



# DB Corp Ltd

## DB Corp

### Investor/Analyst Conference Call Transcript May 19, 2011

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**Moderator** Ladies and gentlemen good day and welcome to the DB Corp Q4 & FY11 Earnings Conference Call. As a reminder for the duration of this conference all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call please signal an operator by pressing \* and then 0 on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Ms. Malini Roy from Citigate Dewe Rogerson, thank you and over to you.

**Malini Roy** Thanks. Good afternoon everyone, welcome once again to the conference call of DB Corp Ltd and we will be sharing the key operating and financial highlights for the 4<sup>th</sup> Quarter and year ended 31<sup>st</sup> March 2011. We have with us today the senior management team of DB Corp Ltd, Mr. Pawan Agarwal Non-executive Director, Mr. Girish Agarwal Non-executive Director, Mr. P G Mishra Group CFO, Mr. Ashok Sodhani General Manager Finance and Accounts and Mr. Prasoon Pandey Head Investor Relations. Before we begin I would like to state that some statements made in today's discussion maybe forward-looking in nature and may involve risk and uncertainty. I invite Mr. Pawan Agarwal now to share his outlook on the performance for this quarter. Over to you Mr. Agarwal.

**Pawan Agarwal** Good afternoon everybody. It is a pleasure to be on this conference call today, as we share the operational and financial highlights for the fourth quarter and year ended March 31, 2011. Following our opening comments, we will open the forum for your questions and further discussions.

Fiscal 2011 has been another landmark period for DBCL – a time of aggressive expansions to extend and fortify our presence in the Indian media landscape. We continue to be at the forefront of the Indian print media industry as the largest and the most widely read print media group with ~17.9 million readers, in 3 languages, across India's fastest growing markets, as revealed by the Quarterly Results of IRS Q4 2010 that were released in March 2011. Our readership growth has primarily been driven by Madhya Pradesh, Chandigarh, Rajasthan, Punjab, and Chattisgarh, where we continue to retain strong positions. It is noteworthy that we have further strengthened our competitive positions in key regions – Bhaskar enjoys a lead of ~200 % in Madhya Pradesh; In Jaipur, we have a lead of 46 % over competition and are also ahead in almost all the key urban towns in Rajasthan. In the CPH region, we enjoy a lead of 13% overall with a lead of 96% in Chandigarh city, as we also enjoy a very formidable presence in Gujarat with a lead of 22% in Ahmedabad

city. All these key states have been demonstrating strong readership growth that has strengthened DBC's bottom line.

We have been quick to identify high economic growth regions and establish new editions there, as we have done in Jharkhand. We have reiterated our launch successes in Jharkhand and we continue to aggressively develop our existing markets.

This quarter we maintained our emphasis on DBCL's expansion strategy. A landmark development has been Bhaskar's foray in Maharashtra – a region we believe holds strong economic potential and is significantly under-penetrated as low as ~29%. With Maharashtra launch of Dainik Divya Marathi newspaper in Marathi language, we will extend our presence to 4 languages. We have already made strong progress in the region - readership survey for Round 2 for booking of copies is now well under way and the response has been extremely encouraging. We are happy to share the announcement of launch of our first edition of Dainik Divya Marathi from Aurangabad on 29th May 2011.

This quarter DBCL's radio business division was demerged from Subsidiary Synergy Media Entertainment Ltd. and merged with the Parent Company D B Corp Ltd. Our radio business continues to demonstrate steady progress and reports around 34% growth in Advertising Revenue, supported by a robust EBITDA of ~ Rs. 85 million in FY 2011.

