"HT Media Q2 FY2018 Webcast and Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the HT Media Q2 FY2018 Webcast and Earnings Conference Call hosted by IDFC Securities. 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 the 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 Lizann. Good afternoon everyone and welcome to the Q2 FY2018 Results, Webcast and 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, Ms. Anna Abraham, Head of Financial Planning & Investor Relations, and other senior management personnel. We will start with the commentary from the management which can be heard on both the webcast and the audio call; however, please note that if you want to ask any questions, you will have to log in through the audio call only as feature of asking questions has not been enabled on the webcast. Thank you everyone and over to you Anna!

Anna Abraham: Thank you. Good afternoon all and welcome to our second quarter conference call. Joining me today is Mr. Piyush Gupta, our Group CFO. Our remarks track the presentation, which is also available on the Investor Relation section of our website for those who are not logged into the webcast. Before we move on, I would like to draw your attention to the disclaimer relating to forward-looking statements. During our presentation, we will take you through the headlines of business performances at the group level and key business drivers. Then we will cover performance of our print business including English and Hindi, radio and digital businesses in detail followed by key corporate actions and finally wrap up with our priorities for the second half. Following our remarks, the call will be opened for questions. With that I hand over the call to you Piyush!

Piyush Gupta: Thank you Anna. Good afternoon everyone and thank you for making the time to join our call. This time we will be doing a webcast as well as the call. We hope to take you through the presentation, so that we can highlight the results of this quarter to you.

Quickly, if I were to just go over the highlights of the quarter, which is slide number six and which should be highlighted on your screens now. The company has delivered growth in profits with margin expansion on the back of a very significant cost restructuring, which we have been alluding towards in various other calls as we were doing this exercise. This exercise had started yielding fruits even in the Q1 results and the results of Q2 also bear testimony to that. This has been further augmented by our cost optimization initiatives and favourable forex and commodity rate scenario which we continue to experience even now.

The second leg of highlights is that the yield improvement strategy that we cautiously harped upon is bearing fruits both for our Hindi and our English newspaper businesses. Our radio business, in which you know we had invested couple of years ago in the phase three license acquisition and renewal of the existing licenses is doing exceedingly well and continues with a robust growth with increase in profit margins.

Our losses in our digital segment continue to come down and we are very hopeful that soon this business will also become a substantial part of HT Media's strategy. As you all are aware that our balance sheet position is pretty strong, which continues to remain and which is a substantial part of our robust business performance.

If I were just to move further down and give you a quick snapshot of our financial summary, you can see the operating revenues in this quarter clocked Rs.561 Crores, which is a decline of 7% vis-à-vis the same period last year. As you are all aware, in the exceedingly challenging market scenario that we are facing post demonetization, for nearly a year now the markets have been exceedingly challenging, but in those challenging markets, we managed to arrest our decline at 7%.

Operating EBITDA, however, tells a very different story. If you look at our operating EBITDA it has more than doubled versus the same period last year and clocked Rs.105 Crores versus Rs.50 Crores last year. There are various reasons, which I will be covering as I go forward into the presentation.

Margins therefore as a consequence expanded to 19%, which is a pretty healthy margin that we are seeing after some time now. PAT grew from Rs.31 Crores to Rs.66 Crores, which is a 114% increase vis-à-vis the same period last year. PAT margin is at 11%, EPS therefore at Rs.2.85 per share and net cash that we have on the balance sheet is Rs.1205 Crores. So all in all, except for revenue which has been exceedingly challenging for some time now, it is a pretty stellar performance on various other business parameters that we managed to clock.

Moving forward to next slide, I would just highlight the key drivers which we as an organization have been working upon. Most of our ad spend growth has been led by a few categories specially Auto, Banking&Finance, Entertainment, Luxury, and E-commerce sector; though e-commerce is a smaller sector compared to what it used to be a couple of years ago. These are the sectors which have shown some growth, though pretty anaemic I would say.

Radio on a higher revenue growth trajectory is definitely something which sequentially we have been seeing now for some quarters. Commodity and exchange rates have come in very handy for delivering these business results. Reduction in raw materials consumption on account of optimized pagination and restructuring benefits are apparent in all cost items.

Some of the things which have belied us are our muted ad spends in the Government sector, Education, Health & Fitness, FMCG, and Travel sectors. RERA impact in real estate is something that I think will take its time to go through the system right now. Real sector as a sector was already reeling under various constraints, but post RERA, I think it has just got accentuated. Cover price realization has also impacted in some of our key markets due to a heightened competitive pressure. So all in all, these had been some of the key drivers which I just wanted to speak about.

Moving forward to deep dive into the business unit performance. On our Print performance, if you were to just cut it out, the degrowth, which I had already alluded towards earlier is 6% at Rs.495 Crores versus Rs.526 Crores Q2 2017. EBIT at Rs.105 Crores has more than doubled, and has grown by 124% versus the same period last year and therefore the margin expanded to 21%.

Most of these things are happening on the back of enhanced cost program that we undertook, which we have now concluded like two months ago. And of course there are other benefits which are flowing in from notification of GST and the print becoming a taxable sector as against exempt category earlier and also the discretionary clamp down that is currently in place because of a very soft revenue situation which is prevailing currently in the economy.

