



“HT Media Limited Q4 FY2017 Results  
Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the HT Media Q4 FY2017 Results Conference Call, hosted by IDFC Securities Limited. 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 Mr. Rohit Dokania from IDFC Securities. Thank you and over to you Sir!

**Rohit Dokania:** Thank you Rao. Good evening everyone and welcome to the Q4 FY2017 results conference call of HT Media Limited. I would like to thank the management for giving us an opportunity to host this call. The management team is represented by Mr. Piyush Gupta, Group Chief Financial Officer and other senior management personnel. We will start the call with a short commentary from the management and then move into the Q&A. Thank you everyone and over to you Sir!

**Piyush Gupta:** Good evening everyone and I hope my voice is clear because you are taking a call from cellular phone; as unfortunately all the landlines are down. So thanks for taking out the time for the Q4 call. I really appreciate it. Just a brief summary of some of the highlights of the financial year. Last year was definitely a mixed one for the entire print media industry. The year that began slowly, held forth the promise of better things to come during the festive season, but then lapsed into a short-term economic slowdown. The result was decline in advertising across categories and regions. Both the English and Hindi businesses were hit, although we were cushioned to some extent by stable commodity prices and a wide ranging cost restructuring exercise that we had started earlier in the year the full benefit of which will accrue towards the next fiscal year, which is FY2018. Our new businesses have continued to do well, our new radio stations are up and already generating revenue and the entire radio business has grown operating profits. Our digital business has also continued to grow. Overall, our revenues witnessed degrowth of 7.5% in the quarter while being 1% up on a full year basis. Consolidated EBITDA was lower by 6.5% at Rs.122 Crores for the quarter, but still up by 10.2% for the full year with EBITDA margins at 19.7% vis-à-vis 18% in FY2016. The focus for us for the next year is to regain revenue growth in print business. Emphasis would be on yield led growth and to maintain tight cost control measures and all the productivity gains that we made, we will sustain them over the next financial year. We would continue to drive revenue and profitability of newly launched radio station and target to improve digital footprint and grow revenue in this space. The new financial year has started on a good note and while it is slightly early to still say we are beginning to see some early signs of recovery. Given our portfolio and efficient cost structures, which we managed through the restructuring exercise, we believe we are well poised to take advantages of this across both traditional and new media. A faster revival in economic growth will stimulate advertising spend and help us deliver value for all stakeholders. With that I close my opening remarks. Thank you so much and we are now open for the questions.

**Moderator:** Thank you very much. We will now begin with the question and answer session. We have the first question from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.

- Giriraj Daga:** Good evening. Couple of questions. What was the number of advertising revenue and how much decline we saw?
- Piyush Gupta:** In the fourth quarter?
- Giriraj Daga:** Yes, fourth quarter.
- Piyush Gupta:** Our English revenues declined by about 18% to 21% in the fourth quarter. Fourth quarter was actually the quarter in which we took the worst hit post demonetisation. There was both volume and yield degrowth, I hope that answers your question?
- Giriraj Daga:** Yes. Any particular segment it was driven by or across the border?
- Piyush Gupta:** Most segments were hit because of demonetisation very clearly. I would say the government advertising was one category which held on, but by and large most segments were impacted. Auto sector was slightly less impacted, because they had already planned some launches, which came through. But apart from that I would say all sectors were impacted.
- Giriraj Daga:** How's the traction in the first one-and-a-half months so far?
- Piyush Gupta:** Slightly better, but it is too early to call. I mean I can tell you that April will have been better than March for sure, but nothing substantial to kind of extrapolate trend from.
- Giriraj Daga:** Any particular like under digital side are we guiding any for next year?
- Piyush Gupta:** This year we said that our losses in digital are about Rs.39 Crores, first of all this is just for the EBITDA perspective right?
- Piyush Gupta:** Right.
- Giriraj Daga:** And any guidance for FY2018 digital losses?
- Piyush Gupta:** We do not give a forward guidance, but I can tell you our digital businesses will only improve from hereon, so we are definitely consolidating our positions. There have been substantial investments that we made behind the digital businesses and they will definitely bear a lot of fruit in this fiscal.
- Giriraj Daga:** Last two questions. From the radio side first how is the traction on the new radio stations and what is the plan, number of stations will go live during 2018, all the stations will go live during 2018?
- Piyush Gupta:** All our stations are actually live as we speak. We were the first one off the block to operationalize our stations. The big stations that we have taken were Delhi and Mumbai, which have been live now for more than two or three quarters. All our UP stations, which are seven in numbers are already live. , So all our stations are live. In terms of revenue performance traction, I

