DB Corp Limited

Q3FY21 Earnings Conference Call Transcript

January 28, 2021

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY21 Earnings Conference Call of DB Corp Ltd. 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. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. I now hand the conference over to Ms. Hina Agarwal. Thank you and over to you ma'am.

Hina Agarwal: Thank you and good evening to everyone. We welcome you to the DB Corp Ltd Q3 and nine-month FY21 conference call. We have with us today the senior management team of DB Corp Ltd. Mr. Pawan Agarwal – Deputy Managing Director; Mr. Girish Agarwaal – Non-Executive Director; Mr. P. G. Mishra – Group CFO; Mr. Mushtaq Ali – Vice President (Finance & Accounts); Mr. Lalit Jain – CGM (Finance & Accounts); and Mr. Prasoon Kumar Pandey – Head Investor and Media Relations, who will represent DB Corp Ltd. on the call.

We will be sharing the key operating and financial highlights for the quarter and nine-month ended 31st December, 2020, followed by a question and answer session. Before we begin, we 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 e-mailed to you and are available on the website of stock exchanges. We trust you have been able to go through the same.

Now, I invite Mr. Pawan Agarwal to share his outlook on DB Corp's performance for the quarter. Thank you and over to you sir.

Pawan Agarwal: Thank you Hina and good evening to everyone. We will begin the call by highlighting the key financial performance for the quarter ended December 31st, 2020, followed by operational updates during the quarter.

We are happy to share that our advertising revenue has almost reclaimed to the pre-COVID levels during this period. Our circulation too is inching towards the pre-COVID levels, further the festive season has provided a strong impetus to the advertising revenues and our mega editions release during this quarter have garnered strong responses from advertisers and readers alike. Dainik Bhaskar has taken an editorial journalism to a different level when our national editor Mr. Lakshmi Pant and his reporter volunteered to take first shot of COVID vaccine and this was done to guide and remove any possible public concerns that may have come for vaccines.

Our consolidated advertising revenue stood at Rs. 3667 million in Q3 FY2021. The circulation revenue stood at Rs. 1082 million and the total revenues stood at Rs. 4966 million. The company reported a profit of Rs. 1679 million at the operating level, a growth of 16% YOY and a net profit of Rs. 990 million, a growth of 21% YOY. Let me add while only print PAT grew by about 30% YOY in Quarter 3. While the overall revenue is at 85% of Quarter 3 of last year in the backdrop of COVID19, we are pleased to inform you that our cost optimization measures along with improved economic conditions and continuous soft prices for newsprint has aided in improving our profitability with EBITDA margins at 34% in Q3 FY2021 as against 24% in the same quarter of last fiscal. The print business EBITDA was Rs. 1699 million as against Rs. 1380 million last year. Print business EBITDA margin has registered 1200 basis points growth from 25% to 37%.

Dainik Bhaskar Group, radio business continues to maintain leadership position in all significant markets where the advertising revenue for the quarter stood at Rs. 291 million with operating profit of Rs. 108 million and a net profit of Rs. 44 million in Quarter 3 FY2021.

I would now request Mr. Girish Agarwaal to update on operational front.

Girish Agarwaal: Thank you Pawan and good evening to everyone. I hope that everyone continues to stay safe and healthy. Over the years in India, the print media sector has been experiencing structural shift towards Tier-II and III cities with Indian languages newspaper showing significant improvement in both circulation as well as the advertising revenue. This is primarily due to the faster recovery of the economy in the Tier-II and III cities what we all fondly called Bharat. As the market leader in the segment the benefit of this shift is reflecting in our performance.

On the circulation front we are happy to share that our circulation teams continued effort and focused strategies have enabled the group to reach almost 85%-90% of our pre-COVID circulation level. Though we are still down if I had to compare from the Q3 of '20, we are at almost 80% but if I compare in the month of March and February base then we are at almost 85% to 90% and in some markets we have even achieved the number of 100% also. With further ~~the~~ recovery of economy, reduction in active cases and a rollout of vaccine spreading optimism of months among people, we intensified our efforts towards gaining back the remaining copies and expect to gain back most of the copies post-normalization of the market operations including actually most important including railways and the state government bus operations.

On the advertising front, after being hit by the COVID19 related restrictions, we have witnessed continuous month on month improvement in the ad revenue and with the opening of the economic activities. While we have registered print advertising at 87% of the last year in this quarter, the festival months of October and November together saw advertising revenue achieving almost 95% of last year as advertisers increased their marketing spends to capitalize the demand and also to announce their return to the businesses.

