aggregate average. So, they were muted from January to December survey while I was not present in half the key markets. So, I think IRS will take another maybe 3 or 4 quarters for us to show the number over there. Second thing the Government advertising I have already applied for the ABC certificate-based circulation and ad rates which has been approved now by the ABC in all so that takes time to get into the circulation over there.

Abneesh Roy Digital again has been in terms of revenue Rs.12-Rs.14 crore for 7-8 quarters so I see more focus on cost control but what the revenue strategy I see digital for everyone growing at 30%-40% not print less but in general I am saying digital Ad revenue growing at 30%, forecast is also 30% so what is your strategy here?

Pawan Agarwal On digital what has been cut down for us is our social revenue and our brand revenue has grown much higher than our social revenue. Our strategy when we started cutting cost and also making a sharper promise for a reader was to come directly to our sites, using search or coming to a Facebook but not using paid promotions or not depending too much on social so now happy to share with you we are now equalizing our share of traffic from all platforms and we are no longer dependent on aggregator apps. We also have our own app which is doing really-really well. So, we are very optimistic about the growth on the top line also coming while we drive the EBITDA positive for digital, we are also now looking at an aggressive growth in the next year on top line.

Moderator Next question is from the line of Yogesh Kirve from Batlivala & Karani Securities. Please go ahead.

Yogesh Kirve Just picking from your interview to one of the media channel, so the election impact was about 200 basis points on the print advertising and 700 basis points on a radio, I guess I am correct.

Girish Agarwal Yes, correct.

Yogesh Kirve So, my question is, is this referring to the gross impact of higher advertising from the political parties or it is a net impact after taking into account the fall in the Government spends as well?

Girish Agarwal This 2% is net-off, so supposing there the growth was 8% but the decline was 6% in the regular advertising so net-net its 2% growth.

Yogesh Kirve So, this is the net impact, right?

Girish Agarwaal Yes. For the benefit of everybody let me explain this 13% Ad growth which has come on a consol, out of that only 2% is the direct advantage of the elections which has happened in Madhya Pradesh, Rajasthan and Chhattisgarh for us. 11% growth has more come from the festive and the regular categories as such because what happened the code of conduct comes in picture and the regular advertising of Government, all the tenders and, etc., they are stopped so there is a decline of the Government advertising. But the election advertising kind of covers it up, so net-net benefit is 2% from there.

Yogesh Kirve If you keep aside the Government and the election advertising in the coming quarter, so based on the ground reality than what sort of expectation we can build over the next 12 months in terms of the print advertising growth. So, are we looking at sort of a high single-digit growth, is that possible?

Girish Agarwaal I can talk about the past of 2-3 quarters and discuss with you that and future is crystal gazing for everybody. So, if you look at various categories like education, automobile, real estate, they all are showing a uptrend which is positive for us. Government also has been positive overall except this quarter where the government revenue went down but the election revenue came in and kind of made good for that. So, looking at the overall scenario in the general elections happening in the month of May, so I think we are positive going forward based on that.

Yogesh Kirve Again coming back to the circulation I think at the end of the second quarter we were looking at the double-digit revenue growth from the circulation revenue, so what is really changing? Is it the reduction in the number of copies or the pricing part is not playing out so what really is happening over there?

Girish Agarwaal Frankly speaking nothing is changing. As we discussed with you we were not very keen to increase the cover price for a while and we are sticking to that. Next year in 2020 we will reconsider our decision for the cover price increase and the overall copy which went up to almost 58 lakh now it is at 56.6 lakh. So, there has been a decline of around 2.5 lakh copies. That decline I would call more as a maturing of the copies in the market. So, for example in Bihar, Gujarat and Rajasthan, Haryana, Madhya Pradesh wherever we increase the copies and some percentage copies always get matured and comes down I think that's the impact of that.

Yogesh Kirve In terms of radio, so even after adjusting for the election benefits still the growth is close to 30%, so what is driving this thing and do you believe this growth is sustainable over the next few quarters?

Pawan Agarwal So, what came in this quarter was higher advertising from Real Estate category and also we expanded our inventory to weekends. Our weekend inventory was not fully utilized while Monday to Friday were fully utilized but Saturdays, Sundays were not utilized, 9 to 12 PM was not utilized, so we have expanded those and hence we pushed the inventory by double-digit to get this growth. So, we are working on yield now, our next starter is to increase our realization, yields in key markets. Our key markets are doing very well. The legacy stations have done very well this quarter and we are focusing on those to maintain a pace.