If I were to just move forward and cut down Print Business into English and Hindi and the first part is on English where we have HT and Mint. As you can see the ad revenues have come down from Rs.260 Crores to Rs.238 Crores. There is a bit of softness also on the circulation revenues given the fact that we had rationalized a few editions two quarters ago which is having an impact here, as well as a soft circulation price scenario which is in our key markets of Delhi and Mumbai at this point in time.

Some of the drivers have been we have strengthened our West offering through a very ambitious launch of our Pune edition. We hope this will strengthen our West footprint even more substantially and will hold us in good stead in times to come. Our chosen program of yield augmentation has held us in good stead, so our yields across major editions are also northward bound and really giving benefit to the financial statement. Some of the things that we couldn’t do too were because of the RERA and GST impact we felt the impact on ad volumes across, which we were not able to mitigate. The muted spends of Government, Education, Retail, and Real Estate sectors is something which has played very sharply onto our P&L. Circulation revenue impacted ,by rationalization of some unproductive copies and also shutting down of some of our copies. This does not affect realization per copy, but does impact the circulation revenue going forward.

If I were to just move forward into some key priorities and break that down into HT and Mint, on HT some of our priorities going forward will be to maintain copy leadership in our key markets, target higher wallet share in key markets, continue to offer superior product offerings, customize customer centric solution and stature building through large brand initiatives and salience. If I was to just talk about Mint, we will be targeting higher yield and weekend proposition through Lounge has to be adequately monetized going forward.

Just shifting gears and moving to Hindustan. Though we did have a call for Hindustan yesterday, but just to recap our operating revenue is down by 8% at Rs.211 Crores, Operating EBITDA at Rs.45 Crores is down by about 10%, Operating EBITDA margin however, because of cost initiative we managed to maintain at 22%. Suffice to say that at this point in time in Hindustan, we are fighting a pitched battle in various markets which is leading to various cost buildup also in terms of copy augmentation and cover price action. But in spite of the fact we managed to maintain our margins at 22%. PAT comes in at Rs.41 Crores, which is down 25% vis-à-vis Rs.55 Crores last year. PAT margins at 18% and net cash sitting on the balance sheet is Rs.868 Crores.

Some of the revenue drivers are improvement in the yield, which we spoke about yesterday, also strong performance in auto segment along with expanded foothold in growing categories like E-commerce and Luxury, continued investment in copies which we again spoke about yesterday. Decline in ad revenues across sectors is something that we have seen has happened in this quarter and lower cover price realization due to competitive marketplace action.

What would be our priority is therefore, in Hindustan we have to be better at monetization of copies through higher yields, which is a program that we have already embarked upon and we will continue the vigor on this end, product excellence which will drive differentiation and build loyalty and adoption, persistent investment into copies in core markets and continue focus on cost management.

Quickly shifting gears, we move on to radio. We see on the radio there is a very smart increase in revenue from Rs.36 Crores last year to Rs.43 Crores, which is an increase of 18%. EBITDA at Rs.12 Crores, which we can see very sharply the operating leverage coming here at 68% and EBIT margins from a negative of 1% which was last year, has gone into a positive territory of 6%. Therefore the drivers here are revenue growth in core station – Our core station when we say, we refer to 4stations that we had consequent to phase two licensing. New stations continue to perform adding to the topline in a very profitable manner. Synergies in cost, which is our chosen strategy when we participated in the auction, is now bearing fruit and we can see the cost synergies coming in a very, very extended manner on the radio business.

Quickly moving on to digital, there is some softness in the revenue on digital again linked to market situation at this point in time, but we managed to arrest that to about 10%, so revenue comes down from Rs.37 Crores to Rs.34 Crores. Various performance drivers which have worked and not worked, while overall decline in revenue continue, digital content business continues to grow and page views are showing a strong traction going forward. However, what has not worked is the Shine revenues have continued to be soft and restructuring in Mobile and HT Campus business has also impacted the revenue performance.

Just going to the last section – update on corporate actions. As we spoke about yesterday, there is a scheme of arrangement that is underway, whereby Hindustan Times Digital Streams Limited plus other group properties in digital innovation businesses are getting demerged into a new entity called Hindustan Times Digital Venture Limited. As the business has different set of risks, competition, and challenges; they will attract the right set of investors, employees, and strategic partners and better focus with separate management are underlying thesis basis which we are following this chosen route. Second scheme is IESPL demerger into HMVL, whereby we will transfer B2C division of Bridge school of management, which is into higher education business, from HT Media to HMVL.

Quickly looking at the outlook the way we look at. At this point in time we believe that with high impact of GST receding and better market sentiment, advertising spends should pick up. Growth expectations, therefore, in the second half of the financial year, we believe, will be much better than the first half of this financial year. Our near term priorities are on the five pillars of market position, profitability, radio, digital, and others and we are focusing on all five of them. I think that was a quick synopsis of the business performance of this quarter and I would like to hand it back to my colleague Anna.

Anna Abraham: Thanks Piyush. So this brings us to the close of our formal remarks and we can now open the call for any Q&A. Just a reminder, for asking a question you will have to log into the dial in number that has been provided both on the exchange filings and on the presentation. We can now open the floor for questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take the first question from the line of Ishpreet Kaur from Karma Capital. Please go ahead.