The strong economic recovery in the Tier-II and III cities have helped local businesses and also this is reflected in the growth figures of the GST collections of our markets that have exceeded the national growth rate. Our cost optimization has further resulted into saving of Rs. 178 crores in other operating expenses in the last nine months. If you remember we had done the initial planning and we had announced that we will do saving of almost 125 crores in the full-year, I'm happy to say that we have already achieved 178 crores saving in nine months and in the balanced three months which is Q4 we hope that the total saving for this year will touch the number of around 200 crores.

Another important area that we have been focusing on is the delivery of our content through the digital medium and we have made significant stride in this area. The company continues to invest in digital business with the focus on our app, especially on the daily active users and the monthly active users which have already resulted in the 4X growth in last nine months time as per the latest Comscore report. This is all from our side and my colleague and I will now be very happy to respond to your questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Himanshu Upadhyay from TGI Mutual Fund.

Himanshu Upadhyay: I have some questions on the revenue side, the advertisement revenues newspaper is down by 13%. Can you give an idea of segments which are still below last year levels in terms of volumes? Secondly, this 13% lower volume is, how much is because of volume and value if you can give some breakup and how do you see the things move ahead, some idea if you can give?

Girish Agarwaal: So largely volumes are down by 8%-10% and the value is down by 13% because in some cases we had to offer certain schemes to motivate the advertisers to come and advertise. As far the segments are concerned, I think most of the segments are down except little bit from the education category which is showing some growth. Real estate is down by only 6%, government and political they are actually up by almost 4%-5%. But rest of the categories like automobile, healthcare, lifestyle, and jewelry they all are down actually. The sector which is taken the biggest hit is actually the lifestyle, the apparels which is almost down by 53%.

Himanshu Upadhyay: We have been hearing all across the Tier-II, Tier-III and rural are doing pretty well. But still for us the revenue is down in our advertising in both radio and print, why is that so and how do you see the scenario from here on? What you had stated about the apparel business because the festival season whatever we read from auto companies and everyone seems it reviving even in real estate the things are seeming to revive, so why such a big dichotomy, can you give some…?

Girish Agarwaal: Let me answer your apparel question first, during the Festival season also there were restrictions in these markets for number of events to be organized, weddings to be organized and people to move out freely. That's the reason when you are not going out to meet somebody you don't want to buy anything new. You already have enough in your wardrobe. That's a typical consumer mindset. But going forward since the market has opened up, people have started going out, government has lifted the restrictions of the number of people to be attending the wedding and all that. So I think this sale will come back in next quarter or so. The next question of yours what you mentioned about that how you heard Tier-II-III, Bharat cities are really growing well and why we are still down? Actually, we are at 87% because of that sentiment itself because Bharat is doing good, Tier-II-III cities are doing very well and hence the advertising came up to this number. Also you have to appreciate in the month of October-

November- December, the number of launches of automobiles were not very well-planned because people were not too sure how the market responds, so not many launches happened. That's the reason the advertising of automobiles was still down compared to last year. Similarly the other categories also, like real estate the market suddenly opened up in the month of October-November. The most of the builders never expected this kind of response coming to them and that is the reason the advertising is not grown to that number. But we are very confident that since the things are becoming clear, vaccine is already out and the fear factor of this whole COVID is going down drastically. So I'm very confident that going forward in next 3 to 9 months time things should be on the positive note actually.

Himanshu Upadhyay: Generally historically we have stated that if you reduce the prices taking up the prices becomes very challenging or tough and to get the advertisements we have seen some amount of price reductions or what we have seeing across the players. How tough will it be to get back those prices and what is the situation currently in Jan-Feb-March, so even now also you have to reduce the pricing to get the volumes or the situation has stabilized or improved?

Girish Agarwaal: You are right it's tough to regain the price but at the same time it is our endeavor to make sure that it comes back and that's what we are doing. That's the reason if you see the difference between the volume and the and value is not drastic and we're very confident that going forward once the demand picks up, whatever percentage discount 3%-5% given out should also be taken back from the market.

Moderator: The next question is from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: Couple of questions on the circulation side, particularly on the cost side. So, what has helped us in terms of cost, it's only because of the dip in the newsprint prices or we have also seen lower pagination helping us?

Girish Agarwaal: All three. So let me start one by one, first of all the number of pages. This quarter we were at almost 21 pages average while last year this quarter we were at 24 pages average. So from 24 it came down to 21 this year, so there is the pagination saving. Also the newsprint prices we have seen a reduction of almost 9%- 9.5% last year quarter to this year quarter, so that's another advantage. Third thing is the circulation, from last year quarter to this year circulation is also down by almost 20%. So all three factors put together has given us the benefit on the newsprint cost of almost 40%.