can tell you with sufficient confidence, there is a reasonably good revenue traction that we are witnessing in two big markets of Delhi and Mumbai, which were obviously the more expensive licenses. Even UP, which started much later after Delhi and Mumbai have started showing revenue traction, so we are hopeful on the radio business.

**Giriraj Daga:** Gross cash and gross debt?

**Piyush Gupta:** While the net cash is about Rs 1156 cr]on the balance sheet as we can see, the gross cash is about Rs.2300 Crores and gross debt is about Rs.1126 Crores.

**Giriraj Daga:** Thank you.

**Moderator:** Thank you. The next question is from the line of Mr. Rohit Dokania from IDFC Securities. Please go ahead.

**Rohit Dokania:** Thank you for the opportunity. Just two questions from my side; I mean 20% odd kind of a decline in English front, is it should one read anything from a structure perspective or do you think it is probably just from demonetisation perspective and things will start improving from hereon?

**Piyush Gupta:** Rohit I can tell you confidently, you should not read too much into it.t I think it is just that the impact came largely in the fourth quarter. As the gentleman before you was asking, even in the month of April we are seeing better trend. Now we are talking growth, we are not talking degrowth or flat number, we are only talking growth from hereon.

**Rohit Dokania:** Great, so this is only on the English print that you are talking, because Hindi obviously would be a very different story

**Piyush Gupta:** Hindi has been a growth though suffice to say it was also impacted by the demonetisation story. Hindi obviously in this year benefited from, the UP political revenue (post negative for the DAVP revenue), which came in the fourth quarter.The expectation, is however that the Hindi growth will be much smarter than English growth.

**Rohit Dokania:** That is great. The other thing was if you could probably talk in more details about the cost cutting, the major cost cutting initiative that we have taken over the past sort of two, three quarters, four quarters and how it could help or how sort of cost structure would be like in the future from a consolidated perspective?

**Piyush Gupta:** Great question. Let me spend a couple of moments on this thing and give you a bit of a background. I think we started this exercise in July 2016., This was before demonetisation effect and really the whole reason of this exercise was clearly the revenue growth as this has not been as anticipated and from that perspective we had already started the journey. The whole idea was to look at cost restructuring and rationalizing., Rationalization across our print businesses to see how we can rationalize costs in the current organization in line with our revenues. Currently this exercise has another two months to go but I am very happy to report that we have already seen

substantial gains which have been operationalized and they will start yielding fruit from the first quarter of FY2018 itself. There are substantial gains we made in various lines in terms of cutting out wastages, getting productivity gains across people and paper productivity. We have also got overhead productivity and various other things, which are now starting to come into our financials.

**Rohit Dokania:** Is it possible to sort of quantify it in some form or...

**Piyush Gupta:** I do not want to do that because the exercise is still on, but I can tell you the numbers are substantial and we were looking at anything between 5% to 10% of the entire cost structure when we embarked on this.

**Rohit Dokania:** Great, that is quite helpful .If you can talk about the initiative of HTDSL, so how that tracking is up or is it too early to sort of talk about it?