Ishpreet Kaur: Good afternoon. If you could elaborate on the cost rationalization that you have done in the English print business, is this sustainable or is there any one time to it and if you could also elaborate what are the points that we have done for this kind of profitability?

Piyush Gupta: Thanks for the question, Ishpreet. This is Piyush this side. If I may just take you back to last year's call as you know when we were just starting and embarking on this cost rationalization exercise, we had looked at all the costs very carefully in all our print businesses and at that point in time, the market scenario of course was not as weak as it is currently and we had embarked upon restructuring our costs and taking out the unproductive cost. The various areas that we have looked at very sharply is paper deployment, overheads, and people deployment. Across all these three pillars, we have done substantial work, which lasted about one year. We did it with the help of BCG and the work completed in July of this year. Now your first part of the question is whether this is sustainable? I would say some part of what you are seeing flowing into the P&L is not sustainable. That part is the discretionary clamp down that we have done because of the soft market scenario at this point in time, but suffice to say that as the market scenario does improve going forward the discretionary part will be taken off and the sustainable part will go forward. So I would say a substantial part of what you are seeing flowing into the financials will continue, but not all of it will continue.

Ishpreet Kaur: Sir if you could give what would be probably a sustainable kind of an EBIT margin that we could see in the print business, so as of Q2 it is somewhere around 21%?

Piyush Gupta: You know Ishpreet, I cannot hazard a guess on this because it will all depend upon how we define sustainability. Right now we are defining sustainability, which is basically falling in line with market conditions. So I would say if the market conditions were to come back to let us say a pre-demonetisation era, our margins will be softer by two – three percentage points.

Ishpreet Kaur: And this you are talking more in terms of the A&P spends or marketing?

Piyush Gupta: Yes. These are more of market facing spends. There will be ATL, and BTL. There will also be sales promotion and some kind of overheads which are discretionary like travelling and similar expenses that we are currently closely watching.

Ishpreet Kaur: And the A&P spend or the marketing spend that is there, so how much would it be as a percentage of sales now and what is the kind of a level that we could take it back once the markets are buoyant?

Piyush Gupta: We do not track it like this, Ishpreet. I think these are all activity linked, so most of the activities are currently kept in abeyance and/or being done in a frugal market manner. So really I could not say that, but theoretically if you re-launch a particular product or particular segment the A&P spends spike up, but I would not be able to categorize that in that manner.

Ishpreet Kaur: If you could also give us your thoughts in terms of the digital losses in the first half they are again at around Rs.24 Crores and if you take a similar run rate, so it could be somewhere around Rs.50 Crores for full year, so it could be higher than what it was last year and really I think it should have probably gone down this year, but it seems to be higher, so if you could share some thoughts on it?

Piyush Gupta: The losses are 11.6 right now. What is your question? Can you come again?

Ishpreet Kaur: I think for the first half the digital losses are Rs.24 Crores and last year for the full year they were around Rs.39 Crores, so if you go by the same run rate then we would probably be doing somewhere around Rs.50 Crores of losses this year?

Piyush Gupta: No. I think they would improve from here on. I think H2 loss performance will be better than H1.

Moderator: Sorry to interrupt Ms. Kaur. Madam we request that you return to the question queue. There are participants waiting for their turn. Thank you. The next question is from the line of Shalini Gupta from Quantum Securities. Please go ahead.

Shalini Gupta: Good afternoon, Sir. I just wanted to check if you could discuss the volume growth in the ad revenues in English as well as Hindi?

Piyush Gupta: Let me give you broadly. I think I gave the Hindi numbers yesterday. Our yields were higher by 5% and our volumes were lower by about 12% or 13%. That is the same scenario in English as well. So our volumes have basically come down very sharply by about 12 to 13 points whereas yields of the entire print business including Hindi and English, has gone up by about 5 to 6 points.

Shalini Gupta: Sir you have also spoken about the fact that because of competitive pressures you all have had to take a cover price decline, so again if you could just talk about that?

Piyush Gupta: Shalini basically there are a lot of competitive battles that we are fighting in the all important market of Uttar Pradesh. That is where we have brought down our cover prices to counter the competitive activities. We believe this is a short-term hitch and soon the market will come back to rationality. Right now we have reacted to the competitors and we will come back as soon as the situation permits.

Shalini Gupta: Would it be correct to say that your circulation is growing on an overall HT basis by around 3% would that be a correct estimate?

Piyush Gupta: I have not looked at the numbers, but I think it will be in the ballpark because as I have highlighted in my presentation earlier in the day. On the English side, we have got a market entry into Pune. Also on the Hindi side, we are definitely deepening our presence in both UP and Bihar, so we are putting in more copies. Now exactly in terms of numbers, I will not know where that will be.

Moderator: Thank you. We will take the next question from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.

Giriraj Daga: Hello team. One question on HTDSL like yesterday we spoke is that we are looking for listing of HTDSL and HT Media shareholder will also get some part of it. So can you explain the thought process there and how fast we can expect that thing to happen?

Piyush Gupta: It is a great question Giriraj. So once HTDVL is demerged from HT Media Limited, that will be an auto-listing process. On the timeline, because this will be a court intervened process, I really would not be able to hazard a guess, but I would say anything between six and eight months should be practical enough for this process to go forward.