Sanjesh Jain: The second question is on the circulation side, though we have seen quarter-on-quarter big revival in the advertisement but on the circulation side it still looks much lower. So the quarter-on-quarter growth is just 3% odd, so what's impacting the recovery in the circulation because in the earlier stage we saw circulation recovery much faster than the advertisement but in this quarter the trend has just reversed.

Girish Agarwaal: You are right. So let me now give you the number. If you remember in the last quarter December '20, we were at 56 lakh copies. Then in the month of February we were at almost 55 lakh copies, in the month of March number came down because last 10 days of March because of the lockdown, so number came down to 49 lakhs, almost 50 lakhs average. But that average also because January-February was full but the March 20 days was full but balance 8 days was almost 20%-30% for the lockdown period. As of today when we speak we are at 44 lakhs copies. We are increasing copies every month but not that drastic for two reasons. Still the railway network has not yet started which is now good news that starting this week itself. So, if the railway network starts so all the copies which are in the surrounding areas will get started. Also the railway stations performing there we used to sale almost 3% copies on the railway stations itself; copies should come back when the traffic comes back on to the railway station. That's another important aspect. Same time the state roadways network, the bus network has also not yet fully started. That will also help us. So we are hoping that some more things will happen and we will gain the numbers from there. Having said that there is an important aspect from the ground is that when we look at the ground I think our circulation team has done a fantastic job and our market share and the lead over competition has increased in most of the markets. I can talk about Rajasthan where our lead has increased over competition. I can talk about Gujarat where our lead has actually, in Ahmadabad we were the leader anyway but in rest of Gujarat also now our difference between the competition and us is just 10% on overall Gujarat. In further end Punjab market, the gap between us and the competition, we both are down but the gap has narrowed down which means the competitor lost much more copies and they were not able to gain back as fast as we could. So if I look both ways we still have to cover lot of ground, from 44 lakhs we need to go back our 54- 55 lakh copies base. At the same time the market share has improved, so we have to look from both the aspects.

Sanjesh Jain: Just on the circulation one follow-up, in terms of the regular copies sold to buy it on a monthly basis, I understand this all what you are talking is a spot sale low. So is in terms of a repeat or a recurring that is back to the normal?

Girish Agarwaal: Let's me explain you, in newspaper in our business, almost 99% copies were the regular supply. The spot sale was only 1%-1.5% that's it. Now the copies which have not yet come back are the regular copies only. For example if a railway network is not operating in the Bastar division or in the Korwa region on Chhattisgarh I'm not able to supply the copy there. So that copies have stopped, so once the railway network starts I will start again because it's not a viable for me to deploy a special taxi to send 150 copies to a distance of 300 km. That's the reason we all are waiting for this railway and bus network to start.

Sanjesh Jain: So basically you are telling it's a logistical issue and not actually the demand side issue.

Girish Agarwaal: Exactly. Now after the logistic issue is over then we will have to see do we face any problem from the demand side because it's been almost nine months. Let me further add on to that because the same problem is being more acutely faced by the newspapers in the metro market because the metro market was shut for almost 6 to 9 months time. Societies never allowed the vendor to come inside and deliver the paper. So, metro newspapers are facing big-big problem from that perspective even now.

Sanjesh Jain: One last question on the advertisement side, you said that during festive we reached almost 95% of the pre- COVID level.

Girish Agarwaal: Last year Q3.

Sanjesh Jain: So post festive has the things been not so good as during the festive season as in what I am trying to understand is have advertisers spent a lot during festive and all then again they have become cautious? Is that the sense or it will continue to remain the same optimism?

Girish Agarwaal: The optimism is the same with some percentages here and there. So, I won't say suddenly they have gone back home. No, it's not like that. They all are active in the market with some percentages here and there.

Moderator: The next question is from the line of Himanshu Shah from Dolat Capital.

Himanshu Shah: Can you provide some outlook on newsprint prices? We have been hearing that other set of papers like for packaging material, etc., the prices have been going up. So how is the trend looking like or outlook looking like on newsprint prices over next one or two quarters?

Girish Agarwaal: So, what has happened, the Indian newsprint mills as well as the foreign newsprint mills are experiencing acute shortage of wastepaper, because of the low recycle waste generation in last 9-10 months' time. So that is one problem being faced by everybody. Because of that we are seeing that Indian newsprint manufacturers are planning to revise some price. So maybe if I see the Q4, if I see Q4 year-on-year, there will be a saving of some 3%-4%. But if I see Q4 as a Q-on-Q, like Q3 to Q4, there could be a revision of almost 3%- 4% in terms of price.

