

## Conference Call – Quarterly Results – Q2 FY19

Transcript of webcast and conference call on Q2 FY19 results of  
**HT Media Limited**  
&  
**Hindustan Media Ventures Limited**

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**MANAGEMENT: MR. PIYUSH GUPTA – GROUP CHIEF FINANCIAL OFFICER – HT MEDIA LIMITED**  
**MR. RAJEEV BEOTRA – CHIEF EXECUTIVE OFFICER – HINDUSTAN MEDIA VENTURES LIMITED**  
**MR. SANDEEP GULATI – CHIEF FINANCIAL OFFICER – HINDUSTAN MEDIA VENTURES LIMITED**  
**MS. ANNA ABRAHAM – HEAD OF INVESTOR RELATIONS, FINANCIAL PLANNING & STRATEGY – HT MEDIA LIMITED**



Note: Please note that the transcript has been edited for the purpose of clarity

**Moderator:** Ladies and gentlemen, good day and welcome to the HT Media Q2 FY2019 Earnings Conference Call. 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. Please note that this conference is being recorded. I now hand the conference over to Ms. Anna Abraham, Head of Investor Relations, Financial Planning and Strategy. Thank you and over to you Madam!

**Anna Abraham:** Thank you Rio. Good morning everybody and thank you for joining our Q2 earnings conference call. Joining me on the call is Mr. Piyush Gupta, our Group CFO; Mr. Rajeev Beotra, CEO - Hindustan Media Ventures Limited; Mr. Sandeep Gulati, CFO – Hindustan Media Ventures Limited; and my colleagues from Finance and Investor Relations team – Pervez, Amit and Sankalp. You would have seen our results. We have had a tough set of numbers this quarter. There have been a few one-offs, but core operations have also been impacted given the ad and the newsprint environment. Over the course of this call and presentations, we hope to take you through the key details of our results and will be happy to answer the queries that you may have.

I am now moving onto the presentation, our remarks today will track the presentation on webcast. It is also available on our website. I am now on slide 2 of the presentation and would draw your attention to the cautionary statement given there. Moving onto slide 3, during the course of the call, we hope to cover these areas and give you a sense of how our performance has been. Slide 4 gives our Chairperson's message on our Q2 results. With this, I hand over the call to Piyush to take you through the details of the results.

**Piyush Gupta:** Thank you Anna. Good morning everyone and welcome to HT Media's Q2 FY2019 earnings call. It has been a tough quarter. We have been alluding towards the raw material prices, which have been playing for quite some time. This quarter was also impacted by the currency movements, which bore down heavily on our predictions. As far as the revenue is concerned this quarter, the timing of the festive season vis-à-vis the same period last year has shifted out, which had a damping effect on our revenue scenario. The revenue markets generally have been soft for quite some time. Also, most of the seasonal revenue which should have started coming into the second quarter, has now totally defrayed itself into the third quarter. So in the second quarter, we have got a pretty challenging situation and the numbers are not so good.

I will now move on to the highlights of the quarter. In Print, the continued delay in revival of ad spends, particularly by national advertisers, has plagued us in this quarter. We have been alluding to the investors that there is a slowdown in the ad market. On the national advertisers, the bump back is still to come back and we are still not seeing the early signs of that. Ad revenue has been further impacted by the base effect due to the postponement of the festive season. Therefore, the next quarter we will have the full impact of the festive

season coming into that quarter. However, in Hindi circulation revenue, there is a growth which is basically driven by cover price actions. We had alluded to this in the last call that given the raw material scenario, we will be taking cover price actions. We have taken this now and you can see the impact of that in the financial results. Operating margins, however, have been dented with a very high newsprint price and negative operating leverage due to muted growth.

Coming onto the Radio segment, which has had a strong performance, with a double digit revenue growth. The margins have come out very strong at 31%, which is a stellar margin as far as the other listed peers are concerned.

Moving on to financial summary of the quarter. Our operating revenue has de-grew by 6% at Rs.513 Crores. Operating EBITDA has come down to a negative 19, which is from erstwhile by Rs.95 Crores and margins therefore have come to a negative 4%. PAT is at negative Rs.42 Crores, which has gone down very sharply versus same period last year. I would like to point out a couple of things. There is a labour dispute provision that we have taken into the financials consequent to a certain court judgement that we have received. Thereby we have taken a provision of about Rs.20 Crores. Also, our mark to market losses on our strategic investment portfolio has been at Rs.20 Crores. Taking these out, this would have been a break even PAT, but still a sharp decline from Q2 2018 which was Rs.66 Crores. PAT margin, as a consequence, has come down to (7)%. Net cash has come down by about Rs.100 Crores from Rs.1,173 Crores to Rs.1,071 Crores. The reason for movement in cash is primarily our investments into working capital. Given the escalated newsprint rate scenario, we have been upstocking the newsprint at favourable prices for few extra months, and that is where most of the cash deployment has happened. As we move along the financial year, most of these working capital investments will be released.