Giriraj Daga: You mean to say the complete demerger?

Piyush Gupta: Yes.

Giriraj Daga: My second question is on the outlook. On the digital also like are you sticking with the guidance that their losses will be lower compared to last year. And second on the print business side how has been the festive season so far, that is my second question?

Piyush Gupta: Yes. So the first part of your question on the digital outlook of losses, I totally am sticking with it. I think they will be much more benign and you know the situation on profitability line will go strength to strength from here on. And as far as the season is concerned, I am happy to report that so far the season is going rather well and extrapolating the situation we just might be able to come out of this extremely tight market situation sometime soon.

Giriraj Daga: Thanks a lot.

Moderator: Thank you. The next question is from the line of Navin Jain from Florintree Advisors. Please go ahead.

Navin Jain: Good afternoon Sir. Sir my first question is on the demerger process. Now your presentation says that the resulting entity HTDVL will be a mix of HTDSL as well as the other group properties and digital innovation businesses. So can you please share what are these other group properties that are going along in this entity?

Piyush Gupta: Yes. So other business, which have digital risk and reward equation embedded. We have got a photo library business; we have got a business, which is on Fever Audio tools whereby we are going a digital music audio dissemination to the listeners. All these are businesses that were not sitting in the erstwhile HTDSL. Those along with the HTDSL businesses will be going into HT Digital Ventures including Desimartini.

Navin Jain: So these are not in any subsidiaries. These are standing in standalone entity currently?

Piyush Gupta: Some are subsidiaries and some are in various other entities, but now all these are coming together in HTDVL.

Navin Jain: So if I were to look at let us say FY2017 digital revenues what part of that revenue is going into this entity?

Piyush Gupta: I have not looked at it like this thing, but I would say a substantial part now of the digital businesses will be sitting in this entity except the Shine business, which is basically still sitting in HT Media and HT Campus, which we are scaling down rather sharply and just keeping the core business.. Substantially I think everything else would be in HTDVL.

Moderator: Sorry to interrupt Mr. Jain, may we request that you return to the question queue for a follow-up question. There are participations for their turn.

Navin Jain: It is a continuation of the same if I can just complete.

Moderate: All right Sir. Please go ahead.

Navin Jain: So effectively next year your losses in the digital business as we see in the consolidated entity HT Media, that should automatically come down because lot of those business are anyway passing on to this entity?

Piyush Gupta: Yes. absolutely right.

Navin Jain: Got it Sir. Thank you so much.

Piyush Gupta: Just hold on. Anna wants to add.

Anna Abraham: But also there is an improvement in what is left behind also. It is not just about the transfer of the businesses, but the businesses which are left behind of Shine, DQ, HT Campus itself will also show improvement in profitability.

Navin Jain: Got it, sure. Thank you.

Moderator: Thank you. The next question is from the line of Vikash Mantri from ICICI Securities. Please go ahead.

Vikash Mantri: Sir the Multimedia Content Management revenue line is that what will be the new revenue line of HTDSL or HTDVL?

Anna Abraham: No it will not be the only line. It is just one of the businesses, which are moving, so there will be other revenue streams also which get added, but it will be one of the substantial lines.

Vikash Mantri: So other revenues streams whatever is non-Shine out of the digital portion?

Anna Abraham: Yes non-Shine, non-DQ, and non-Campus will all go in this thing and the other few businesses, which are also being pulled together to form the new entity.

Vikash Mantri: So out of the current digital business what is Shine as a proposition and if Shine can you share Shine's profits?

Anna Abraham: This is not something we share yet.

Vikash Mantri: Is Shine profitable or what is the Shine losses similar to Digital overall losses or the other businesses, which are going into MMCM have a better profitability?

Anna Abraham: No, I would not say that. Shine is not profitable to answer the first part of the question. But there are businesses which are profitable and not profitable also which are going in HTDVL. So the restructuring has nothing to do with managing the process of digital business as such.

Vikash Mantri: So what I wanted to know is the new entity of HTDVL will be a loss making entity clearly?

Anna Abraham: The HTDVL will largely have HTDSL, so to the extent of HTDSL performance if revenues softness in the businesses of HMVL and HT Media continues, they will continue to show losses. But the other digital businesses, which are getting merged along with the HTDSL to HTDVL will show improvement in performance.

Vikash Mantri: No that is the future thing. I am saying as of now the businesses that go into HTDVL are a loss making businesses?

Anna Abraham: No, there are profit-making businesses as well.

Vikash Mantri: No, on overall basis. I know there will be profit making and loss making businesses?

Anna Abraham: Overall at this point of time, yes there will be losses because the biggest component of the business which is going is HTDSL which is currently into losses and that kind of offsets whatever profit the other businesses have.

Vikash Mantri: So how does that company now be funded - on its own or will HT Media be supporting it?

Anna Abraham: The commercial arrangement that HTDSL has with HMVL and HTML in terms of the content sharing continues. So there is no change in the commercial arrangement. It is only in the shareholding that there is a change.

Vikash Mantri: On the cost rationalization is there any discretionary cut off, which might come back in the employee cost because I thought that should be sustainable?