Yogesh Kirve So, with expanded inventory can this sustain in the coming quarter so it was just focusing more on the festive season?

Pawan Agarwal Inventory has been utilized. That drive will continue in the coming quarters. Of course, Q3 was also a high demand quarter so we could actually utilize all of that inventory so going forward it will have to be a mix of inventory and improvement of yield.

Yogesh Kirve What was the net cash at the end of the quarter?

Girish Agarwaal Rs.95 crore.

Moderator Next question is from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

Vivekanand S I see that in the emerging business is your revenue has grown at a very healthy pace but at the same time I also note that the investments in these businesses have also been stepped up. Can you explain to us what our key investment directed at because logically for such a revenue growth your losses should have reduced but that doesn't seem to be the case. And second question is pertaining to the print prices, I noticed that your inventory levels have been rising from 80 to around 93 days now, so what is the pricing outlook and what will be your strategy to handle and mitigate the raw material price volatility?

Girish Agarwaal Let me try to answer one by one. So, let me take the newsprint thing first , so, as you know in the newsprint we all witnessed the Q3 was the most expensive newsprint blended used by us because in last 3-4 quarters whatever the prices went up Q3 was the peak of that and that's the reason we were using this print price in Q3 was almost Rs. 45,300 odd number as the blended cost of the newsprint used which was almost 28% higher than the last year quarter which was Rs.35,500 in the last year quarter. Now the indications on the newsprint fronts are all positive. So, let me start one by one. The first one is that the peak of \$750-\$718 has now come down to \$575-\$600 and we are still hopeful that this \$575 may further go down to \$550. The impact of all this will be started seeing from the first quarter of the next year because this quarter also we are using the newsprint which we have already bought, that's one. Second thing small good news is that in Russia and US certain newsprint making industry companies those who were shut down they are starting up those facilities again. They are not very big but still happening so I think that will be further advantage to the industry. Third thing is China, China if you notice, their import of newsprint has come down by 40% between the month of September and October because of that suddenly the newsprint prices in the world is softening down. So, on newsprint front we are very confident that next year will be a normalized year as far as the newsprint is concerned. Coming to your next point of the investment in the emerging market, so as you know in the emerging markets Bihar is one of the large emerging market for us and as you know Bihar, we completed our roll out last year in the month of January of 2018. So, I think that kind of investment was very much justified for Bihar hard and the kind of results what we are getting from Bihar we are very encouraged by that.

Vivekanand S Just one small follow-up on the emerging businesses. So, the increased OPEX that I see in the emerging businesses that is primarily investments in Bihar or is it something else?

Girish Agarwaal Yes largely Bihar because if you see our emerging markets area, Gujarat is a very small Hindi edition of Surat which is hardly anything but large is Bihar.

Vivekanand S So, then your investments you mentioned that you completed your circulation drive expansion by January, in the recent quarters what are the other initiatives that you have taken where you had to invest more in Bihar?

Girish Agarwaal Continued booking the copies, rebooking those copies, ensuring those reader schemes are continuing for them, branding activities, everything because you just can't leave the market on one particular day saying that everything is done so I will now withdraw everything. We have to do it gradually over a period of next 3-4 maybe 6 quarters.

Moderator Next question comes from the line of Ayaz Motilwala from Nivalis Partners. Please go ahead.