Lets us now take a quick review of DB Corp's financial performance for the fourth quarter and 12-month period in fiscal 2011 – overall, our financial and operating performance continues to be encouraging. Our Consolidated total Revenue for 12M of the fiscal year on YOY basis has expanded by ~19% to reach Rs. 12652 million. Our Advt Revenue has grown by 24% on YOY basis to expand to Rs. 10016 Mn from Rs. 8085 Mn. While on identical parameter (excluding onetime net election billing of last year of Approx. Rs. 225 Mn) our Advt. revenue has grown by more than 27% in FY 10-11 on YOY basis. 12M EBIDTA has grown by 18% having expanded to Rs. 4031 million (EBIDTA Margin (~32%) from Rs. 3429 million in the corresponding period of last fiscal. 12M PAT has grown by a healthy 41% YOY at Rs. 2585 million from Rs. 1828 Mn. Our Stand Alone ( Print+Radio) EBIDTA margin this Fiscal stands at ~32.4%, which factors our pre marketing and survey related expenses of around Rs. 163 million for Jammu, Jharkhand, Maharashtra and Bihar which have been booked in the revenue account, instead of capitalizing or deferring the outlay for future quarters, considering the long term impact of these expenditures. Our Mature Editions EBIDTA Margin stands at 38% for Fiscal 2011. For Q4 FY11, our Total Revenues stand at Rs. 3174 million with a YOY growth of around 23% and EBITDA is reported at Rs. 796 million at 25% Margin with YOY growth of around 14%. Our advertising revenues for the current quarter has grown to Rs. 2490 million as against Rs. 1907 million of the corresponding quarter of last year, reflecting a growth of 31%..Our Stand Alone (Print+Radio) EBIDTA margin this quarter stands at ~26% which factors our pre marketing and survey related expenses of around Rs.43 million for Jharkhand, Maharashtra and Bihar which have been booked in the revenue account, instead of capitalizing or deferring the outlay for future quarters, considering the long term impact of these expenditures. Our Consolidated PAT reflects a robust growth of more than 22% at Rs. 450 million from Rs. 367 million of the corresponding quarter 4 of the last fiscal.

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

**Abneesh Roy**

We have seen 27 % growth in Q4, how does the FY 12 year look because some interest-rate sensitive sectors would likely cut down on discretionary spends and

second is in terms of IRS there is some change in the Hindi ranking. Would that have an impact on the advertising growth?

**Girish Agarwaal** Overall growth has been good as most of the industries are able to grow better, whether its automobile, education or any other segment, as of now, if they continue to grow which will lead advertising numbers to further grow. Regarding readership numbers, if you look at the average readership we hold the second-largest Hindi paper and overall we are the largest read newspaper in the country.

**Abneesh Roy** In terms of total readership that doesn't really impact?

**Girish Agarwaal** Even the AIR doesn't impact overall. because the advertiser is more concerned in the market you operate, for example in Madhya Pradesh I have a lead of 200% or in Jaipur I have lead of 40% or in Ahmedabad I have a lead of 22% that matters more rather than the total number of Rs 179 crores.

**Abneesh Roy** Advertising will grow in FY 12 but is it possible to share for the print industry Hindi belt, what would be the industry growth rate, in the broadcasting we have seen people talk about 12% to 14% growth, any numbers you can share?

**Girish Agarwaal** We don't have any industry number available to us because we depend on the ADEX data and that ADEX data is showing a growth but has not been taken as an actual number. Hence whatever numbers other listed companies have to offer we can co- relate with the same.

**Abneesh Roy** What is your expectation or DB Corp's growth in FY 12?

**Girish Agarwaal** This year we have grown by almost 29% on the whole year basis, which would include print and radio put together and we feel this kind of growth should continue.

**Abneesh Roy** Second question is on the Jharkhand business, how do you evaluate a few quarters that have gone by, any change in the cover price you envisage once the one-year gets completed, on the advertising front how have you done and what would be the full-year loss taking Dhanbad into account?

**Girish Agarwaal** The initial numbers of Jharkhand are very encouraging. An integrate readership survey was done for Ranchi city and with IMRB we conducted, it was clearly indicated that Dainik Bhaskar holds the No.1 position in SEC A&B. Our response on the market is good and accordingly the advertising also is building up, and as we have mentioned before, retail advertising is the first one to come in, National does take some time to follow. Now retail has started coming in and national is also following up, Hence we are happy with the response we have got from the market, whatever projections we have taken internally from those markets we are kind on that only.

**Abneesh Roy** And on the cover price?

**Girish Agarwaal** We have booked the paper for one year, while nearing the deadline we will take a call if we should continue it for a year more or take a slight increase That all depends on how the market responds at that time, as well as the competitions response, because when we launched the earlier paper, it was at Rs 4, then it came down to Rs 2 due to which we were able to get a larger share of the copy. It's a pretty dynamic market, which will enable us to take a call closer to the date. However we still have a lot of time to go on that.

**Abneesh Roy** But seeing your track record in Gujarat or even Mumbai in your sibling paper, will it be fair to say that you will not take a cover price hike because in Mumbai you haven't really taken?

**Girish Agarwal** That all depends on the market for example if you look at Punjab where we launched in 2006, we took a call on the cover price after 2 years when we realized that we have got a pretty strong hold on the market. It all depends on market to market you can't generalize a strategy.