Anna Abraham: Employee cost does not have a discretionary cut off. The entire discretionary clamp down has been on the other expenses. However, consequent to the people rationalization exercise that has been done, there are some provisions truing up that we have done this quarter. To that extent it may not be sustainable, so the salary number which is of Q1 is more indicative number of the sustainable number going forward.

Vikash Mantri: Q1 is more sustainable number?

Anna Abraham: Only from salary point of view, Yes.

Vikash Mantri: There are two exceptional items in standalone and consolidated. Can you help me with that?

Anna Abraham: The exceptional item in standalone is related to the rationalization that we have done on the DQ business and Campus, we have had to take some impairment in the investments and that is what is sitting in the standalone. Consolidated, under the new accounting standard there is a revaluation of our holding in the Bridge School of Management business that has happened and that is the amount that is reflected there.

Vikash Mantri: Basically this is the price at which it goes to HMVL?

Anna Abraham: No, this has nothing to do with the price. This is just a fair valuation that was done at the time of the transaction.

Vikash Mantri: Thank you and best of luck and really appreciate the cost rationalization.

Moderator: Thank you. The next question is from the line of Dhruv Bhatia from AUM Advisors. Please go ahead.

Dhruv Bhatia: My first question is on the current cash holding your net cash of Rs.1200 Crores what is your plan going forward of utilizing this cash? Is there a plan of may be buyback or dividend payout or what do you intent to do with this cash?

Piyush Gupta: The entire cash, which is sitting on the balance sheet, is to be utilized for business growth purposes. This is a preferred option that we like to use this cash for. So the board is perpetually evaluating options thereby we can either organically or inorganically use this cash, that is a preferred option. If we do not find any such option then we can look at increasing the dividend payouts or a buyback, but those are not our preferred options.

Dhruv Bhatia: Sir is there a time frame in mind for looking out for any organic or inorganic opportunities or else you will probably pay back the money to shareholders in the form of dividend or buyback?

Piyush Gupta: Currently, I can tell you with confidence that we had a board meeting today and there is no timeline to it, but it is beyond me. Currently there is no timeline, but the board is the sole discretion to consider that.

Dhruv Bhatia: One clarification on this restructuring of the digital business. So HMVL, which held 43% odd stake in the HTDSL, is getting merged into the holding of 57% of HT Media right?

Piyush Gupta: Yes.

Dhruv Bhatia: So how did this auto listing work? How does it get listed on this exchange and if you can just help me understand that part of it?

Anna Abraham: There will be a demerger and because of the demerger from a listed entity, there is an auto listing that will happen. There will be a swap ratio whereby the shareholders of HTML will be given shares in HTDVL, basis which the listing will happen and then the price discovery happens thereafter once the listing is done. If you want further details, we could possibly connect offline on this.

Dhruv Bhatia: Thank you.

Moderator: Thank you. The next question is from the line of Amit Mehendale from RoboCapital. Please go ahead.

Amit Mehendale: First of all, congratulations on a good set of numbers. I have a couple of questions on your segmental businesses, so one is on the radio. Radio is now at the current run rate of about Rs.12 Crores a quarter, will potentially do about Rs.50 Crores at this run rate in a year and if you look at the your competitors they are currently trading at about 20 times EBITDA multiple, so it is fair to say that the radio business looking at how the competitors should be valued may be valued currently around close to Rs.1000 Crores. Also on the Shine business, is it fair to say it is about 5% of Naukri in terms of Page views, if you can give some colour on how it stack up in terms of comparison with Naukri that will be helpful. Second question was on the debt that we have taken for radio business, is there a plan to pay down the debt in the next two years or so with the cash debt business generates?

Piyush Gupta: The first part of the question, which was on radio valuation I can say my guess is as good as yours. But firstly I like to state about our radio business, the strong thesis is that it is absolutely conjoined with our print businesses in the big cities of Delhi-Mumbai and in the Hindi cities where we have got a very big Hindustan presence. So in terms of how the investors will value it, I will leave it to their judgment. But I would say ours is much more superior in terms of a market proposition than our competitors. So that is point number one. Point number two on Shine; I would say your analysis is slightly faulty there because the way that these businesses are evaluated by the users, and I am not talking valuation, is basically on the product proposition. In terms of our product proposition the total database that we have in our Shine business is north of 5 million whereas Naukri has about 7.5 million, so the delta is about 50% there. Now, Naukri obviously enjoys a very formidable position in the market place and rightfully so, being the first mover and is doing a good job. So I would say 5% has no logic to it. It is quite substantially higher than that, given the fact that there are no other credible competitors to Naukri in that market place. So if the market place were to go forward the only other competitor to Naukri is our Shine business, which is with the database which is at about 75 percentile times or 66 percentile to Naukri's database. What was your third part of the question?

Amit Mehendale: Sir, on the same part, on the Naukri and Shine part apart from the database, because database is one side of the equation. The other side will be on the corporates. So, in terms of corporate clients that we have or in terms of Page views or in terms of revenue, whatever indicators you may choose. Can you just broadly put a number on where we may be standing in terms of some comparing with Naukri, may be 10% or 15%, whatever number you have either in revenue...