Himanshu Shah: And do foresee the newsprint as stabilizing over there or we are anticipating even further rise as copies start increasing and demand starts coming back?

Girish Agarwaal: I would actually wait for one more quarter to see how this recycled pulp and the recycled wastepaper gets available for the newsprint mills and then we will see how the prices move.

Himanshu Shah: Secondly, can you provide like I have seen December was slightly weaker month after where we had the October and November month. So how are the advertising trends panning out in the January month?

Girish Agarwaal: It's normal, not very exciting but not too bad also.

Himanshu Shah: So, we are to assume that Q3 average or…

Girish Agarwaal: Could be around there.

Himanshu Shah: In terms of cost savings, you have highlighted we saved almost Rs.178 crores which is on employee and SG&A cost and almost Rs. 200 crores savings. So, on a structural basis like once you are fully operational, once advertising revives, once circulation comes back to normal, you could say, at around 95% level or something, how much of this savings do we foresee to continue on a…

Girish Agarwaal: Around 40%.

Himanshu Shah: So around Rs.120 crores odd should come back in cost?

Girish Agarwaal: Yes, because for example, the newsprint costs will come back, the pagination will come back, the copies will come back, all that.

Himanshu Shah: I am not talking about raw material costs. I am talking about employee and SG&A cost where we have saved almost Rs.170 crore plus in three quarters. I am talking on other than the direct cost or raw material cost.

Girish Agarwaal: The number which we have given you is including everything; this number includes everything. For example, there is a 14% saving in the personal cost. There is a 23% saving in the operational cost. Now out of this 14%, we are hopeful that around 8%-10% will continue as it is. The operational %expenses which are down by 23% maybe with more number of pages, more copies printed instead of 23% this may come down to say 15%-16%. So, if you see our overall number of 178 crore what we are talking about is including the printing processes of the newsprint, manufacturing, and all that. So, I guess out of this Rs. 200 crore we should be able to continue saving Rs. 80 crore to 100 crore.

Moderator: The next question is from the line of Dipesh Kashyap from Equirus Securities.

Dipesh Kashyap: The first question is on the inventory days. Your inventory days are increased to 54 days, I think. So, can you please tell your inventory price, what is the price that you have told the newsprint at?

Girish Agarwaal: See, because the consumption has gone down, so whatever inventory we had kept that time that's the reason the number of days has increased. So, with the consumption increasing we will go back to the normal inventories stocking.

Dipesh Kashyap: That is mainly newsprint, right? That is what you told as inventory?

Girish Agarwaal: Yes.

Dipesh Kashyap: What is the price of that inventory?

Girish Agarwaal: I can give you the price of the newsprint in the Q3, is in the range of around Rs.34,500-34,600.

Dipesh Kashyap: And you are saying at Q4 it should be 3% to 4% higher?

Girish Agarwaal: Yes, looks like depending on the Indian manufacturers.

Dipesh Kashyap: On the radio you are 22% decline in the radio revenues, better than other players. So, can you tell us how much was the volume decline and how much was yield pressure?

Pawan Agarwal: On the volume we are almost 90%-95% closer to 100% this quarter you can say. There is a yield drop of about 25% to 30% and varying from markets to markets, which we are bringing back.

Dipesh Kashyap: Lastly, according to the new IPAB order the music companies which charge royalty are need of the hour basis instead of revenue sharing. Now this order looks adverse for players like you who have more presence in the smaller non-metro cities. So, it would be helpful if you can share the margin impact of this new order.

Pawan Agarwal: We still need some more clarity, but we'll be getting saving on a music royalty.

Dipesh Kashyap: You are getting saving on the music royalty.

Pawan Agarwal: We will be saving some money on our base; we will be saving some money. Not a substantial lot of money but some money.

Dipesh Kashyap: Lastly, the receivable days have also increased to 167. The government revenues are down so why are the receivables increasing so much?

Girish Agarwaal: It's because of the festival billing coming in. So, I don't think there should be a major problem in that.

Moderator: The next question is from the line of Yogesh Kirve from B&K Securities.

Yogesh Kirve: Regarding the raw material costs, clearly, they are down about 40%. Some of the reasons that we talked about earlier. So, are there some portion of this savings which could also be sustained going ahead as well? Can we sustain let's say a slightly lower circulation compared to pre-COVID levels for the lower pages in the interest of profitability going ahead? The kind of P&L that we see right now. It looked quite different from the 3 or 4 years back in a positive way in terms of the relative amounts of circulation revenue, raw material costs, and the advertisements. So, trying to understand to what extent some of these efficiencies can be sustained.