Moving onto business unit performance level. Print ad revenue reported an 8% de-growth, coming at Rs.353 Crores. Circulation revenue registered a growth of 4%. Operating revenue is down 9%, Operating EBITDA is at Rs.8 Crores and margins have come down to 2%.

Moving onto the next slide on English segment, the decline on Ad revenue is much sharper on the English segment than on the Hindi. As I alluded earlier, the national clients are still seeing some softness, so there is a 10% degrowth on the Ad revenue at Rs.206 Crores and circulation revenue has declined by 5%. Looking at the sectoral analysis, key sectors like Government, Real Estate and E-Commerce have reported a growth in this quarter. However, Retail, Auto and Entertainment categories have been muted. Both Local and National spends were muted on a Y-o-Y basis.

Moving forward to the Hindi segment, our operating revenue is down by 2% at Rs.206 Crores with operating EBITDA coming at Rs.8 Crores. Operating EBITDA margins are at

4% and PAT has come down to Rs.13 Crores. PAT margins are at 6%. Net cash in Hindi segment has grown from Rs.868 Crores to Rs.913 Crores, which is a growth of 5%.

Next slide gives a score card for Hindi. The quarterly Ad revenues are down by 7%, in contrast to English which was down by 10%. A bit of a pickup on the Hindi markets can be seen on the local revenue. But the big national clients, which are primarily sitting in the English revenues, are still slow. The good story is on the circulation side, whereby the circulation revenues have grown strongly at 8% from Rs.50 Crores to Rs.54 Crores. On the sectoral side, the Government, Real Estate, Medical Health & Fitness sectors have witnessed traction on Ad revenue. Circulation revenue growth on both Y-o-Y and sequential basis are a result of our focus on yield improvement and cover price actions that we have taken. Local Ad revenues are supported by an uptake in both yield and volume. However, national advertisement still remains soft. Retail, Auto and Education categories are also muted.

Moving on to the radio segment. Our operating revenues have grown by 11% at Rs.47 Crores. Operating EBITDA is at Rs.14 Crores and operating margins have come at 31%. EBIT is Rs.5 Crores and EBIT margins have grown to 12%. Operating leverage continues to drive the margin expansion. We are maintaining a very tight cost control in radio and most of the growth that we are managing on the topline is helping us shore up the margin. Real Estate, SMEs and Media & Entertainment categories have shown growth. With this, I come to the end of the presentation, and I will leave it for Q&A from you guys. Thank you.

**Moderator:** Sure. Thank you very much. We will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. We have the first question from the line of Gaurav Gupta from Dhirav Group. Please go ahead.

**Gaurav Gupta:** Yes, thank you for taking my call. My first question is with respect to the investments that we are consistently making in our group companies, whether domestically or overseas. In the last quarter as well, we have invested somewhere around Rs.49 Crores in HT overseas. May I know the end use and how we are targeting this strategic investment and how it is going to benefit the company in the long-term or short-term? What is the idea behind the management of investing such an amount in the company?

**Piyush Gupta:** Thanks for the question Gaurav. There are various investments that the company keeps on making in various entities, both on shore and off shore. Regarding the particular investment in the music entity that you are referring to, you would remember that in last quarter, we had taken the group through M&A that we are trying to put together on the radio side. This was the reason that we had invested that money in the music entity. The status of that transaction is that it is currently awaiting regulatory approvals and we have already made our filings with SEBI and other regulators. Once that filing goes through, radio will then become a listed entity in itself and then you can see the benefit of that investment going

forward. So that investment right now is currently sitting in a structured transaction, which is awaiting a government approval. Once we receive the approval it will give a rise to a separate legal entity, which will be listed and which the shareholders will get equity for. I hope I answered that question.

**Gaurav Gupta:** My question was that in this quarter we have made an investment of Rs.49 Crores in HT overseas. The Rs.300 Crores investment that you have made was in HT Entertainment, which houses your Chennai's operations. My question is regarding approximately Rs.49 Crores that you have invested in Q2 FY2019 in HT overseas?

**Piyush Gupta:** I have got that, Gaurav. I just told you about the earlier investment. The Rs.49 Crores investment that we made in our overseas subsidiary called HTOS, is basically to strengthen the core operations. Three years ago, when we created this overseas entity, the whole idea was to evaluate various offshore clients or offshore entities which have an India-focus business strategy with whom we can engage in an offshore manner, whereby we can bring in more value to the Indian business of HT Media. Various activities in terms of international newsprint procurement, international advertisements, international strategic deals, housing of our digital businesses, etc., those were the stated objective for which this entity was created. This investment is also done for exactly the same purposes. We are looking at various opportunities whereby revenue and cost optimization strategies can be driven from the offshore entity, and that is the reason for this offshore investment.