**Abneesh Roy** Any sales and EBITDA figures for Jharkhand?

**Girish Agarwal** We don't disclose the individual state, hope you will appreciate that because of the competitive scenario.

**Siddharth Goenka** My first question is on the Maharashtra launch, if you can give us any color as to how many copies are we coming up with in Aurangabad city and what kind of expected total loss, we can expect?

**Girish Agarwal** We are happy to announce that our Marathi brand which is called Divya Marathi is getting launched on 29<sup>th</sup> of May this month from Aurangabad and initial order booking is very encouraging. We hope to launch with clear Leadership status on the day of the launch, and soon after we will be launching into another market which will be in Nasik, the overall response so far from the reader is encouraging. Depending on the response in advertising, we will pan it up based on the total number of losses or the investment, looks into it.

**Siddharth Goenka** When can we expect Nasik launch?

**Girish Agarwal** Pretty soon.

**Siddharth Goenka** Considering that we will be in the investment mode in Maharashtra and Bihar also scheduled at Diwali, what kind of increase in newsprint consumption can we expect in FY 12?

**Girish Agarwal** Newsprint if you look at last year, price wise there has been an 8% increase of the newsprint on a 12 month basis if I consider this 12 months with last 12 months, this year's newsprint has further gone up. So we assume that the newsprint price will go up to almost 15% around that price. The total consumption depends on, for example Jharkhand is done so we know that X numbers of copies today have already been printed and published. But going forward how and when Maharashtra launches happen will also make a difference. To estimate the exact number of copies and the consumption will be slightly difficult right now.

**Siddharth Goenka** What kind of EBITDA margins can we expect for your future quarters?

**Girish Agarwal** If you look at this year as an overall we are at almost 32% EBITDA margin but most importantly if you look at our mature editions, if you remember we explained that there are two markets we operate on. One is called mature edition and another one is emerging markets. For us the editions or the market where we are less than 4 -years-old we call them emerging markets. if you see my mature editions profitability the EBITDA is at 36.5% on the consol basis. if you look at Quarter 4 where our overall margin is at 25%, if you look at the mature edition margin it is at 31.4%. And this 25% margin we have seen in this quarter is after the preoperative expenses, one-time expenses in Jharkhand as well as in Maharashtra because we don't capitalize them so that's come into the revenue count.

**Siddharth Goenka** Are we expected to maintain over 30% margins going forward?

**Girish Agarwal** Our endeavor would be certainly to do that.

**Pratish Krishnan** My question is from the ad growth that you had which is 27%, if you can give us some sense in terms of what was the volume versus yield sharing at?

**Pawan Agarwal** Last to last year majority of our growth was derived from volumes. This financial year we have grown 50% from volumes and 50% from yield and going forward we feel that similar trend would continue, yield and volume will be a good combination this year.

**Pratish Krishnan** What was the number for the quarter?

**Girish Agarwal** Suppose my growth is at 27% in the whole year, quarter-to-quarter if you want to understand it varies from 45% to 55% between the yield and the volume ratio in terms of further growth.

**Pratish Krishnan** In terms of the pricing environment, you had some plans to increase the ad rate any comments on that?

**Girish Agarwal** We did increase the rate in the month of April a bit. now we have not taken a major increase but we have reshuffled our rate card in a manner where we are able to extract the right value and increase our yield. For example we have cut down our color rates so encouraging the black-and-white customer to go to the color and cut down a discounting on the color. I would call it more like rationalizing the rate card to help us gain more yields.

**Pratish Krishnan** Any numbers that you can throw in terms of what is the impact that you see on the.....

**Girish Agarwal** I would expect the impact of anything around 12% to 14% on the rate side, yield improvement I would put it that way.

**Bijal** My first question is on Jharkhand. What is the circulation right now and how much do we plan to increase it to in FY12?

**Girish Agarwal** If you look at Ranchi, Dhanbad, and Jamshedpur put together, we are on an average of 2.25 lakhs copies. However we have yet to open up in some of the interior markets of Dhanbad, so keeping that in mind I think 2.5 lakh copies would be the numbers for overall Jharkhand. That would be the average for the entire year.