Girish Agarwaal: To be very honest I would not like to save a penny on the circulation front. I would like my circulation to come back to the pre-COVID number, even higher than that because the very simple, higher the circulation higher the market share and I have a more capability to ask for the rate I want, and I have the advertising revenue. So, I would not be greedy for the short term in terms of circulation. I would like that circulation number to come back. Having said that our focus should be on the advertising revenue that how do we reach 100% and plus more on the advertising revenue. At the same time, the cost what we have discussed with you, the personal cost, other operating costs, our focus is there so that cost stays under control and whatever we have taken as a long-term saving should stay with us.

Yogesh Kirve: Just little more thoughts on the linkages between the circulation and the ad revenues. Clearly in this quarter also our circulation seems to be down by like 18% odd, while our ad revenues are down much less at about 13% odd. So, obviously this has played out on a negative side, but on the positive side would that the linkage be that linear, would that increase in circulation will result in the ad revenue increase, considering that it does not declined by as much when the circulation was down?

Girish Agarwaal: In our mid and long-term that does play a role.

Yogesh Kirve: Okay. And I may have missed what you have said, so in terms of the near-term outlook, do we expect to return to say positive or the flattish ad revenue trend in the fourth quarter or in the coming months?

Girish Agarwaal: We are at 87% achievement over last year as of now for the Q3 and our endeavour would be that that how fast we can reach 1~~2~~00% whether it's Q4 and going forward.

Yogesh Kirve: On the digital side, I could see that we seem to be doing a very good job in terms of our app, just looking at the ratings on the various, the app stores. What sort of plan that we may look at going ahead? Are there any thoughts on any pay models or any pay walls or maybe more focused on the advertisements considering that we have made lot of progress over the last nine months?

Girish Agarwaal: We took some liberty from all of you to not allow us to disclose the digital number for some quarters and we would request for the same again. But one thing we can assure you that things are in the right direction. Our DAU, which is a daily active user and our monthly active user has increased four times. If you look at the competitive data of other Hindi and Gujarati players, we are far-far ahead on our app. So, I think we are on the right direction. We need some more time to come to that critical mass~~ths~~ where we believe that yes, we have a large chunk of audience with us and then we think of monetization.

Moderator: The next question is from the line of Puneet Jain from Fair Value Capital.

Puneet Jain: Basically, what was our volume and yield in Q3 in print business?

Girish Agarwaal: We have achieved 87% and I can tell you that volumes are almost at 90% plus. So, yield is certainly down from the regular level by 4%-5%.

Puneet Jain: And what was our average copy realization in Q3?

Girish Agarwaal: When I say yield was down 4%-5%, which means 13% plus 4%-5% because the number is 87%.

Puneet Jain: Yes and average realization?

Girish Agarwaal: In terms of what?

Puneet Jain: Per copy.

Girish Agarwaal: Per copy realization is at Rs. 4.38 is the cover price, realization is Rs. 2.79 and last year it was Rs. 2.69. So, we have increased the realization by 10 paisa.

Puneet Jain: So, are we contemplating a more piece hike in our major market's swings?

Girish Agarwaal: No, nothing is planned so far.

Puneet Jain: Also, one more thing, so in Q3 our overall ad revenue for print business was 87% whereas in October and November we clocked 95%. So, was there a sharp drop in December month or is this a regular thing that after festive season there is a lull and advertisers scale back?

Girish Agarwaal: See what happens, we take the festival days as 32 days, on 32 days of festival which were in October, November mixed together, so in those days we saw 95% growth, overall, it was 87%.

Puneet Jain: This 95% is on calendar period or on a corresponding festive period?

Girish Agarwaal: Festive period. We pick up say, for example, Navaratra's first day till Diwali. So 30-32 days of this and last year same period, it may jump from month to month, but we take the same time to understand what is the apple to apple comparison.

Moderator: The next question is from the line of Anish Jobalia from Banyan Capital.

Anish Jobalia: Just wanted to check our market share movement. If you could comment around your major markets and your emerging markets like Bihar. Our competition has been talking about gaining market share in Bihar. We have also been in Bihar for quite some time, but we still publish that as an emerging market. If you could speak about Bihar a bit, and other major markets in terms of your market share movement?

Girish Agarwaal: We call Bihar as our emerging market because that is our market where we are not yet EBITDA positive. So, our internal definition that the market where we have launched and not yet to become EBITDA positive, we call that as an emerging market. That's one. Second thing as you mentioned about Bihar, so our advertising growth in Bihar is good enough, decent enough, but I won't really say that in Bihar we have gained market share in terms of overall advertising. Competition still enjoys higher government ad revenue as well as ad volume there, really won't be able to say that in Bihar we have gained much overall perspective. But at the same time if I look at the markets of Punjab or Gujarat and Madhya Pradesh even Haryana, some extent in Rajasthan, a few markets, yes, we have gained the market share.