**Gaurav Gupta:** I am sorry I am just taking little bit extra time. Considering the past track record the kind of investment that we have made, whether it is HT Overseas or HT Mobile Solution or Firefly E-ventures, I was just going through the annual reports of these companies for last couple of years, all the investments have turned bad. There is no such return that we have got from any of these investments. We have heard from the management in the last year, they were doing the cost rationalization in the operations. But is there any cost rationalization that we are targeting towards these investments. Because isn't this good money turning bad?

**Piyush Gupta:** Gaurav, there are multiple ways of looking at it. I think the investments that you have just enumerated, may have not panned out as we had anticipated. But if you look at a longer spectrum, right from the investment in our Hindi locations after the IPO and of taking that business to a second level, or our investments in radio whereby we were the single biggest participant in the radio auction of phase III by the government; there are quite a few investments which have gone very good also. Some other investments, which you just enumerated, have not gone to our liking. If we see HTOS investment in the last 3 to 4 years, I do not think that we have over-capitalized the entity. I think this investment is primarily for strengthening the core business here in India. We are clearly seeing that there are a lot of international players who have an India focus strategy. We are trying to tap into the players at the source level, and that is the reason we are strengthening the HTOS balance sheet.

- Gaurav Gupta:** Sure, my last question is with respect to this investment property that we are showing in our balance sheet that is near about Rs.462 Crores as in Q2 FY2019. In annual report, you disclosed that something went wrong with investment properties in Amrapali Group. Now you have disclosed that something went wrong with Lavasa because of NCLT and slow down in the Real Estate sector. So as an investor or shareholder, can we catch hold of where we have invested this Rs.462 Crores, and the kind of quality behind this investments. I am just relating these with bad investments that we have done in other entities. So, I am just little bit worried about this Rs.462 Crores. How good this investment is?
- Piyush Gupta:** Gaurav, we keep on checking their quality of these investments every quarter. If we see a certain amount of provision or diminution in the value, we recognize that provision. The two instant properties that you referred to, Amrapali and Lavasa group, have gone into IBC process and therefore we have taken the mark to market provision on some of these assets. But if you just pickup our balance sheet for March and the next balance sheet which will come in six months' time, you can see the entire schedule of these investments. These investments are for getting a ROI over the longer term. Now, some of these investments do not go as per plan, and these projects which are long gestation projects also go haywire. Amrapali and Lavasa are two instant cases in this point.
- Gaurav Gupta:** In annual report you do not disclose the details of the investment properties. Just include one head that is investment property, and that is it. So as an investor, we do not get hold of what exactly is this?
- Piyush Gupta:** Now we don't, because that is no longer required. But what should give you comfort enough is that we will be recognizing provisions every quarter as we test them for impairment every quarter as per the Ind-AS. Beyond these two assets, we do not see any vulnerability at this point in time. Although as per accounting we had to take the mark to market down at this point in time, we are hopeful that eventually with the Supreme Court ruling in Jaypee etc., these assets should come to some resolution sooner rather than later.
- Gaurav Gupta:** Fine. Any idea about the where exactly we have done the capex in HMVL. There is more than Rs.50 Crores of capex I think?
- Piyush Gupta:** In our core markets of Patna and UP.
- Gaurav Gupta:** Okay thanks a lot.
- Moderator:** Thank you. The next question is from the line of Vaibhav Badjatya from HNI Investment. Please go ahead.
- Vaibhav Badjatya:** I just have two questions. First, I notice that most of our borrowings are on HT media while most of cash and significant cash flow generation keeps happening in Hindustan Media

Ventures Ltd. So how do we plan to resolve this problem so that shareholders of HT media also get benefit of cash, which is there in HMVL?

- Piyush Gupta:** Vaibhav, I think that is the fair point. Most of the business that earlier participant was alluding towards, and most of the new business incubations have been done at HT Media level and HMVL has been pure play Hindi newspaper company. So, that is reason most of the cash deployment happen in the HTML, whereas the free cash flow generation is happening in HMVL. As we go forward, HMVL has very ambitious plan for growing their core business and other business as well. So, some of this cash will be utilized for growing our businesses sitting in HMVL. But we are vested of this problem, and we are currently trying to find a solution for this problem over the long-term.
- Vaibhav Badjatya:** Okay that is helpful. Secondly, last question on HT Digital Streams Limited. HT Digital Streams derive revenue from HT media and HMVL as percentage of revenue, that has been earlier explained on various phone calls. Another line of revenue is income from digital services, which is around Rs.43 Crores as per March 2018 balance sheet. So I just wanted to understand what is this additional revenue in HT Digital Streams Limited?
- Anna Abraham:** These are revenues that we make from of our digital websites and news syndication businesses.
- Vaibhav Badjatya:** But I think that those businesses are in the holding company of HT Digital Streams Limited, and those in HT Digital Streams Limited right?
- Anna Abraham:** Are you looking at segment results?
- Vaibhav Badjatya:** No, I am looking at Annual Report of HT Digital Streams Limited, in revenue from operations of that company itself. I am not looking at segmental results.
- Anna Abraham:** In Digital Streams, it's largely revenue from content.
- Piyush Gupta:** We would provide this information offline, please.
- Vaibhav Badjatya:** Okay. Sure, no problem. That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Jigar Shah from Maybank. Please go ahead.
- Jigar Shah:** My first question pertains to newsprint. Can you give us an idea about the second quarter newsprint prices that you paid and what is the outlook for the second half?
- Anna Abraham:** For the English-Hindi combined together, it would be around Rs. 45,000 per tonne.