**Bijal** For the next year?

**Girish Agarwal** Next year it will be slightly higher because this will go up to almost 2.9.

**Bijal** It will be close to 3 lakh copies in Jharkhand itself in year 2012?

**Girish Agarwal** Yes 2011-12.

**Bijal** And would it be the average 3 lakh or will we it be ramping up through the year?

**Girish Agarwal** It will be almost average 2.85-2.90 as per our plan.

**Bijal** Beyond that in FY13 do we need any further growth on number of copies or that would be fine?

**Girish Agarwaal** This kind of copy in Jharkhand is sufficient enough.

**Bijal** Secondly on Maharashtra now Jharkhand despite being a small state relatively we took almost 8 to 9 months to ramp up completely. How soon can we expect to complete our Maharashtra ramp up which is going to start from this month end?

**Girish Agarwaal** We are launching Aurangabad in the month of May. We will be launching Nasik very soon, around monsoon time, and it will be our endeavor to cover up Maharashtra as fast as we can. But at the same time considering the aspect that we should be able to rationalize it for the team to ensure the success there. Because our purpose to launch is not just to launch, but to launch, gain the readership, and become a kind of leader on the day one so that we can attract the right kind of advertising. If you look at our process, it is slightly more tedious, where we go to the readers, meet them up, discuss, understand their requirement and then go back to them again and then book a copy. So, that they get involve with the brand not just because the price but because of the overall offering of the brand. This whole exercise takes 3 to 6 months' time for a launch. Considering that we go one after the other.

**Bijal** Would it take more like a year's time because Maharashtra being much larger state as compared to Jharkhand?

**Girish Agarwaal** Certainly

**Bijal** That effectively means that as Bihar launch is it has to happen after Maharashtra then it would be more like FY13 phenomenon rather than FY12?

**Girish Agarwaal** As of now we have slated Bihar towards the end of this financial year and calendar year. But it all depends how the market requires, what time we get the things in Maharashtra as well is in Bihar. It will be difficult for us to comment right now and I hope you will appreciate from a competitor point of view.

**Bijal** We wanted to get some pointers on what we are thinking. One question on margins, all along last year when we were planning this launches even when Bihar was announced and post that Maharashtra was announced you were talking about maintaining a margin around 27% to 30%. Do we stand by that the guidance or we withdraw any guidance on the margins going forward?

**Girish Agarwaal** As a Company we don't give any forward-looking guidance as such. What we can say that for example this quarter we have done 25% margins at consol basis and if I see my mature editions I have a margin of almost 31.4%. The number has come down because there is a one-time pre-operative expense of almost 4.5 Crores in this quarter that has taken down. It would not be consistent on a quarter-to-quarter, one quarter it could be much better and one quarter could be slightly down because of these launches to be created in that quarter.

**Bijal** I am talking only about the annual guidance that annually do we stand by that 28% margin guidance or it could be a bit lower because we are launching in a couple of states now?

**Girish Agarwaal** 33% what we have done overall in the year considering that we would certainly try to be around there, as of now it doesn't look too difficult.

**Vikash Mantri** How is the competition placed in Aurangabad, Nasik, in terms of what kind of circulation would we have to reach to become number one?

**Girish Agarwaal** We have one single large competition in the city of Aurangabad and they are placed in the city and again there are two, one is a city circulation and the other is up country circulation. Our focus is city circulation in the first go. They are at around 65-68 number as per our sources and we feel we would be better than that.

**Vikash Mantri** What could be Nasik like?

**Girish Agarwaal** Nasik is a smaller market than this.

**Vikash Mantri** In terms of our Maharashtra play out what kind of build-up do we expect in 12 to 18 months in terms of circulation?

**Girish Agarwaal** We are launching with Aurangabad, that would be in the month of May, then we are going to Nasik and then we will have to go to other cities of Maharashtra market and once we roll out we will keep you informed about which market we are rolling and what kind of circulation we are doing in that market.

**Vikash Mantri** But will our foray be bigger than the Jharkhand foray which is at 2.5 lakhs or going up to 2.9 lakhs in 2012?

**Girish Agarwaal** Yes.

**Vikash Mantri** we should be looking at the bigger foray in Maharashtra clearly and in terms of Bihar will we have a similar play out as Jharkhand or more than that?

**Girish Agarwaal** Bihar would be similar to Jharkhand that's what it looks like.

**Amit Kumar** We have a fairly good sense of that you will be covering Maharashtra except Mumbai and Pune but as we understand Mumbai and Pune themselves are reasonably large Marathi markets. Just wanted to get a sense of how are we are going to pitch our Maharashtra minus Mumbai and minus Pune presence to advertisers. What was the advertising strategy behind this?