Piyush Gupta: At the end of the day, what is the recruiter or a jobseeker looking for? A recruiter is looking for relevant resumes or relevant candidates to outplace on whatever job he is doing, which is a direct subset of what the database does. In terms of what is the candidate looking for is again a database basis which he/she can find a relevant job opening. So I would say all other things are certain derivatives. Now the pricing power that Naukri enjoys currently is quite substantial currently compared to the pricing power that Shine enjoys. So, at some point in time when the product starts walking on its own two feet, I believe the pricing equations there are going to correct very sharply. So the other things that you are seeing are actually not others in isolation, but a subset of the database and the pure execution because the search engine that we have is far superior to the Naukri search engine both in terms of technology and bringing you relevant outputs that either a recruiter or candidate is looking for. So database actually is a very good parameter to look at and I would say it is the only parameter to look at. All other things have to bolt on depending on the execution performance that we have to do. Also you have to read this in the perspective that there are no other third, fourth, or fifth candidates here. There used to be a Monster and various other people who are no longer credible competitors in that market place.

Amit Mehendale: Sure. Thanks.

Moderator: Thank you. The next question is from the line of Neeta Khilnani from B&K Securities. Please go ahead.

Neeta Khilnani: Sir, can you help us with the like-to-like growth in the radio business?

Piyush Gupta: If you want to look at like-to-like, I think there are three or four ways of cutting it out. On the core businesses, which are the first four stations that we have, the growth is about 7% that we have. On all other stations that we have acquired after that you can just the do the math and understand what the growth rate is.

Neeta Khilnani: Sir so the new stations are they close to breakeven or what are the operational losses there?

Piyush Gupta: On an EBITDA level, the biggest two stations, which was the second station in Delhi and a second station in Mumbai, I am happy to report that they are actually operationally profitable at this point in time.

Neeta Khilnani: Sir the next question on print, so how has the newsprint prices behaved on a YOY basis?

Piyush Gupta: Well newsprint prices on a YOY basis I would say is a flat line at this point in time. Both the market conditions and our purchase department have been pretty favorable to the business performance. But going forward, I see some hardening happening into the newsprint prices, at least those are the signals that we are catching from the market place.

Neeta Khilnani: So the reduction in the raw material cost is entirely because of your consumption reduction?

Piyush Gupta: Yes largely I would say.

Neeta Khilnani: Thank you.

Moderator: Thank you. The next question is from the line of Vikash Mantri from ICICI Securities. Please go ahead.

Vikash Mantri: Sir on the HTDVL again, the entire content aggregation of HT Media as a consolidated entity moves into that or only the digital portion?

Anna Abraham: The digital content aggregation platform which is sitting as part of HTDSL, the entire thing will move because the entire HTDSL will move.

Vikash Mantri: Which has both print content as well as digital content aggregation?

Anna Abraham: Yes. The content aggregation is largely digital, but there is some amount of print content aggregation as well.

Vikash Mantri: And there will be a markup for both HMVL and HT Media will pay for whatever cost basis model?

Anna Abraham: It is a revenue share done on a transfer pricing mechanism disclosed at the time of creation of HTDSL and the same arrangements will continue. None of those arrangements are changing.

Vikash Mantri: So we will get to know of those?

Anna Abraham: It is already in the public domain as part of the HTDSL scheme, which happened last year.

Vikash Mantri: Fair enough. On the raw material cost is there significant discretionary cut off in cost this quarter?

Piyush Gupta: Vikash, there is no discretionary cut, but because the volumes of advertising has been soft, so there is an auto correction mechanism which has kicked in. The discretionary cut that we did was on account of closing the non-profitable editions that we did two quarters ago, which we had reported and of course the third leg is for two quarters straight now that we have embarked on the yield maximization program that also gives you a flip side saving on the consumption.

Vikash Mantri: I appreciate that. Thanks Piyush. That is all from my side.

Moderator: Thank you. The next question is from the line of Miten Lathia from HDFC Mutual Fund. Please go ahead.

Miten Lathia: Just to be clear about this HTDSL or HTDVL in its new form will derive 90% plus revenues out of the group itself is that where it will stand?

Piyush Gupta: Miten, currently yes because these are content generating companies and currently the only customers that they have are the group companies of HTML and HMVL, so currently that will be case, but going forward sitting in their charter is to look for monetization opportunities of that content across.

Miten Lathia: So the digital content that this entity generates is used by the print businesses of HT and HMVL in which they pay some revenue share to them and then this entity itself will leverage that content on digital and make some additional revenue, which in aggregate should allow it to be profitable is that how it should work?

Piyush Gupta: That is the going in thesis you are absolutely right, Miten.

Miten Lathia: The structure Anna referred to was that they had some revenue share, predetermined at the time of entity. Given the print advertising environment that we are in and the fact that it will digital cost might scale up faster what would be an interim plan sort of to enable this entity to be robust in the interim?

Piyush Gupta: So your question is that the digital revenues will scale up faster, what is the plan to augment the cost?

Miten Lathia: Digital cost will scale up faster than the digital revenues and the primary revenue that this entity is getting as a share from the print businesses, which are not sort of growing at that pace?