**Piyush Gupta:** Of course it is early, but I think HTDSL, the genesis of HTDSL is born from a digital first ideology, which as a trend I think we have all been seeing developing in front of us. It will mature going into the future, but really the whole idea was to train the organization into the new journalist values of digital first that we are all embracing. HTDSL as a business has been carved out, out of the two existing businesses that we already have. We had reported that even on last call, when the court orders came in. , s Predicting the revenue, etc., which is based on a positive pricing mechanism is a simpler thing, but really the value lies in getting the digital story fast forwarded. So with the kind of people investment that we are making at this point in time in training our journalistic staff on digital methodology, the technology investment we made to fast forward that journey will all take some time, but I am very hopeful that at some point in time there will be a lot of value for the entire group.

**Rohit Dokania:** Sure and could you also talk about the capex numbers that one should build from FY2018 perspective?

**Piyush Gupta:** We do not give forward looking numbers., But from a capex perspective for the current business without any serious inorganic activities,. we are reasonably invested in our capex, It will be mostly just maintenance capex not more than Rs.30 Crores, Rs.40 Crores.

**Rohit Dokania:** Lastly in terms of tax rate where could that stand it is a broad range would also have?

**Piyush Gupta:** Are you talking about direct tax rate or are you talking about GST or which tax rate?

**Rohit Dokania:** I was referring to the income tax rate on the P&L for FY2018.

**Piyush Gupta:** As you have seen effective tax rate is much less than the marginal tax rate. Effective tax rate this year has been just about 22%. I would presume we would continue be in the range of 20% to 25% not beyond that.

**Rohit Dokania:** Great. I will come back if there need be.

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

**Vikash Mantri:** Good afternoon Sir! Any plans of deploying the cash that we have in a book over the next one-year or two years?

**Piyush Gupta:** Vikas like we did two years ago where we deployed Rs.500 Crores out of HTML into new radio licenses and renewing the existing licenses, we are perpetually looking for opportunities within the business and outside the business on organic basis and the board is perpetually evaluating. There is nothing that I can report to you right now because there are no such plans which have been formalized, but I can tell you that the board is vested with a few ideas. Organically I can tell you, in our Hindi, Hindustan business we are substantially deepening our presence in the very key critical market of Uttar Pradesh thereby a lot of working capital investment will happen because we are substantially increasing our footprint there.

**Vikash Mantri:** But there is unlikely that there will be an opportunity as large as Rs.2000 Crores or to deploy over the next two years. So any change in our philosophy of paying out the excess cash to shareholders a dividend and I wanted to understand It is a decision of the board that is what we have been told. I just wanted to understand is there a difference in what the management has recommended to the board in terms of use of cash and what the board has opined or both are in sync in terms of keeping the cash?

**Piyush Gupta:** The simple answer is yes. Both are in sync.; However, to your first question whether there will be an opportunity for deploying Rs.2000 Crores; I would say the answer is yes and no as you have been tracking the sector. First of all Rs.2000 Crores is the gross cash, net cash is about Rs.1100 Crores. If on the radio business, we could deploy Rs.500 Crores; if we got a good opportunity either in a digital space or entertainment space or information space I think that Rs.1000 Crores, Rs.2000 Crores can easily be deployed there. So our intent at all points is to hold a reasonable amount of cash as a safety cash, as given nature of the business because of the volatility in the revenues it is important. Also, Vikas just for information I think if you were to do one to two quarter cover on fixed cost including newsprint and people, that is the safety cash that we will like to reserve at all points in time. Beyond that all the cash is up for grabs as long as we can get a good business opportunity where we can deploy it.

**Vikash Mantri:** Since we have debt in our books I think the entire cash is available for deployment and as far as the investments are concerned Hindi investments are largely through the P&L, so it is not going to deplete our cash other than the marginally high working capital and if you have seen the last 10 years also we have not been able to deploy the kind of cash that we have been keeping and that reserve has only been growing and you would appreciate that over the last 12 years as a company from our IPO 2005 we have not delivered shareholder returns to the extent what other peers would have delivered and therefore this constant request from investors, the minority shareholder to return the cash, which is what the other peers like Jagran and DB Corp are actively doing. So my request would be as more from what I get as a feedback from investor is to actively consider returning this money to shareholders and in case we are not able to convince to the

board of the same and the reasons why I think data is out clearly in the public in terms of share market performance of your peer set and I or anybody in the investor community will be happy to present to the board, the rationale of returning this cash and not keeping very high cash in books because it affects our return of capital.