**Girish Agarwaal** It is very clear that Mumbai is not considered in the media plan as a part of Maharashtra. Mumbai is a Metro so when a media planner plans to put in a software when they think of Maharashtra Mumbai is out of way because Mumbai is a separate package called Metro package. Now coming to Pune, Pune is a big market in Maharashtra but at the same time we believe that the market which we are addressing is largely the market which is growing much faster and the real Maharashtra I would say which is the Marathwada as well as Khandesh and a part of Vidarbha that is the market we are targeting and that itself is a bigger market. So we are targeting that market and whatever discussion we have with the advertisers, people buy the market rather than the state especially a state like Maharashtra which is such a huge state people buy by the belt that who is stronger in Kolhapur or who is stronger in Nagpur or who is stronger in Aurangabad and yes if you have a Pan-state presence you do get an advantage. But that's not a disadvantage so to say.

**Amit Kumar** Not being in Pune, you don't view that as a disadvantage in anyway?

**Girish Agarwaal** Yes as of now and if we feel that there is a disadvantage we would certainly get into Pune also.

**Amit Kumar** On the core business, you mentioned for the full year you have mature edition EBITDA margin of around 36%. What would be the number for this particular quarter, your overall margin is about 25%, just wanted to get a sense of how much is mature and what are you looking at in terms of emerging edition losses in this particular quarter?

**Girish Agarwaal** 31.4% is the mature edition EBITDA margin for this particular quarter on the consol basis which includes our other businesses also.

**Amit Kumar** When we are talking about this 31.4% EBITDA margin does this include some of the small editions that you have launched in some of the core markets like Rajasthan, Gujarat, and MPCG as well?

**Girish Agarwaal** Yes.

**Amit Kumar** That is the part of Mature edition?

**Girish Agarwaal** Our definition of emerging market is very straight, any edition which is in less than 4 years of age is considered to be an emerging market for us. We launched Ratlam or Mehsana last year so it is a part of the emerging markets. Though they are a part of our mature editions states like Madhya Pradesh and Gujarat but those editions are emerging markets.

**Amit Kumar** My final question was with respect to our circulation revenues. A little bit surprise to see our circulation revenues were actually declining by just about a percent on Q-on-Q basis. This is besides the fact that this time it was a first full quarter of operation of Jamshedpur as well. So in our core markets are we seeing any sort of pressure on that side or how do we read this basically?

**Girish Agarwaal** We realized that if we have to sustain this kind of growth of 27% or 29% of advertising we need to have more penetration in the markets required for us of the existing editions. For example if you realize last year we have launched edition like from Ratlam, Mehsana or Barmer or Bhatinda and all that. The idea of these launches within the existing states was to further increase the copies and get more advertising. Like in the case of last quarter we have taken a call and in Chhattisgarh we realized the markets were growing very fast. we wondered what would penetrate Chhattisgarh further more thus we took a call of offering an invitation price in Chhattisgarh and offered a new product altogether called DB Star along with the main paper . Accordingly we reduced the price and attracted more readership. Hence you see a flat or a 1% decline on the circulation revenue as such because we were increasing the copies, but at the same time we are not increasing the rates. In fact we are taking a cut on the rate in some markets also.

**Amit Kumar** Anything which happened on in the last particular quarter?

**Girish Agarwaal** We have taken a call in Chhattisgarh to grow the copies and I am happy to share with you that our yield has further grown and soon we will be launching one more edition in Chhattisgarh.

**Nirav Dalal** The news print numbers for FY11 consumption.

**Girish Agarwaal** 1,41,000 metric ton is the consumption of the news print.

**Girish Agarwaal** Do you want the last year number also?

**Nirav Dalal** Yes



**Girish Agarwaal** 1,30,000 MT

**Rushabh Sheth** what's happening on your key market that you are present in and what's happening on ground in terms of how do you see trends and changes happening which you see may be adverse or favorably and how do you see us capitalizing on that on a more broader sense in the key markets that you operate in.

**Management** In our markets consumption is the buzzword. Especially the consumption of cars and gadgets and lot of things are really happening in a big way and it surprises me at times, but good for us and good for all the companies operating in these markets. Based on that we decided that we need to increase the penetration in all our existing markets. last year we have launched almost some four - five editions in our exiting editions in Madhya Pradesh, in Punjab and we further increased the printing centers by almost 10 - 11 more printing centers were introduced last year. keeping that trend going further we are very clear that this year also we will launch few more editions in our existing markets of say Gujarat or Madhya Pradesh, Chhattisgarh, Punjab, Rajasthan to increase the penetration in those markets to cater do the advertisers..