- Piyush Gupta:** Currently, the newsprint cost around Rs. 45,000 per metric tonne is costed into the Q2 results. Our view is that there are going to slightly go up in the Q3, but not very substantially. I think they are already escalated. So, Q3 is expected to be slightly higher than Q2 by about 5% to 8%, before they stabilize and start coming down.
- Jigar Shah:** Okay. But in the Q3, given that you will have festive season benefit, would be able to pass on this increase or it will continue to hold on a negative side?
- Piyush Gupta:** As I was showing in the circulation revenue, we are already taking cover prices action to pass on the raw material price increase. How more can we do that is something that one has to always think about, because there is also competitive position out there in the market place. But as you rightly said, I think our endeavor is to pass on the newsprint price increase as much as possible to the readers, which we have done and we continue to look at it very closely.
- Jigar Shah:** How much of this is imported?
- Piyush Gupta:** Well our imported percentage now has come down versus last year. So, it will be about 50% which is imported at this point in time.
- Jigar Shah:** Okay. My second question is pertaining to the education business and the digital business. What are the losses at the moment in these businesses in the Q2 and in the H1?
- Anna Abraham:** We do not have the number specifically, Jigar. But it is not significant at this point in time.
- Jigar Shah:** And just one last thing if I could squeeze, when do we expect the digital and the radio businesses to get listed?
- Anna Abraham:** For the digital business scheme, we have received shareholder approval. So we are awaiting the NCLT's final order on the same. About two months' time from NCLT order is when the listing will happen. Radio scheme is at much earlier stage and it is with the various authorities right now. So, it is a little difficult to comment on the timing, but it would not be any time soon.
- Jigar Shah:** It will be at least a year before radio business lists?
- Anna Abraham:** It could be.
- Jigar Shah:** In digital business, the minority shareholders do not get anything right? It will all come into the company?
- Anna Abraham:** This is a complete demerger, so everything is going to shareholders.

- Jigar Shah:** Okay fine. Thank you.
- Moderator:** Thank you. The next question is from the line of Dinesh Shah who is an Individual Investor. Please go ahead.
- Dinesh Shah:** Forgive me if my questions you feel basic. Just going through your investor presentation slide, I see that we have about Rs.1,071 Crores of cash. But at the same time we are paying Rs.32 Crores of interest outflow per quarter. Why is that?
- Piyush Gupta:** Look, there are temporary working capital mismatches, and there are long gestation period long-term loans that we drawn down. So, if you look at balance sheet, there is debt and cash both sitting there. In this particular quarter, you see the G-Sec movements which have come down a little bit on the yield side, so you have seen the treasury income go up a little bit. But last quarter you saw that G-Sec really hurt us on our investment portfolio. Going forward, as long as there will be working capital mismatches because of receivables and inventory, we will have to resort back to debt, and that is the reason debt is sitting on the balance sheet. Free cash is the one, primarily sitting in HMVL, which we will utilize for our business augmentation purposes.
- Dinesh Shah:** This is a bit perplexing as the market capitalization of HT media is Rs.950 Crores and cash is Rs.1,071 Crores, which means the market is valuing at a discount to its cash on the balance sheet. So that is what is a little scary for individual investors like me. So, thank you for explaining this, Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Abhishek Pamecha from Vibrant Securities. Please go ahead.
- Abhishek Pamecha:** My first question is regarding the HMVL. Sir, we have 30% increase in the other expenses on Y-o-Y basis from Rs.55 Crores to Rs.71 Crores. Sir, can you share what contributed towards this increase?
- Sandeep Gulati:** The increase is driven largely by our investments in core markets of UP and Bihar. So marketing and sales promotion spends are up there. Other part of spending is also driven by the content services which we are paying to HTDS. So, it is largely behind marketing and sales promotions spend for the core business.
- Anna Abraham:** And if I may add, there is also a little bit of impact due to shifting of events activity which last year was in Q3, which we have in this year done in Q2.
- Piyush Gupta:** If you just look at the numbers itself, Rs.55 Crores going to Rs.71 Crores that is about Rs.16 Crores. Of this, Sandeep has already explained the investment behind the core business which has taken up some part of this spend. There is about Rs.3 Crores to Rs.4

Crores kind of spends on various event related activity, which has shifted up quarter, so they are sitting in Q2 as against Q3 earlier. So, you are seeing those expenses here, and these would come down in the Q3. So, those are broadly the reasons.