Piyush Gupta: Miten, this entity from a cost point of view is already fully costed. I am just referring to the conversation we had when we had a face-to-face conversation and I just like to say for the benefit of everyone it is totally fully costed out because the digital transformation in terms of retooling of the journalist staff and the edit staff is something that we started on that journey two years ago. So both in terms of various trainings and various technology deployments all the capex, etc., were done over the last two years and there have already been totally costed in. So I do not think the cost is going ramp up from where they are currently. They might marginally go up or down, but it is already fully costed in so I do not see any risk of cost ramping up in HTDVL very sharply going forward.

Miten Lathia: These revenue share agreements are sort of sacrosanct or do they get revisited every periodicity let us three or five years or something of that sort?

Piyush Gupta: I would say it is only prudent to revisit them over a long period of time. I would say after five years I think it just might be worthwhile to revisit them because there are a lot of conjoined points. But right now they are pretty sacrosanct and they were carved out like last year and I think they are going runway of another four to five years, but that I am speaking for myself. As of now we have just etched them in stone, but I think it will be a prudent exercise to revisit them every five years.

Miten Lathia: Great show on the cost front and wish you all the best.

Moderator: Thank you. The next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: This is just one question. I am looking at the segmental information and there we have the segment results from unallocated, so that figure has moved up from about Rs.13 odd Crores last year to about Rs.24 Crores this year, but on quarter-on-quarter basis it has come down from Rs.28 Crores to Rs.24 Crores, so could you just give us some flavor about what this pertains to and what should be the outlook on this thing?

Anna Abraham: The IESPL – Indian Education Services, which is Bridge school, is now forming part of the unallocated segment further to the acquisition of stake from Apollo. There are some investments we have in strategic partnership and the mark-to-market gains losses of those are also reported in this segment.

Yogesh Kirve: IESPL is that a significant component of this?

Anna Abraham: There is some amount of IESPL sitting in this number.

Yogesh Kirve: And the mark-to-market pertains to what?

Anna Abraham: We have a lot of investments in strategic partnerships on the equity side and as well as in the real estate side, so these are linked to that.

Yogesh Kirve: What should we expect going forward on this particular unallocated loss?

Anna Abraham: The Indian Education Services of course it will be better, but on the mark-to-market it is a function of the equity markets and the real estate markets, so very difficult to conjecture for us.

Yogesh Kirve: Thanks. That is all from me.

Moderator: Thank you. The next question is from the line of Manish Bandi from Roka Capital. Please go ahead.

Manish Bandi: Congratulations for good set of numbers Sir. Sir, I would like to know what is the debt reduction plan for relative business and when do you expect that it becomes like a zero debt?

Piyush Gupta: If I got you correctly you are saying what the debt reduction plan is that what you said?

Manish Bandi: Right.

Piyush Gupta: I am just trying to understand on a consolidated balance sheet, we are a net cash company and only debt we have acquired for radio licensing and which is at a very effective term, so I personally do not think it makes any sense to reduce the debt because the terms are very favorable to the company.

Manish Bandi: Sir my second questions with a drop in other expenses from QOQ, so it has been other component and can you throw some light on it?

Anna Abraham: I think the drop in other expenses, we have already alluded to both in the presentation and in a couple of questions that there has been a substantial impact of the cost rationalization exercise that we have done, the clamp down on discretionary spends that we continue to do in the line of revenue softness. GST has also come to play in this quarter and all of these factors are leading to the reduction in cost and other expenses line.

Manish Bandi: This is sustainable right?

Anna Abraham: To the extent of the clamp down on discretionary spend as and when there will be a pickup in the revenue it will see a correction, but the rest are all sustainable.

Manish Bandi: Thank you.

Moderator: Thank you. The next question is from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.

Giriraj Daga: Just a follow-up question. In terms of HTDSL, we said we had a contract with HMVL and HT Media. If I remember it is about 8% with HMVL and 11% with HT Media. Correct me if I am wrong and the second one is how long is the contract period?

Piyush Gupta: So you are absolutely right. It is 8% and 11%. As I said the contract when it was awarded last year it is perpetuity, but it is subject to going through a modification with the consent of both parties and as Mr. Miten from HDFC was asking, I think it will prudent to revisit it every five years.

Giriraj Daga: As of now it is perpetuity contract?

Piyush Gupta: Perpetuity as the contract is written, but there is a clause that it can be revisited with the consent of both the counterparties.

Giriraj Daga: Okay and the second question is just a follow-up do you have the GST input credit number?

Piyush Gupta: We do not calculate it like this. All the service tax and sales tax, which we are using in input, were between 12% and 18%. Now with the output of 5% that we have on ad spend, which is 80% of revenue. But we do not calculate it the way you were asking, but being 5% outflow taxable company our endeavour is to basically flush the losses that we are doing on behalf of input tax.

Giriraj Daga: Understood. Thank you.

Moderator: Thank you. The next question is from the line of Pawan Nahar from Anand Rathi. Please go ahead.

Pawan Nahar: Piyush, my question to you is this that you are essentially saying one that let us say digital content were to be bought from HTDSL, the print companies how would they have their own exclusive content? I am unable to understand one? Can you please elaborate?

Piyush Gupta: Can you repeat your saying?

Pawan Nahar: So if content creation is going, from HT Media and HMVL and the other parties were to buy it from the digital entity, then how would these print companies create their own exclusive content. I would think it is important to create that as well?