Anish Jobalia: One question about going forward in terms of our coming back to levels of before COVID, in Q3 there was some advantage we had, because of the festive season and there was some shift also in the days between last year and this year. So, then going forward do you think let's say in the next year and the recovery is like 80% of what we were in FY19 and FY20 and still it will take some quarters to come back to 100% or you think that we can reach back to those levels in next year itself? What's your best guess in terms of the recovery?

Girish Agarwaal: I would avoid giving any estimation to you, but what I can tell you that certainly the number targeting for next year is based on 2019-2020 only because 2020-2021 is a washout year in terms of number. So, we are not at all comparing any growth from 2021 number. Our base is going to be 2019-2020 and entire planning for the year 2021-2022 is based on that only.

Moderator: The next question is from the line of Anita Singh from Avendus Capital.

Anita Singh: My question is regarding other expenses in the third quarter, we are seeing a good bounce back from previous quarter of around 37%. So, what would be the line of these expenses and will they further rise as we recover in the coming quarters?

Girish Agarwaal: The thing bouncing back, other expenses have increased? You want to know about QOQ or YOY?

Anita Singh: Quarter over quarter.

Girish Agarwaal: Yes, that has increased because of two reasons, the number of copies, number of pages, the printing expenses, the transportation expenses, and other costs. So, as I mentioned to you that we are happier to bring that expenses back because they are resulting in number of more copies and resulting in more ad revenue.

Anita Singh: My other question is on news print front you said that there is a wastepaper shortage, so there is likelihood of prices going up in the Indian mills. So, what would your mix be of Indian and imported?

Girish Agarwaal: We are at 45% imported and 55% Indian in this quarter, Q3.

Anita Singh: So, would you be shifting that mix to reduce your cost in the coming quarters if you are saying there is a likelihood of time lag?

Girish Agarwaal: I would prefer to buy more of Indian, make in India, but depending on the cost viability we'll take a call when it comes to that.

Moderator: The next question is from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: Thanks for taking follow-up questions. There are two from my side. One, just wanted to understand the revenue contribution from the Tier-1, Tier-2, Tier-3 cities. How does it stack up directional is also helpful? Number two, how has been the advertisement from the local and national, how have they moved, has national more revived and local is more subdued? What's trend on that side?

Girish Agarwaal: National and local I can answer you first. The local revival is faster than national for sure so out of this 13% shortfall of the Q3, local did a better job than national for sure and in terms of the Tier-I-Tier-II-Tier-III I don't have exact break-up here but large revenue actually comes from Tier-II and Tier-III itself.

Sanjesh Jain: When you say large revenue fair to assume….?

Girish Agarwaal: All the bigger market for example if I talk about a particular state who contributes say Rs. 500 crores from advertising, in that Rs. 500 crores the biggest money would come from the top four cities itself, though all will be in Tier-II 20 lakh, 15 lakh population base.

Sanjesh Jain: Telling for us a significant contribution comes from Tier-II and Tier-III and Tier-I is not so big for us?

Girish Agarwaal: In our market except Ahmadabad there is no Tier-I because Tier-I definition is (+50) lakh population. So only Ahmadabad is at 55 lakh population, rest of the cities are below 50 lakhs.

Sanjesh Jain: What is the contribution now local and national? We used to be 66-34. Where are we now?

Girish Agarwaal: Is same, almost the same, 65-35.

Sanjesh Jain: Then it's same, then there is no difference in the national advertiser and the local advertiser, right?

Girish Agarwaal: Yes, but in terms of growth if I have to see the quarter-wise so let me give you the exact number. In '19-20 Q3 it was 61-39 while in this time it has become 64-36.

Sanjesh Jain: So the contribution of local has actually gone up.

Moderator: The next question is from the line of Anuj Sharma from M3 Investment.

Anuj Sharma: When you look down year or two and when you talk to media planners, which are the segments you feel would actually have a strong positive momentum and which category do you think the contribution or I suppose the traction will be slower than what it has been in the past?

Girish Agarwaal: For sure the one which will respond faster are automobile, education, FMCG, real estate, jewelry. The one which will be slower would-be lifestyle, entertainment, cinema. These are the ones those are going to be slow or those who are slow actually currently.