**Rushabh Sheth** If you look at readership numbers in some of these hinterland or some of these fast growing markets, it still may not be growing as rapidly as you would have thought. Is it because of what you said is, that may be now pushing the circulations. So over a period of time it will translate into readership because you have not seen really any significant readership growth. Though may be you have seen circulation from some of these....

**Girish Agarwaal** According to this industry either you read a paper but do not purchase one or you do not read a paper at all. . So I have to go and make you read a paper. Then after that I should ensure that you buy a paper, because in a particular market like India, for example in UP I am told that average readership is almost 14 readers per copy, whereas if you look at Haryana, which is also a kind of a rural economy market, the readership per copy is as low as five or six. This is because we have converted those readers into buyers; if you read the paper as well as buy it then you tend to read the paper for longer which in turn leads the advertiser to get more readerships that is more response through the numbers. Also whatever copies we are increasing in the various markets that is to convert into a direct readership will take almost 18 months.

**Rushabh Sheth** So what you are saying is that even if the readership numbers are not going up so significantly, but if your circulation goes up and if people are spending more time per copy, then effective advertisement conversion will be higher or may be that you will be able to charge more for that right?

**Girish Agarwaal** Exactly.

**Rushabh Sheth** How do you sort of quantify that because typically everybody goes with readership numbers. Readership doesn't rise, but how do you go to advertise and say that now the circulation has increased so therefore even if readership remains same, you should may be pay me more for this?

**Girish Agarwaal** Advertisement in India unfortunately or fortunately there is no parameter that who ever has more readers will get more advertising rates. Well if that is the case then Hindi new paper should have actually premium over English.

**Rushabh Sheth** There is always a purchasing power issue that comes in, right.

**Girish Agarwal** Even then too if you count that out, Hindi would be at par with English. But what happens is that the response that you receive because the dealer who is sitting in that market, he comes to know by evening itself today morning when my ad came in the paper, how many cars have I sold, how many televisions have I sold. That is the true parameter of response and then he is willing to pay a premium to you over your competition even if you have the same kind of readership For example if I have 10% more circulation or readership over competition, I may not get the premium but if I get a 30% more readership and more circulation I may get a 100% premium over my competition.

**Rushabh Sheth** Right, so the focus has to be to really increase the readership wherever you are present in terms of the market right, I mean, clearly that we are about to drive it.

**Girish Agarwal** Very much.

**Girish Raj** If you adjust the survey related expense of 43 million, the EBITDA margin would have been 26.4% for quarter 4 still lower than the average full year. Is there any other expense other than the survey related that you don't see coming or going ahead or...

**Girish Agarwal** May I draw your attention towards the last year Q4 EBITDA margin?

**Girish Raj** It was 27% if I'm correct.

**Girish Agarwal** I you see from 27% I'm down to 26.5% or 3/4<sup>th</sup> of a percent down in spite of entire Jharkhand being operated, because we understand Q4 of print media is not a very large banking of the print media were actually on the Q2 and Q3.

**Girish Raj** Advertisement related growth was much higher than the quarter 4 FY10 then you grew only 10% now it was approximately 20% 22% or 30% advertisement revenue. Was there any one of, which you don't see going forward, any of the line items expense.

**Girish Agarwal** Some of the growth also came because of Jharkhand because in last Q4 Jharkhand was not there and also those new editions which were launched last year in our existing market were also not there. Some of the growth has come from there but having said that the large growth has come from our existing markets. And since we know that there will be a kind of a pressure on the new markets that's the reason our focus is on our existing market to grow more revenue so that they can support the new launches.

**Girish Raj** Second question would be on the tax rate. Since we would be making losses on the new editions for next two years at least, what would be effective tax rate you would assume for next two years at least?

**PG Mishra** There will not be any change in the tax rate because whatever the EBITDA loss is that will be adjusted with the EBITDA positive of other centers. The tax rate will remain unchanged.

**Ritwik Rai** What's the low effective tax rate for this year?

**Girish Agarwal** We didn't have the low effect tax rate because of the de-merger of the Synergy Media and the merger into DBCL that's a one time benefit we got on the tax. Next year it will be back on to the normal 32% - 33%.

**Ritwik Rai** In terms of ad revenue growth in mature markets, the markets that you were talking about 36.5% on EBITDA margin, what kind of growth in advertisement are you seeing, is it significantly different from what you see overall?