Piyush Gupta: It is very interesting point. I think when we did HTDSL scheme and this contract was created the critical people who will do the critical content, I would say not creation, but the content packaging and re-packaging are still housed in HTML and HMVL. The content generation work is the stuff that is basically given over to HTDVL. But the critical people are sitting in HMVL and HTML who will have that unique differentiated content, which is so very critical for those publications.

Pawan Nahar: The second thing is essentially what you are telling the shareholders particularly HMVL now and to a lesser extent, going ahead let us say one year later when the demerger happens, with the new shareholders of HT Media. Essentially you are telling them that you are better off without owning the digital property, the news websites. Literally that is what is happening, right?

Piyush Gupta: You can conjuncture that, but what I think we are telling the shareholders of HMVL in the larger extent is that we want to shield you from the volatility of the digital world.

Pawan Nahar: Piyush, but that is the strongest cash flow entity in your group?

Piyush Gupta: Absolutely it is strongest cash flow entity in our group, but as we know that on the digital paradigm that we have been for the last 10 years not just on the content side, but outside of the content side also we have had our own motions and it is not hidden form the investors like yourself that it can have its own pluses and minuses. HMVL, which is the strongest cash flow entity, we do not want to disturb the equation there for all the shareholders including the minority shareholder and that is why we want to shield them from the vagaries. I mean, the first scheme that we did of 43% and 57% ownership of this entity with both these things, we have seen that in spite of our best effort in the first year we were not able to turn in a profit in HTDSL and that is why we are shielding away the HMVL shareholders.

Pawan Nahar: Piyush, I take that point of yours. Look in the large interest right, it is essentially if I were to look at this transaction, 24% or 26% of HMVL's 43% share is what the minority shareholders would have got. Assume that you have decided to give all the minority shareholders their proportionate rights in the new company, so literally we are talking about 10% of the company. I do think it makes any difference to any promoter entity or anybody, so why you not give the same option to HMVL shareholders let them sell it if they wish to sell it, but at least give them the same option. I understand there could be some legal hurdles to it, but they would obviously ways to find a way around it. So they have the right to stay invested. Why are not you giving the same right and HT Media has less cash or cash flows right now. Why are you not giving the same right to HMVL shareholders?

Piyush Gupta: You know Pawan. I would love to do that because the way you are putting it is that we have denying a certain right to the shareholders of HMVL that is neither the current nor the intended purpose. The clear purpose is HMVL now, with a strong cash flow as you rightly said, is one of the entities which is performing very well in a pure play Hindustan Print Media business. Given the fact that we also realize as much as you do that the run rate for Hindi print medium is definitely longer than the English print medium, we would like to keep those cash flows away from the volatility of the digital world right now. Also understanding in the same breath that digital is the future, we would not like to give up that journey and have a clear focus on digital businesses going forward and hence this entity. There is no intent on denying any shareholders, least of all HMVL shareholder, any access to a big value creation which might happen. Because you know so much that we would like to do the value creation, we have been at that journey for the last 10 years and in spite of our best effort we have discovered it is not a walk in the park.

Moderator: Thank you. The next question is from the line of Navin Jain from Florintree Advisors. Please go ahead.

Navin Jain: Thanks for taking my question again. I just had one question on our radio business, so at what point do you think that this business will in a position to be hived off or demerged and be on its own separately. At what stage we could see that?

Piyush Gupta: Thanks Navin. I think that is a great question. I do not have a clear timetable or timeline. You know radio business as you already have been tracking it for the last many quarters now is a self-sustaining and as a matter of fact a net positive accretive business within the group. So it really does not matter whether we keep it within a legal entity or spin that off into a separate legal entity. As far as the event of fund raising is concerned, I think clearly we have to think through it and we as an organization have not put our heads to it. But given the strength of the balance sheet, it is not that we are for want of any funds looking at doing a fund raising. But if required we can do it very quickly. But right now, I am not aware of any such discussions happening. If there will be there, we will publicly go out and let you know.

Navin Jain: Eventually demerger kind of an option could also be evaluated right?

Piyush Gupta: Absolutely. That option is also on the table and can also be evaluated if need be.

Navin Jain: Got it Sir. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Rohit Dokania for closing comments.

Rohit Dokania: Thank you everyone. I would just sort of hand over the call to Piyush or Anna if they want to make any closing comments.

Anna Abraham: Thank you all for joining the call and we look forward to having a discussion with you next time. I would like to hand it back to Piyush for his closing remarks.

Piyush Gupta: Thank you ladies and gentlemen. I appreciate you making the time. As you have seen that we have now for the second successive quarter turned around a good set of numbers in spite the exceedingly challenging markets situation. We hope that as a community you will back the initiatives that your company is taking, specifically the cost initiatives that has been added, which is already showing not early, but matured signs of fruit. Just a last point, I would like to make that these initiatives are sustainable and as you would see going forward, these will hold all the investors both majority and minority in good stead. With that I wish you all the best and I look forward to speaking to you in one quarter’s time. A very Happy Diwali to everyone. Thank you.

Moderator: Ladies and gentlemen, on behalf of IDFC Securities that concludes today’s conference. Thank you for joining us. You may now disconnect your lines. Thank you.