Anuj Sharma: That would be due to their economic momentum but do you see any trend line change in the way these categories would behave over the next may be 2-3 years once the entertainment segment opens up or travel and tourism which are gradually opening. Do you see a trend line of them shifting to different medium and hence are you saying this?

Girish Agarwaal: I am looking at a scenario where the Tier-II-III has bounced much faster and in a better way than the metros. For example, if I am a media planner and I was planning say Rs. 100, out of Rs. 100, 40 was focused on metro and 60 was focused on the Tier-II-III Bharat cities. Now since metros are not performing and even the media and metros also not that performing well so that 40% actually is going down so there is a possibility and which we are seeing could be shifted some money from the metros to the Tier-II-III where the response is coming faster. We have that opportunity ahead of us.

Anuj Sharma: Do you think any category which will significantly reduce in the next may be 3-5 years which was dominant on print but would have shifted or evolved to some other category?

Girish Agarwaal: I am currently not able to visualize any such category; as of now, no.

Anuj Sharma: My second question is on the 'mega' editions. Now that seemed to be a new feature. Would that be a continued strategy going forward and based on the ad to edit on these 'mega' editions, just some thought on that?

Girish Agarwaal: 'Mega' edition is very clear. It gives an opportunity for our teams to rejuvenate the whole market and garner some extra revenues, they look for some opportunities, it could be anniversary, it could be a particular day, it could be feature on the city or whatever. A new window has opened up and that's going to continue, number one. Number two, advertising as we mentioned by ad rated ratio is very simple. We have to see the direct variable cost and anything more than direct variable cost is a profit there. I am more than happy to do that.

Moderator: The next question is from the line of Aditya Khetan from East India Securities.

Aditya Khetan: For the last so many years we have witnessed that the media companies generally ask for doubling down on the ad rate and they are asking for tax holidays in the budget. So being an industry participant how are you seeing these things and whether the demands from these media companies are feasible enough that the government should consider and also I just need your view, how will the things pan out in the near future?

Girish Agarwaal: I must say Government of India has been very considerate. If you remember last year, 2 years back they had increased the advertising rates of DAVP by 25% and I am very confident that the government will understand the issues faced by the newspaper industry currently and they would certainly extend olive branch to us.

Aditya Khetan: On the tax holiday part, how are you witnessing this demand like?

Girish Agarwaal: That would be a part of the package what industry is asking from the government and I am sure they would consider this in some manner. Let's hope next week we should get some good news.

Aditya Khetan: Recently there was a news that the government is imposing an anti-dumping duty on newsprints. How this will impact the EBITDA margins and if I can get any guidance for the next 2 to 3 years?

Girish Agarwaal: Indian government was very clear that they never wanted to hit anybody but at the same time they wanted to make sure that the Indian newsprint manufacturer should also get the benefit and not get penalized because of somebody dumping the quantity in India. So they invited us and we went and we presented our case, the manufacturer represented their case and it was decided that anything up to 42 GSM of a newsprint will not be imposed an anti-dumping duty on that because that is the quantity and the quality which most of the Indian manufacturing mills are not able to produce in the desired quantity and this is a kind of a win-win situation that 42 and below there will be no anti-dumping duty and anything which is beyond 42, there will be anti-dumping duty. As far as the newsprint, newspaper industry is concerned in India most of our consumption I would say almost 100% of our consumption which is imported is 42 and below so there is no impact going to be of the anti-dumping duty. However, we have further made a request to the government that the glazed newsprint and the high bright newsprint which is higher, which is 56 GSM, 72 GSM that should also be exempted from this anti-dumping.

Aditya Khetan: How are you witnessing that the government would consider the demand or they would not consider at the moment?

Girish Agarwaal: I am very positive because government is really looking at each and every sector, the issues and they have understood the issues of our sector and they would certainly be considerate about the problems what we are facing.

Moderator: The next question is from the line of Dipesh Kashyap from Equirus Securities.

Dipesh Kashyap: Did you guide Q4 newsprint price to be 3%-4% higher YOY or Q-o-Q?

Girish Agarwaal: Q-o-Q, YOY there will be a saving of almost 3.5%-4%.

Dipesh Kashyap: That means you are saying in next quarter it will be around Rs. 35-36 per kg that is right?

Girish Agarwaal: This quarter we are at 34500 so from 34500 it will go up by 3%, yes.

Dipesh Kashyap: But current prices, domestic prices are around Rs. 39-40, is that correct?

Girish Agarwaal: I have given you the total mix for the news import and Indian put together.

Dipesh Kashyap: If you go out to buy domestic price will be around Rs. 38-39, is that correct?

Girish Agarwaal: No, our team is very efficient, we are buying much lower.