**Abhishek Pamecha:** My second question is regarding net block increase of Rs.51 Crores. So what assets have we created during the H1?

**Sandeep Gulati:** As Piyush mentioned in the call earlier, we are investing into our core markets both in UP and Bihar. As we had called out in earlier quarters, we continue to invest to strengthen our position.

**Abhishek Pamecha:** Can you share the nature of the investment. Where have this money being invested?

**Piyush Gupta:** Let me just give you a color on these investments. We are augmenting our capacity and our prowess in these markets. That is the reason investments have been made primarily..

**Abhishek Pamecha:** Okay. Thank you.

**Moderator:** Thank you. The next question is from the line of Yash Jhaveri from PI Capital. Please go ahead.

**Yash Jhaveri:** Can you tell me how many employees you have, and give me a broad breakup across functions?

**Piyush Gupta:** We do not give this kind of information. If I may just ask, what exactly is it that you are trying to check on this one?

**Yash Jhaveri:** What I am trying to see is that in 2016, you had about 2,300 employees in HMVL. That declined to about 1,271 as of March 2018, and I cannot see commensurate decline on employee cost?

**Anna Abraham:** I do not have specific numbers you are alluding to and we typically disclose this in the Annual Report. There has been rationalization of employment. We had also been on cost project since about two years back, where there was people rationalization.

**Yash Jhaveri:** I am sorry you do not have it or you chose not to disclose?

**Piyush Gupta:** We have it. We will disclose these numbers in Annual Report. Intra year, we do not disclose this number.

**Anna Abraham:** Also, on employee cost which you were alluding to, the savings did come in last year and we had mentioned that in our calls as well.

- Yash Jhaveri:** Okay, thanks.
- Moderator:** Thank you. The next question is from the line of Ishpreet Kaur from Karma Capital. Please go ahead.
- Ishpreet:** This is Ishpreet here. I just wanted to understand what would be your adjusted growth for the advertising revenue, if you adjusted for the festive season which has shifted to the next quarter?
- Rajeev Beotra:** If you adjust for festive shift, it will get impacted by about 4% to 5%.
- Ishpreet:** Still it would be degrowth of about 1% or 2%?
- Rajeev Beotra:** Marginally, yes.
- Ishpreet:** Because if I look at the competitors, their growth numbers have not been as weak. And for us, this has been the sixth to seventh consecutive quarter even in the Hindi business, we are seeing degrowth in the advertisement revenue. Is it that our readership is being impacted, could throw some colour on it?
- Piyush Gupta:** No, our readership continues to be robust. In fact, in the latest IRS result which came out in January 2018, our gap has only increased. In UP, we were clear number two; in Bihar and Jharkhand, we were number one. So, actually we came out with a robust readership.
- Ishpreet:** On advertisement revenue, if you compare it with the competitors, their growth has not been so weak?
- Piyush Gupta:** What you have to also look at is that we all do not play in all the same markets. For example, one of the competitors has said that there has been some election revenues benefit. So, it is not an apple to apple comparison. By and large, our volume advertising share has been intact, marginally grown in some markets. Ad revenue scenario has largely to do with general softness in the market, but our market share is more or less intact.
- Ishpreet:** Also the digital business which was to be listed, so somewhere it was supposed to come out, maybe in the Q2. It has been taking a long while, where is it that is getting stuck?
- Anna Abraham:** Ishpreet, I did address it earlier on the call. I told you the shareholder approval has come through, but the NCLT order is what we are awaiting. The NCLT, as everybody is aware, is kind of struggling with a lot of cases. We are also awaiting the order. Once the order comes through, then there is no delay that is expected. It is just that NCLT is struggling with an extent of cases that they have to deal with.
- Ishpreet:** Sure, thank you.

- Moderator:** Thank you. The next question is from the line of Deepesh Kashyap from Equirus Securities. Please go ahead.
- Deepesh Kashyap:** Thank you for the opportunity. My first question is on HMVL. Can you just break the 8% circulation revenue growth into the number of copies growth and the cover price growth please?
- Anna Abraham:** We don't disclose that information. But largely, all the revenue growth is led by RPC only.
- Piyush Gupta:** If I may just add to what Anna just alluded towards, due to high raw material prices, not just us, but everyone is trying to look at rationalizing the copies from our wastage point of view. However, cover price action is something that we have taken and you can see most of it coming into the financials.
- Deepesh Kashyap:** On the other expenses growth, you said the UP-Bihar marketing and promotion spend has increased in this particular quarter. Can you give some guidance on how it is going to be going forward in the next few quarters?
- Sandeep Gulati:** As we said earlier, we have been investing in our core markets. We will continue with this, as Rajeev also mentioned about holding our market share both from circulation as well as revenue standpoint. So the investments will continue, rather we may strengthen it further. But we cannot give any forward-looking statement at this point of time on how much that investment would be. But these are core markets and we will continue to strengthen them.
- Deepesh Kashyap:** Okay. In the HT media standalone numbers, I was looking at 5% circulation revenue decline. So that has largely due to with cover price decline, or we are still reducing the number of copies?
- Piyush Gupta:** Mix of both.
- Deepesh Kashyap:** Okay. The other expenses growth in the standalone HT media business, can you please explain the 30% growth in that?
- Anna Abraham:** There is an impact of forex losses and there is an impact of mark-to-market loss on strategic investments that is impacting HT media.
- Deepesh Kashyap:** Can we quantify that how much loss is that?
- Anna Abraham:** Piyush did tell you a number of about Rs.20 Crores.
- Deepesh Kashyap:** Okay. This is the first time that HT Media has actually reported a loss at EBITDA level. So do you think it will continue going forward? How should you think about the margins going ahead?