- Ayaz Motiwala** The first question that I would want to start off on which you mentioned as a last line that there are certain strategic initiatives which have been taken which will create value in a slowly improving market. Can you explain what was the meaning of this, I couldn't understand that?
- Girish Agarwaal** So, for example in Gujarat, Rajasthan and Bihar the number of copies we have pushed in last one year's time added on new customers. That's the cost of the company right now. But those copies are going to give us the advantage, for example Rajasthan - We have become #1 as per Audit Bureau Circulation also 16) lakh plus copies in that market now overall. As per ABC 15.95 lakh copies as such and we are clearly seeing in last 4 quarters there has been an improvement in the market share on the advertising in case of Rajasthan. So, every quarter we are able to see 1%-1.5% growth happening in the market share in Rajasthan. Similarly, in Bihar also we are clearly seeing we getting added on to the various campaigns in Bihar and also we are seeing the new rates in Bihar are getting implemented. So, these are the initiatives which we have undertaken in the market and are giving us the result.
- Ayaz Motiwala** And the second question more from a medium to longer term point of view which essentially relates to circulation and your strength of franchise of the long-term basis. So, digital has grown out of nowhere to be 15% to 20% of Indian Ad spending, it seems it picked up less from TV and Press but more from an incremental point of view in the last 5-7 years that this has been built-out. So, as we talk about your circulation can you explain what is the age profile of the readers which are coming into the franchise and is it as it looks like a whole generation of young people just keeping and going on to reading newspapers or other forms of information through i-pads or tablets etc.?
- Girish Agarwaal** What we are seeing in our market this copy which is coming in is coming largely from the age bracket of I would say people ranging from early 30s going up to mid-40s. That's the buyers those who are coming and buying our copies. And yes, you are right these people are also now reading news through different mediums also but that doesn't mean that stopping one of the mediums. So, they are reading my paper in the morning and during the day through my app they are getting the news or maybe through the social media so they want to be connected more.
- Ayaz Motiwala** What about the demographics of the younger people means the people who just entered the first job or the college, etc., in 20s, are they not interesting demographic for advertisers in this, you are not chasing them or they are not actually wanting to come in?
- Girish Agarwaal** So, what happen if you notice in all these markets in India barring out the metros, we still follow a semi joint-family system. If you notice we don't have 100% nuclear families living in this market. So, if a person who is a 45 or 50 year of age, he buys a newspaper then maybe his younger brother or maybe his son is also reading that newspapers, he may be 18 or he may be 25. So, at 25 you can't decide on a paper on your own. You live in with your parents or you are living in with your brother or somebody, so that guy actually takes a call on the newspaper and you also become a reader.
- Ayaz Motiwala** And lastly on the newsprint If we look at some of the data shared by Mr. Pandey and his team so last 5-8 years we have talked about newsprint in the ballpark of Rs. 35,000- Rs 37,000 per ton which was what was your comparable benchmark last year and as you mentioned that the prices in dollar terms are down to \$560-\$570 US, are we implying that as the normalized number this Rs 35,000- Rs 37,000 as the way forward for the business?
- Girish Agarwaal** Maybe on a conservative basis yes
- Ayaz Motiwala** I just wanted to understand on how the business is not overly dependent on newsprint prices being benign but as an ability to stand on its own feet.

Girish Agarwaal Yes you are right.

Moderator Next question is from the line of Jay Doshi from Kotak Securities. Please go ahead.

Jay Doshi Just a quick book-keeping question, so at \$575 that's for the imported newsprint given the mix that you are using between imported and domestic, what would be your blended average price be? If you were to buy a spot price for the domestic as well as imported where should it be versus Rs.45,400 that you reported on a like to like basis?

Girish Agarwaal So, let me put it this way, last year our Indian newsprint rate was around Rs 34,000- Rs 35,000 per ton and imported was around Rs 37,000 per ton in this quarter last year. This year the Indian is at around Rs 44,000 and imported is around Rs 48,000 something, so average is Rs 45,000. So, we are hoping that this Rs 45,000 average should go down by 23%-24% next year.

Moderator Next question is from the line of Gaurav Agarwal from E&R Advisors. Please go ahead.

Gaurav Agarwal Just 2-3 questions, one is on the government side, you have three areas like local revenues , national revenues & government, so you mentioned about government they doing well at least in Q3 and also in the next 1-2 quarters they look good, how about the other two segments, the local category and the national category if you can highlight their performance in Q3 and how are the performing in the current quarter and what is the outlook there?

Girish Agarwaal So, I think local is doing better and as of now national is also doing better and we hope that in the next 2 quarters which we clearly see the local will do better than the nationals because of the elections happening so there are lot of activities in the local market so that's what our take on the next 2 quarters.

Gaurav Agarwal For the full year FY20 what kind of growth do you see in your advertising revenue and in that how much of the election benefit are you assuming?