**Girish Agarwaal** 29% growth which has come in the print and radio business put together largely because this is a comparison over last year where Jharkhand was not there, and Jharkhand here is very small it was effectively for almost 1.5 quarter.

**Ritwik Rai** In the mature markets and emerging markets, the difference will be a lot more than Jharkhand right?

**Girish Agarwaal** 29% on my average, my mature market would be higher than this.

**Ritwik Rai** For circulation revenues, can you give us some guidance of what we can expect in the terms growth here for the next one or two years?

**Girish Agarwaal** We have decided not to take any major circulation price hike. That cushion we want to keep with us. In case something unforeseen happens then we always have that cushion to work on, but otherwise we would like to keep on the expansion mode and the penetration mode to increase more copies and for that we don't want to hike up the price.

**Vikas Mantry** As you mentioned that people buy various markets rather than states. Does it mean that in Maharashtra or may be in Jharkhand your maximum advertisers will come quickly because they will buy in specific market right. If you are number one in one market, your losses will be lower because it will be covered up by increasing advertisement spending.

**Girish Agarwaal** Very much. That's the reason we are very hopeful that once the IRS report comes out of Ranchi, but unfortunately what happened these reports anyway takes 12 months to 16 month time to cover you up. So once these reports are out we will get the advantage of that, but before that the retail readers, he doesn't wait for these report. He sees the paper in the morning sees the response by evening and they will take a call. So I don't have to wait for that 12 months or 14 months in the retail market.

**Vikas Mantry** It takes you around 12 months to 14 months or may be 15 months for you to get national advertiser on board.

**Girish Agarwaal** No. They start coming in but initially they come in with lot of questions in their mind. They don't come full way. They give me less rate, but once the reports are out then they feel more comfortable to join hand.

**Vikas Mantry** Your overall circulation, let's say we have launched the number of editions that we want to launch in, in the two states of Bihar and Maharashtra. What would our circulation figure look like post all market launches? May be 1 to 1.5 years down the line. currently I think it should be around 41 lakhs

**Girish Agarwaal** Right, that's what the number is. And what is going to be in next 1-1.5 years it depends how fast we ramp our editions. Example, Aurangabad is getting launched now and Nasik is getting launched so may be around 2 and 2.5 lakh copies will added on now. And then depends how the other editions come in accordingly they will get added on.

**Vikas Mantry** As of now it will be very difficult to project what kind of circulation we will be having may be 1 year, 1.5 year down the line.

**Girish Agarwaal** Yes

**Vikas Mantry** Would you like to mention some synergy between radio and print if at all and what would be your strategy for radio phase III? Though its unclear at this point of time but I would like you to throw some light on that.

**Pawan Agarwal** As far as the synergy is concerned there is a very strong content synergy in place which makes sure that we drive the listener from print to radio and listener from radio to print. So the content synergy is very strong as far as the advertising synergy concerned, we make sure that radio also goes to those advertisers pitches to those advertisers who advertise in other news papers so that the larger market share or the equity of the advertiser comes to the entire company radio and print put together. When phase III is concerned, we are still waiting. So, wait and watch more clarity on phase III.

**Vikas Mantry** Let's say in a market, any UP market or any other market for that matter what would be the average difference between a 10 second spot in radio versus the sort of 4x4 or whatever normal advertisement rate is. So how effective or how cheap is radio vis-à-vis print.

**Girish Agarwaal** You can't compare these two like this.

**Vikas Mantry** What would be an appropriate measure here to get efficiency from the point of view of advertisers?

**Pawan Agarwal** We have benchmarked is radio spend, 3 years ago were about 3% to 3.5% of the total industry pie. That has moved to almost to about 6.5% to 7% now at this stage. Looking at our own working we realize that we are anyway between 8% to 10% of what we do as a business, radio is getting almost about 8% of the advertiser's money from that share. So that how you can see we expend what we have. It doesn't matter how effective or how cheap it is and what matters is how and what kind of delivery it is doing. So for an advertiser its doing about 8% to 10% delivery.

**Vikash Mantri** The Maharashtra market again in this case also we have similar introduction plans that we had in Jharkhand and do we have barter deals with advertisers for the same?

**Girish Agarwaal** We do have an introduction plan here but regarding the barter deals we have done some deals with the advertisers for the barter, for example Aurangabad is taken care of and in case of Nasik what do we offer to the reader and accordingly we will have to go on some deal. So there are deals in the process some of them are done and some of them will be done depending on the requirement.

**Vikash Mantri** In terms of preliminary expenses with respect to these offers should not be high, how you have given that at least Aurangabad we have a barter in place.