- Piyush Gupta:** We hope it does not. We do not give forward looking guidance. But as I was explaining to a gentleman prior to you, we have recognized mark down on Amrapali. We do not see any vulnerability to the portfolio, except for some stressed Real Estate assets, which have really hit us in this quarter. I personally do not see that vulnerability repeating itself, so going forward those things should not be there.
- Deepesh Kashyap:** Okay, thank you, all the best.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from K.M. Visaria Family Trust. Please go ahead.
- Giriraj Dag:** Regarding investment in properties, are these physical investment in properties or we have taken some amount of financial instrument there?
- Piyush Gupta:** The ones that have been discussed here are not a financial instrument or any financial securities. These are physical investment in hard assets.
- Giriraj Dag:** Okay. And how did you determine the provision, like impairment. Did we check the market prices of a recent deal that has happened? How did you arrive at that number?
- Piyush Gupta:** We get an independent valuation done. But for cases which are going into IBC process, we take a very conservative approach and marked them down really sharply basis of valuer's guidance on that one.
- Giriraj Dag:** So, when you say significantly marked down, the majority of the Amrapali and Lavasa exposure has been provided for?
- Piyush Gupta:** For Amrapali, the entire group is not into IBC. There are only a couple of SPVs which have gone into IBC, where we had a certain exposure. All other assets are well and there are transactions which are also happening. As far as Lavasa is concerned, we have not taken any provision at all. Lavasa is something that we have given a note into our quarterly statements, which a gentleman picked up, and I was explaining that Lavasa is going into IBC and hence we are looking at it very closely. But basis valuer, right now we are not taking any provision. It is Amrapali's couple of projects which have gone into IBC, on which, basis the market evaluation, we have recognized the provision. Lavasa has no provision at all.
- Giriraj Dag:** Okay. What is the capex guidance for FY2019 full year?
- Piyush Gupta:** Most of the capex that we have done is into our Hindi core business which Sandeep just alluded towards. Having said that, I think there will be some maintenance capex and some augmentation capex. So, I think we will be somewhere close to about Rs.70-75 Crores by the end of the year.

**Moderator:** Thank you. The next question is from the line of Sushant Agarwal who is an Individual Investor. Please go ahead.

**Sushant Agarwal:** My question is regarding HMVL balance sheet. We have some Rs.550 Crores in current asset in financial assets and some Rs.550 Crores in noncurrent financial asset. So, can you give me a split of – what these assets are in terms of Real Estate, Government Bonds and Equity, if we have any?

**Anna Abraham:** The detailed breakup comes at the time of Annual Report, and there would not be any significant change from March 31, 2018. This is basically our investments in mutual funds only, but basis accounting standards, what is locked into a longer term will get classified as non-current, and what is not, will get classified as current.

**Piyush Gupta:** We would not have the details right now. But as Anna just explained, most of these will be financial securities. It is just a classification of long-term assets and short-term as per the accounting standards going beyond 12 months. It will primarily be financial securities. I do not think more than 5% will be Real Estate assets here, if at all.

**Sushant Agarwal:** Okay. My second question is that we have some Rs.1,000 Crores in financial assets. So, are we planning to return any of this wealth to shareholders. I see the dividend is constant at Rs.1.2 for four years. Are we increasing any dividend? Or is any buyback planned?

**Piyush Gupta:** Sushant, I think the whole idea of having shareholders' benefit is always at the center of our decision making. It would be either in returning resources or in investing in the business which can return a better position. If you look at the cash position that we run over the last three months itself, we have actually run down the cash because of the escalated prices and a soft revenue scenario. That discussion always happens in the board, and I will carry the discussion to the board. But at this point in time, dividend is not a call which has to be taken now. It is a 12-month time call and we will pass on that sentiment to the board. But looking at the volatility coming both from revenue lines and cost lines, it is always good to have certain level of comfort cash and beyond. As Sandeep just explained, with a lot of investments going into core business, you require some amount of cash. Will it be returned in the form of dividends and buybacks, I really cannot comment. That is a board decision, and if there will be something coming on that, we will definitely keep you informed.