Moderator: The next question is from the line of Anuj Sharma from M3 Investment.

Anuj Sharma: Just a follow-up, this pandemic had been harsh on media companies, specifically print companies. Are you seeing some of the competition actually withering away and the market remaining strong for the existing players? Do you see reduction in number of players which are competing to you or with you a year ago versus now or do you see that scenario changing?

Girish Agarwaal: As of now, no but I am sure if you have some market information based on that you are asking this, we would see something in going forward.

Anuj Sharma: I wouldn't have any market; I was just saying it was a harsh scenario so it was quite a challenge. There could be many number of smaller players right, not the national players. No issues amongst them, no reduction in competition?

Girish Agarwaal: Possibly the smaller players certainly would not be in position to sustain this going forward.

Moderator: The next question is from the line of Bijoy from TrustLine PMS.

Bijoy: We are reading the news that Australia has imposed some tax on Google to share revenue with the print companies for copyright violation and even France and Belgium are following it and one stage we are in India and what is the, that the lobby you are pushing government and when we can expect that revenue share to happen?

Girish Agarwaal: Indian Newspaper Society and also the Digital Newspaper Publishers Group I think they are representing this case at the appropriate platform and I firmly believe that Indian government and the competition commission and all that will certainly ensure that a fair play is done in India and everybody is taken care of.

Bijoy: Can we expect in 6 months, 1-year timeframe or it may take much-much longer period?

Girish Agarwaal: The way things are happening worldwide and the way departments are functioning I think this should be much faster.

Moderator: The next question is from the line of Himanshu Upadhyay from PGIM Mutual Fund.

Himanshu Upadhyay: Any debt o the balance sheet currently or the cash what we show is the net cash?

Girish Agarwaal: Zero debt even the working capital limit what we took we have not utilized that.

Himanshu Upadhyay: The reply to Anuj you were giving was that you might look for inorganic opportunities, was it what you are trying to elucidate?

Girish Agarwaal: No, we are not looking at any inorganic opportunity as of now because there is nothing on the table actually.

Himanshu Upadhyay: What the capital allocation strategy remains the same that we like to distribute more dividends than?

Girish Agarwaal: Totally, as of now also company has decent cash in the balance sheet and we are very clear that there is no acquisition opportunity on the table, we have no further capital expansion plan so apart from the regular CAPEX next year also, there won't be any major money required by the company. Though we would be slightly cautious, we would keep some cash in the balance sheet because you don't know future is slightly uncertain, this COVID has not yet totally out of the system so we would like to play slight caution that but the policy is simple, whatever excess cash in the balance sheet should be announced as a dividend pay back to the stakeholders.

Himanshu Upadhyay: The circulation copies which are down by 10%, how much would be from matured markets and emerging businesses?

Girish Agarwaal: It's a mix actually. Certain markets are back, certain markets are not yet back. Depending on the logistics also so really won't be able to quantify market wise also.

Himanshu Upadhyay: This 200 crores cost reduction, how much would be non-recurring and how much employee base would have reduced in this whole?

Girish Agarwaal: Around 10%.

Himanshu Upadhyay: How much was previously and how much is currently?

Girish Agarwaal: I don't have exact count here but the total cost saving is around 14% on the Q3 of last year and this year.

Himanshu Upadhyay: On the employee count basis you are saying?

Girish Agarwaal: As a total cost so count may not be that same, count will be lesser.

Moderator: The next question is from the line of Himanshu Patel, an Individual Investor.

Himanshu Patel: How is the trend of the digital revenues right now? Had it been like flattish over quarter-on-quarter or has it been increasing over the quarter?

Girish Agarwaal: Mr. Patel you would be aware that the company we took a call almost last year that we will not accept any advertising on our app. If you see our app, I would request you, urge you to please download our app and go through that so you will find that we are probably the only news-app nothing because we want to give a world-class uninterrupted experience to our readers and that's the reason. Hence in the digital business we aren't focusing much on the advertising for now.

Moderator: The last question is from the line of Dharmesh Sanghoi from DS Associates.

Dharmesh Sanghoi: One follow-up from the newsprint price. When you say 34,300 is it the buying price or is it the final consumption blended price?

Girish Agarwaal: This is the consumption price.

Moderator: Thank you. As that was the last question, I now hand the conference over to the management for closing comments.

Pawan Agarwal: I thank everyone for their participation and time for this earnings call. I hope that we have responded to your queries adequately today and if you have any more queries please reach out to Investor Relation department headed by Mr. Prasoon Pandey if you have any queries. Take care and stay safe everyone. Thank you, have a nice day.

Moderator: Thank you. On behalf of DB Corp Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.