- Piyush Gupta:** Fair point. I have noted that Vikash, I will pass your sentiment on to the board.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.
- Giriraj Daga:** Just a followup question. Would it be able to share losses number like what is the separate EBITDA line or loss line for the Mint or the new radio in FY2017?
- Piyush Gupta:** Mr. Giriraj, as far as the Mint is concerned I can tell you, Mint still has not turned profitable, but we do not disclose the numbers separately. Mint is still into marginal losses on operating line basis. In so far as the new radio is concerned, new radio is marginally into loss at the EBITDA level with a very clear line of it becoming profitable in the full second year which is FY2018?
- Giriraj Daga:** Would you able to share the number of radio losses?
- Piyush Gupta:** Sorry.
- Piyush Gupta:** It is given in the segment results beyond which we do not disclose, please.
- Giriraj Daga:** We have revamped the Mint about like six months back if I remember correctly. What is the traction post the revamp of Mint like we have gone to full fledged size paper from earlier tabloid, so how the revamp traction post the revamp?
- Piyush Gupta:** Two comments here. I think the revamp has gone very well with all the readers and we have received very great feedback. Broadsheet has enabled us to provide a lot of content, which you otherwise would not have. However, the only problem, which is happening is that the business paper market has been a bit of a dampener for quite sometime and post demonetisation while the general business papers have been hit on the revenue, the business papers have been hit harder., So the timing is something that we will wait for, but I think this broadsheet size newspaper will hold us in good stead the moment markets come back, which we presume it would in a couple of quarters.
- Giriraj Daga:** My second question is like we have been maintaining about even HMVL call also we said like to go deep into the Hindi market and UP, earlier we also had a plan of going into vernacular languages also and that time also we have said that we might look out for inorganic opportunity. Has that plan been put in backburner or we will only go once we get inorganic, we will not go at the organic there or that plan is still there or not there what is the thought on that?
- Piyush Gupta:** Well, the point is we do not have a hardline on this thing either ways. The language business for us is of course Hindi language right now, but if we are to go beyond into some other language we

are definitely open to look at those capability on an inorganic basis more than on organic basis because currently we do not have editorial capabilities and we do not want to build those from scratch for other languages. But we are totally open to looking at other opportunities if they come to us on an inorganic basis.

**Giriraj Daga:** Last question on GST side like we are subject to service tax right on advertisement side?

**Piyush Gupta:** No, in the earlier tax regime as you would be aware on the output side there was no tax on either newspaper sales or ad sales. The new tax regime under GST is still not fully out. Today evening I am sure Finance Minister is going to take out the list of the services, etc., so in the new regime we will have to see a On input side there are some taxes, which are coming forward. How they are passed through on the output side will have to be evaluated, but unless we have full information I think we are unable to tell you about the same. In the next quarter when the full information about all the rules and clarifications from the ministry will come, we will address this

**Giriraj Daga:** As of now we are not subject to any tax on the sale of newspaper also and sale of ad also?

**Piyush Gupta:** Yes, we are not.

**Giriraj Daga:** Thanks a lot.

**Moderator:** Thank you. That was the last question. As there are no further questions I would like to hand the conference back to Mr. Rohit Dokania for closing comments.

**Rohit Dokania:** Thanks everyone. Piyush would you want to make any closing comments please?

**Piyush Gupta:** Thank you everyone. I would not hold anyone that starting a weekend, so thank you so much for making the time to attend our call and I will probably be speaking to you in the next quarter. Thanks so much.

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