Girish Agarwaal So, as I mentioned to you this quarter, we have election net benefit of 2%. We hope that going forward in the general election this percentage should go up. Also, since government has increased the advertising rate by 25% that advantage will also go over and above that. So, considering all that we are hopeful that the results what we have shown in last 3 quarters going ahead we should be able to show better results in that.

Gaurav Agarwal For Q3 can you share the YOY growth for these three categories, local, national and government? Even if you can give for local and national that would be very helpful.

Girish Agarwaal I won't be able to give you the exact breakup that just to give you a ballpark.

Gaurav Agarwal Just broad what we spent.

Girish Agarwaal Yes ballpark indication as I mentioned to you Government considering including the election went up very marginally, a 2% growth because Government actually went down but election revenue came in, so 2% because of that. Automobile showed, real estate showed us huge growth, almost 40% plus growth came from Automobile and real estate. Banking finance actually went down by 30% and FMCG also wasn't very hot in this quarter. And national it's been good quarter for national so far while local also did decent number.

Gaurav Agarwal Is it fair to assume that national and local would have grown by 16%-17% on a YOY basis?

Girish Agarwaal No because if they would have grown 16%-17% both of them then my overall number would be more than 13%.

Gaurav Agarwaal But your Government you said it has grown only by 2%?

Girish Agarwaal Yes but the Government is hardly 10% of the overall number contribution.

Moderator Next question is from the line of Pratik Jain from ASK Enterprise. Please go ahead.

Pratik Jain What is the situation regarding Ad yield in emerging and as well as the mature markets?

Girish Agarwaal In the mature market the yield is flat while in the emerging market the growth is coming.

Pratik Jain And roughly what will be the percentage if any ballpark figure you can give?

Girish Agarwaal Frankly speaking in our emerging market I won't really look at the percentage because Bihar is a kind of a new market for us so over there if somebody was paying for example Rs. 10 now he's paying Rs. 25 so I can't call it 150% growth for simple reason because those markets I was not even present there.

Pratik Jain And what are the Ad volumes that you are doing in these two markets, emerging and mature?

Girish Agarwaal . So, flat in the mature market but in the emerging market the volume has come in, so the growth has come because of that.

Pratik Jain So, in the mature markets both the volume as well as the yield is flat?

Girish Agarwaal Yes volume is there but hardly much and yield is flat.

Pratik Jain So, you have any plans to invest anything or increase your revenues from the mature markets?

Girish Agarwaal So, we are putting all our efforts like the circulation what we have put in Rajasthan and Gujarat for example we want to have the returns coming from there and that we are seeing now in Rajasthan specially that their market share in advertising is improving.

Moderator Next question is from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

Vivekanand S Sir, did I hear you mentioned that you are witnessing good growth in Real Estate, is that something you mentioned and can you detail that a bit more on market trends, say MP, Rajasthan, Gujarat the key markets? And also secondly your Home-online portal that you have, so you mentioned that you are serving both builders as well as the resale properties because you mentioned brokers as well, so I would like to understand what is the thinking there and how are you able to attract more brokers on your platform?

Girish Agarwaal On the Real Estate there has been a huge growth in this quarter for simple reason because of the Festival also happening in this quarter this year and I think we tried to push the market a bit and in some quarter market was also buoyant because of the elections happening in these markets. But the base is not that large, the overall contribution of Real Estate in this quarter is around 7% not a large number that way. And the Home online portal we are registering the brokers as well as the direct consumers. We realized the revenue comes from the broker but the hits come from the individual buyers. So, we are trying to balance it out saying that how

we can get more of the viewers coming in and yet the brokers they give us the revenue from that.

Vivekanand S So, as of now on Home-online the model is just advertising by brokers, is that the revenue model for you?

Girish Agarwaal Yes, correct.

Vivekanand S Or the builder community also spending meaningfully there?

Girish Agarwaal Builder are doing it but what happens is builders they do it to the brokers.

Vivekanand S So, mostly even for new properties it's the brokers who are driving ad spends.

Girish Agarwaal Exactly. What happens most of the builders don't want to deal one-one flat with the consumer directly in our cities so what happen because the flat price is 15 lakh, 25 lakh so they prefer a broker in between who takes care of the entire process that way.

Vivekanand S But that isn't the case in the newspaper where it is mostly?

Girish Agarwaal Yes but newspapers are both.

Vivekanand S So, in the newspaper also there are brokers who spend revenue.