**Girish Agarwaal** True.

**Akash Chattopadhyay** What is your absolute circulation numbers as of the end of Q4-FY11 and what is the circulation growth that you are looking in your existing market I understand that Jharkhand and Maharashtra would be difficult to predict but in your existing markets?

**Girish Agarwaal** If you look at my Q4 circulation number, we stand at around 41 lakhs.

**Akash Chattopadhyay** In your older markets are you pushing circulations so do you have any figure in mind what kind of growth is it.

**Girish Agarwaal** Out of this 41 plus lakhs we have some 220,000 copy from Jharkhand and balance is our existing markets and we been able to grow there also.

**Akash Chattopadhyay** Going forward in the existing markets any circulation growth that you are looking at?

**Girish Agarwaal** We are looking at launching more editions and expanding our reach as I was explaining earlier and take some more copies in these markets.

**Abneesh Roy** What's the strategy on news print in terms of inventory and how much do we expect to go up in FY12 by 7% from FY11?

**Management** FY11 has been 8% that may go up to almost 15%.

**Abneesh Roy** Incremental FY12 versus FY11 is 7%?

**Girish Agarwaal** Yes 7.8%. And we assume that this may go up to 15% in terms of news print cost and our inventory policies stay the same. The imported we are stocking for almost 5 to 6 months and Indian around 15 to 20 days.

**Abneesh Roy** But Indian has been going up faster, is that correct?

**Girish Agarwaal** Yes Indian has being going faster they have been kind of catching up with the imported rates but advantage what we get in Indian is that we don't have to keep a larger inventory. We don't have to commit a higher rate. Those fluctuations we get in our favor.

**Abneesh Roy** In radio you have done quite well. In states wherein you are strong in print how do we rank in terms of radio have we overtaken Mirchi in Indore? Can u share Some insight on that

**Pawan Agarwal** In the markets we measure the success of radio by the volume of seconds that we burn and in all the 17 stations that we run total seconds that we burn we are the leaders in the segment in all the 17 markets.

**Abneesh Roy** What's the inventory utilization currently and what was it last year?

**Pawan Agarwal** It is varying between from smaller stations which is at about 50-55% and larger stations it has gone to 80-85%. So going this year our emphasis is largely on the yield in radio and where we feel that the growth is going to come from and we are getting a very good response on the yield. In the last three years the advertisers have now started to rely on My FM brand.

**Abneesh Roy** In print what's the split between corporate and retail advertisers in Q3 it was I think 57% local. What's the Q4 number?

**Girish Agarwaal** This year also it is 57/43 which indicates that the national market has bounced back.

**Mohan Lal** How do you decide what would be the optimal number of copies in any market in which you decide to operate. On what basis do you determine that these many

copies I need to kind of breakeven or become reasonably profitable and after what point would you decide that you will not put in more copies in that market?

**Girish Agarwaal** It is a very complexed working and dynamic as well, as there are various elements playing into it. The number of copy which our competition sell in that market, number of copies which that market can take to be number one. As well as the copies which the market can sustain, at the same time how much losses I can sustain for that market. So it has multiple factors and it changes from market-to-market.

**Mohan Lal** Would it significantly depend upon the behavior of the incumbence in that market?

**Girish Agarwaal** That is also one of the factors.

**Mohan Lal** It should ideally be proportional on the long term basis to the consumption potential of the target market right?

**Girish Agarwaal** That is also one of the factors because you can't alone depend on that. So you have to see what your competition is selling, how much is the gap in the market and how much that market can take from the financial point of view.

**Mohan Lal** Would it be fair to assume that if the number of copies launched in a market surpass let's say the optimal threshold, you will not hesitate in cutting down the copies and come back to a little lesser size?

**Girish Agarwaal** Certainly For example though generally it doesn't happen,. But for example if I believe that in a particular market I'm at 1 lakh copies and my competition is 50,000 copies and the market is not able to pay me back so should I cut down the copy? I will not cut down the copy I will increase the cover price.

**Moderator** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor back to the management for closing comments. Please go ahead.

**Pawan Agarwal** On behalf of the management I thank you for your participation and time on this earnings call. I hope that we been able to respond to queries adequately. However, we will be happy to be of all assistance should you have any further enquiries. Thank you.

**Moderator** Thank you gentlemen of the management. Ladies and gentlemen on behalf DB Corp that concludes this conference call. Thank you for joining us and you may now disconnect your lines.