**Sushant Agarwal:** Okay. Thank you. That is it from my side.

**Moderator:** Thank you. The next question is from the line of Shobhit Singhal from Anand Rathi. Please go ahead.

**Shobhit Singhal:** Thanks for this opportunity. First question is on the cash side. Our cash is down around Rs.350 Crores between March 2018 and September 2018?

- Piyush Gupta:** Shobhit can you speak up a little bit, your voice is very slow.
- Shobhit Singhal:** Cash is down Rs.350 Crores between March 2018 and September 2018. I can see that increase in inventories only Rs.60 Crores, whereas receivables and payables are flat. So can you please explain this drop in Rs.290 Crores. I am assuming that investment in radio subsidiary does not impact net cash, as we also transferred debt eventually?
- Anna Abraham:** Shobhit, working capital investment is what we mentioned, you are only looking at inventory side of it. We have also paid advances to be able to block-in certain level of inventory, which is coming to us at favorable prices. Hence, the investment on the newsprint side is not just on stocking of inventory, it is also to block quantities which were becoming available. We have also had a bit of challenge on the receivable side, led by changes in regulations on government receivables, due to which there has been some amount of blockage more than the days we are normally used to seeing on the receivable side also. Both of these have impacted our working capital investment. Capex is the third element, which has also taken away cash.
- Shobhit Singhal:** How much were the advances?
- Anna Abraham:** I would not like to disclose that number, Shobhit. Let us just say that the entire investment that you are talking about is split between the three elements that I spoke to you about.
- Shobhit Singhal:** On the radio side, in FY2018 we did around Rs.70 Crores of EBITDA out of which around Rs.28 Crores was in Q4. We have done Rs.28 Crores in H1 versus Rs.23 Crores in last year. So, should I assume that growth will continue in H2 EBITDA also, or was at a higher base in Q4 FY2018?
- Anna Abraham:** In our previous call, we alluded that there are certain one time in Q4. But it is not so substantial that you cannot assume a growth.
- Shobhit Singhal:** Okay, so double digit growth?
- Anna Abraham:** I cannot give you that kind of guidance, please.
- Shobhit Singhal:** Okay, no problem. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of S. N. Rajan who is an Individual Investor. Please go ahead.
- S. N. Rajan:** Good afternoon. I just wanted to know, since you have given a large provision this quarter for investments in subsidiary, and is a good prudent move to do that. What is surprising is for the same thing in Lavasa, you have not made any provision although you have already said that they had been referred to the IBC, and so something is expected on the lines of

Jaiprakash. We all know Jaikash things are not going to work. Even in the case of Lavasa, out of a claim of Rs. 57 Crores, your admitted claim as per the insolvency professional is only 40 Crores. So, there can be no excuse for not making a provision for Rs. 18 Crores, because it has not been admitted. I mean, though I would argue that the provision should be for a full amount as per a conservative policy. But can you please explain why even Rs. 18 Crores you have not made a provision, when the claim has not been admitted. And number two, I would appreciate if we have this policy of being conservative in making provisions. What could be the likely provisions down the line, because these are hits which just come out of the blue. I am sure these are business twist but can you give some guidance on that? Thank you.

**Piyush Gupta:**

Rajan, I cannot predict right now what the number is going to be in the next quarter. It will depend upon the asset quality at that point in time. However, coming back to on the Lavasa, we have a policy otherwise we will get a qualification in accounts. So, it is not like that we are creating it on a whim. I think the best judgment, which comes from a valuer which is validated by the auditor, is the guidance that we take to provide or not to provide in a particular quarter. As far as the specific case of Lavasa is concerned, the total investment itself is Rs. 40 Crores. We had filed a claim much ahead of course at Rs. 58 Crores. But the 40 Crores has been accepted by the resolution professional, and we are still trying to debate why should we not get additional Rs. 18 Crores as a claim registered with them, because we have been an aggrieved party. So, the amount which was invested has totally been accepted as the claim. We were trying to go above that, because we have got reasonable grounds to file our pecuniary benefit from Lavasa, because they have defaulted quite a lot on the timeline. But the Rs. 40 Crores claim has been accepted by the resolution professional.

**S. N. Rajan:**

Okay. It is not in sync with your conservative provisioning policy?

**Piyush Gupta:**

It is absolutely in sync with our conservative provision policy.

**S. N. Rajan:**

We will agree to disagree on that.

**Piyush Gupta:**

That is fine, alright.

**Moderator:**

Thank you. The next question is from the line of Manish Jain who is an Individual Investor. Please go ahead.

**Manish Jain:**

Good morning. My question is regarding the cash on the balance sheet of the company, around Rs. 1000 Crores. Now if you look at the business, this is the business which generally throws out a cash of around Rs. 100 plus Crores a year. So, the kind of size of the cash at Rs. 1000 Crores on the balance sheet, is not it too large? Even if we have plans or anticipated needs, even then isn't this size of the cash large?