Girish Agarwaal Newspaper broker adopts the classified route, that is play classified route which is a cheaper one for them and the builders they go by the announcing the project. So, see how the advertising work in Real Estate, as a builder I will announce the project, I will say "okay I have got 200 flats, great location, great amenities and all that, come and talk to us". So, there are certain people those who will come, see the project and some of them will talk to the builders directly and some of them go through their brokers to get the deal done.

Moderator Next question is from the line of Prateek Barsagade from Edelweiss. Please go ahead.

Prateek Barsagade Just wanted to understand one thing in terms of the various categories which advertise on the print revenue, was there any surprise this quarter?

Girish Agarwaal Surprise Yes bit of four-wheeler, bit of Real Estate. But actually speaking the surprise was normal.

Prateek Barsagade On the digital platform so despite the number of downloads increasing we have seen the digital revenues go down, so is it the result of the increased competition in this space?

Pawan Agarwal Downloads are increasing primarily on the app and on the app, we are focusing right now on building a great user experience so there our advertising load has come down. So, we are loading less number of ads on the app as far as the app is concerned. On the other side of the business which is social, direct there as I said our social revenue has come down because of both the traffic has come down from social and also the realization has come down from social. We have seen a huge drop in realization in social. But the other categories which is direct traffic there the realization has gone up.

Moderator Next question is from the line of Ayaz Motiwala from Nivalis Partners. Please go ahead.

Ayaz Motiwala Two questions on the business quickly, one is the emerging markets as you call them such as Bihar and parts in Rajasthan and Gujarat where you are taking

initiatives. One you have explained that you keep chipping away two things which verify such as ABC or IRS circulation, etc., and you get your rates increased and the other is the way you compete in the marketplace. So, what is a sort of a marker or a level which you decide that we have got enough of market share in terms of circulation and this is a time to monetize now if there is something of that sort on business if you could share if we can appreciate and understand that?

Girish Agarwaal Frankly, speaking these mark-ups depends on the market to market. For example in Madhya Pradesh market we have almost 70%-75% market share in terms of circulation and we know we are getting enough advantage of that in the Ad revenue. But that is not making us complacent that we say 'okay we will not grow any circulation there'. In within Madhya Pradesh we see any opportunity in any particular pocket we certainly go and work on that. While in Rajasthan as you know our circulation market share we have a long way to go, so we are still putting lot of efforts there in Rajasthan as well in Bihar and Gujarat.

Ayaz Motiwala So, has you see the market and there are always pieces of pockets where you can keep growing circulation as well is what you sound?

Girish Agarwaal Yes, correct.

Ayaz Motiwala One other question on the business on terms of the again back to medium and long-term implication, you said that these things will coexist, the younger guys does not take a decision to buy a newspaper in his house, reads it probably in the morning and then he is connected online while going to work or in the office, etc., So, in the way our world is sort of going towards hyper connected and thanks to Jio a lot more happening with free or cheap data, how does a newspaper stand the test of time in terms of updated news versus the depth and quality of news? How are these things sort of collaborating or working together and how would your journalist sort of change that over time, will that mean the digital and press journalist sort of work together and they borrow stories from each other and it goes that way, how should we be understanding this business now?

Girish Agarwaal Great question. So, what happens as you know, in last five years we all realized that the newspapers are no more into the breaking news business because we come out in the morning and during the day if something happens, social media or somebody, some of your friends will break the news to you through WhatsApp. And the next day morning for example yesterday, one political announcement happened by one leading party in India, and you would know about everything through your social media, Twitter, or all the news apps informed you whatever. Now, we had a challenge this morning how do we handle it? How do we ensure there is a huge interest of our readers while reading the paper? So, today's paper we can say that reader actually had to spend maybe couple of minutes more to go through the entire interesting details what we mentioned about that why this thing happened, and what is the background of that and the presentation of that. I think this is what the core of the newspapers in India now. It's not about Dainik Bhaskar alone, and I'm happy to say all the newspapers in India, most of them are actually working like that because they all have understood that there is no point in just giving you the news in the morning which is already been known to you yesterday. So, everybody has changed their approach in the market and there are a lot of things which we have done being the pioneer in the industry and every other newspaper is doing so. And if you are a reader of a newspaper, you will understand that why people still want to spend that 35 minutes, 40 minutes in the morning to read the newspaper and say, yes, I got something out of it.

Moderator Next question is from the line of Rohit Dokania from IDFC securities. Please go ahead.

Rohit Dokania Sir, you were obviously hinting at the ad growth outlook improving, you are also saying that newsprint prices would be low next year compared to the average of this year. Both these things are very positive. So, building on this how should one think of margins in FY20, we were 24% odd in FY18, we are now at 21% odd into

the first nine months of FY19. How should one look at FY20 margins, if you can throw some light on that please?

Girish Agarwal Frankly speaking, what we are looking at, we are looking at that how do we increase our top-line and how do we reduce the middle line. Now, the impact of that comes onto the bottom line. So, we are not really looking at the bottom line alone, we think if we are able to handle the top-line and the middle line, the resultant will be bottom line which will be known to us as the time unfolds.

Rohit Dokania So, if I may ask it differently, if you can give some color in terms of the broad range also has to where you are looking at Ad growth next year because typically after a heavy election here, the year after the election there could be some sort of slowdown from the Government but this time it's a unique year because we have got a 25% Ad rate increase as well. So, from that perspective if you can just help us from a modelling perspective as to how one should look at Ad growth at FY 20 that will be very helpful.

Girish Agarwal So, there are two ways we are looking at the Ad growth, one is the Government bucket, that Government has given a particular rate increase and how it can be penned out, that's one. Second thing we are looking at the other category like automobile, healthcare, Real Estate, FMCG and all that and seeing that how are those categories performing in the market. How are those companies able to sell their product in the market, how is their profitability and how we can work along with them to see how we can get the advantage of their growth in our market. So, I will not just depend on the advertising from the Government alone.

Rohit Dokania But, there is no range that you can talk about basically?

Girish Agarwal I wish, I could offer you that range.

Moderator Next question is from the line of Yogesh Kirve from Batliwala & Karani Securities. Please go ahead.

Yogesh Kirve Just one clarification; so the Government advertising, so what is that as a proportion of the overall revenues? Did you say it was about 10% for the quarter?

Girish Agarwal For this quarter Q3 it was 10%, without counting the election into it. But otherwise if I take it YTD December for the three quarters it is as 15%-16%.

Yogesh Kirve This is typically a normal number?

Girish Agarwal Yes, Government stays at around 15%-16% and in some quarters, if the private guys don't do well the percentage of Government goes up to the 17% also.

Yogesh Kirve So, when you say Government excluding elections at 10%, so, you are basically saying that some part of the Government advertising related specific to the election right?

Girish Agarwal Yes, political elections, the Congress party releasing the ad, BJP party releasing the ad.

Yogesh Kirve Going into the FY20 do we see any sort of risk to the government volumes that could nullify these rate hikes, I mean in terms of volumes falling, so I understand a lot of tenders happen through online these days. So, is there any risk that we should be aware of in terms of the volumes?

Girish Agarwal See, nobody knows what the Government will do but ideally speaking they have already brought down lot of tender advertising. It's hardly if you look at the DAVP business 95% business is display classified, display from the Government, 5% only the tender business. So, I don't think that the government can further go down to

the tender because there is hardly any tender left there. In fact when we look at the government business in our paper or other paper, we believe that the Government has missed out a big opportunity of cutting down the volume of the advertising in last many years in the print business which I'm sure they will be realizing it and that's the reason they have been able to give this 25% rate hike and we are positive that volumes should also go up by then.

Yogesh Kirve

In terms of the classified contribution what is used to be at its peak?

Girish Agarwal

In good old days it was 50%-50%. 50% tender, 50% government announcement ads like display ads but I think in 2015 they took a call to reduce the tender and taking them online. That number came down.

Yogesh Kirve

So, for 2015 it was about 50-50.

Girish Agarwal

So from FY15, the tender business has been coming down.

Moderator

Thank you very much. Ladies and gentlemen that was the last question for today. I now hand over the conference to Mr. Pawan Agarwal for closing remarks. Over to you sir.

Pawan Agarwal

Thank you all for your participation and time on this earnings call. I hope that we have responded to your queries adequately today and will be happy to be of assistance through our Investor Relations department headed by Mr. Prasoon Pandey for any further inquiries. Thank you and have a very nice day.