**Piyush Gupta:** Standalone, it looks like a very big amount of cash sitting on the balance sheet. But as you have seen in the last couple of quarters, there has been an erosion of the cash, there has been extended investment in working capital, there is a capex program that we are going through which we have already covered more than 60-70% in this year, there is a volatile newsprint price scenario and there is a volatile revenue scenario at this point in time. Also, with Hindi being in growth stage, we are always looking at various opportunities inorganically also to strengthen the market presence. Now with all these things, the board always considers what is the healthy level of cash that they are comfortable with on the balance sheet, and should we return the cash back to the shareholders in form of dividend, buybacks, etc. So, I understand your perspective that if you standalone look at that number, it looks like a very large number, But given the volatile business scenario and the business ambitions that the business has, the board is of the view that we should carry this cash – the number that is sitting on the balance sheet at this point in time. Of course, as I said to the gentleman earlier, this is a board conversation and we will broach it with the board again. If there are any changes in circumstances or any changes in thinking, we will definitely let you know.

**Manish Jain:** But I think every quarterly call this question regarding cash comes up. I have been hearing last 4-5 calls and we get the answer that this will be taken up by the board. But no concrete plan is shared with the investors?

**Piyush Gupta:** You know we take it with the board, Manish, exactly the way that I told you. At the end of the day, it is a board's prerogative to act on the proposal or not. So, at this point in time, the number that you see on the balance sheet is a comfortable number, which the board is willing to stand with. If there is a change, you will definitely get to know of it. I can only take this conversation to the board, right.

**Manish Jain:** True. But Rs.1000 Crores, even if one consider whatever kind of negative scenario, it is hard to understand. Another thing is that if you look at the market capitalization of the company, it is almost equivalent to cash and remaining business is at a negative valuation, almost.

**Piyush Gupta:** Well, I totally appreciate what you are saying and I totally concur with that. But on cash, that is the current view of the management.

**Moderator:** Thank you. We have a follow up question from the line of Vaibhav Badjatya from HNI Investment. Please go ahead.

**Vaibhav Badjatya:** Thank you Sir for providing me this followup opportunity. In the notes to accounts for Hindustan Media Venture, that we have a note which says that for that education business, you could not secure the shareholders approval under the SEBI circular. I just wanted to know what the way forward is, and whether the scheme is going through or it will not go through now?

- Piyush Gupta:** We believe that the scheme will go through. Our legal department is working on this regulatory hiccup which we have received just about a week back. I think very soon we will come back to you informing you whether the scheme is again in the works. But at this point in time, the scheme came to end because of the regulatory approval from shareholders that we could not procure. Our legal department is working doubly hard to ensure that we go through redressal process with NCLT and make this happen. So, we are pretty much in the reckoning for the scheme.
- Vaibhav Barjatiya:** Can you provide a bit detail as to what kind of SEBI circular is this and why we are not able to secure approval? Is it because of that minority shareholders, non-promoter shareholders have not approved the deal or what was the hiccup?
- Piyush Gupta:** Our legal department can provide the information to you. You can just send a note to us, which I will forward to the legal department then come to you. But right now, on the shareholders approval, we had a bit of a hiccup which we are trying to solve.
- Vaibhav Barjatiya:** Okay. Secondly, this might not be near-term opinion, but hypothetically if we were to use our cash for inorganic growth in Hindi business. Given the kind of concentration level already present in most of the Hindi market, if we acquire any of the top three players, do you think that it would be easy to get CCI approval on any of this kind of acquisition, which can be reasonably large, use our cash and still get CCI approval?
- Piyush Gupta:** That is a very hypothetical question and I would not be able to comment on that. I wish it comes to that, and we get the approval, but it is very hypothetical.
- Vaibhav Barjatiya:** Okay. No problem. Thank you very much. That is it from my side.
- Moderator:** Thank you. Next we have a followup question from the line of Yash Jhaveri from PI Capital. Please go ahead.
- Yash Jhaveri:** Hi, can you tell me what the news content and sourcing fees were for this quarter in HMVL?
- Piyush Gupta:** Can you repeat the question please?
- Yash Jhaveri:** I just wanted to know what the news content and sourcing fees were for HMVL, in the quarter?
- Anna Abraham:** I cannot say the absolute number. It is a the percentage of Ad revenue and circulation revenue, as the same policy remains.
- Yash Jhaveri:** Okay. Thanks.

**Moderator:** Thank you. Due to time constraints, we will take that as the last question. I would now like to hand conference back to the management team for any closing comments.

**Piyush Gupta:** Thank you so much. Thank you all of you for taking the time to go through our quarterly earnings call. I know the numbers have been disappointing. I can only assure you that the management is working doubly hard to shore up the situation. The situation on both cost and revenue, has been very fluid this time. Also, the one-off items have impacted the results due to which we have a not-so-good set of numbers. Additionally, the season shifting from Q2 to Q3 has also played a certain dynamic on our financials. I am sure next quarter we will be able to turn in a better set of financials. I thank you all for your support. Have a great day.

**Moderator:** Thank you very much. On behalf of HT Media Limited that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.