HT Media Q3 FY2018 Webcast and Earnings Conference Call

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Moderator: Ladies and gentlemen, good day and welcome to the HT Media 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 and Financial Planning. Thank you and over to you Madam!

Anna Abraham: Thank you. Good afternoon everybody and welcome to our third quarter earnings conference call. Joining me today is Mr. Piyush Gupta, our group CFO. Our remarks today will track with the presentation on webcast, which is also available on the investor relations section of our website. I am now going to take you through the presentation. I would like to draw your attention on slide #2 to the disclaimer relating to forward looking statements.

Moving on to slide #3. During our presentation we will take you through the highlights and key business drivers of the financial performance of the group. Then, we will be covering separately performance of our print business including English and Hindi, Radio and Digital businesses in detail, and finally wrap up with our near term business priorities. Following our remarks, the call will be open for questions. and with that, I hand over the call to Piyush.

Piyush Gupta: Good afternoon everyone and thank you for making the time to attend our Q3 FY2018 call. I will be covering the performance of HT Media today and thereafter we will have a quick round of question and answers.

Just moving on to slide #6, which is the highlights of the quarter. As you can see on your screens because we are doing webcast. There are a couple of highlights I would like to point out. After quite some time Hindi print business is back on the growth path. Improved yields in both Hindi and English newspaper, this is one program that we have embarked on for some time. In a tough market environment, we have managed to execute this program albeit with half success. But we have planned to be on the program because we believe whenever the markets will come back; we will be reasonably poised to take advantage of this. However, sitting in the results is a one time profit on the sale of one of the land parcels that we had. As we are consolidating our NCR manufacturing into our factory, surplus land has been disposed at a profit of Rs 31 Crores. As most of you would remember, and I have been highlighting on various calls every quarter, our cost restructuring initiatives continue to hold us in very good stead. As you can see in the results even in this quarter, we have got substantial saving across various line items and we continue to reap the benefits of our cost initiative. We finished the one year program with BCG in July 2017.

As far as our radio business is concerned, I am happy to report that there is a very handsome topline improvement. Our new radio licenses, which were acquired consequent to phase 3 licensing are doing exceedingly well. I am happy to share that on EBITDA basis they continue to be positive, reiterating that they are going from strength to strength. As a consequence of all of the above, our earnings per share have grown handsomely on the back of margin improvements. Our balance sheet position continues to be strong at this point in time.

If I were to just move forward to a consolidated financials, which is chart #7, which might be up on your screen right now. Operating revenues have declined in this tough market situation by about 4%; it has come down to Rs.625 Crores from Rs.650 Crores last year. However, our operating EBITDA has gone up from Rs.110 Crores to Rs.135 Crores, which is an improvement of 22% and margins therefore have improved by 5 points to 22%. PAT has had a very handsome gains going from Rs.91 Crores to Rs.124 Crores, which is a 36% improvement. You can see a lot of operating leverage of all the cost synergies that we have been working on coming into the PAT line and PAT margin, as a consequence, has improved nearly by 50% from 13% to 18%. EPS again jumped by about 60% from 3.9 to 5.3. Our balance sheet continues to be strong with net cash at Rs.1022 Crores as of December 31, 2017. The theme of growth in operating profit along with margin expansion and improvement in shareholder return amid revenue softness is something which we continued to witness even in the third quarter.

If I may just move on to slide #8, which has some of the key drivers I would like to express upon. Some of the critical sectors like FMCG, Luxury etc., have shown some growth coming back on the ad spends which we have seen into our revenue line. Strong margin performance in both new and existing radio stations is something that continues to happen. Newsprint prices have remained flat on the back of favourable exchange rate. However, as most of you are aware that we already see some northward trajectory on the newsprint prices, which we are factoring in forward looking business plans. Reduction in raw material cost on account of optimized pagination is something that we have been at and we also seen it in third quarter. Our cost restructuring initiatives continue to hold us in good stead.

What has been a bit of heartburn was a decline in the overall market volumes. As you aware, the English markets in this quarter have declined by about 12% and Hindi markets by about 3%. Muted ad spending by big sectors such as Government, Retail, Auto, Banking & Finance and Education has been a cropper as well. Cover price realization due to heightened comparative action has also eroded certain amount of value. However, on this I would like to say that we have already started corrective actions and we are hopeful that in the coming quarters we will be able to correct this whole stuff. So all in all, a sharp focus on cost even in revenue growth impacted by depressed macroeconomic regulatory and comparative actions has happened.

If I just were to move to a business unit performance. If you look at our print segment, our revenue is down by about 6% and EBIT is up by about 77%, margins are at 22%. Ad revenue is down by about 3% and there is substantial erosion on the circulation revenue, which we are already trying to correct at this point in time.

If I just were to move forward onto the English, English has seen a much bigger decline. The markets declined by about 12%. However, because of our yield action we could buck the trend to a certain extent and we declined only 8% and circulation revenue came down 15 points. Some of the drivers on the revenue was increased ad spend in some categories, which have had the good performance, like FMCG, Entertainment and Luxury and yield program has held us in good stead. Impact of GST is totally not out of the system the way we look at it. A lot of our advertising categories are still reeling under the GST pressure and we hope that it comes back sooner rather than later. Real Estate sector is again still not totally through with RERA impact and we can see Real Estate sector coming back very anaemically. Softness in circulation revenue, which I alluded towards earlier, has resulted from unproductive copies and shifting of copies from line to subscription.

Just moving on to key business priorities in English print, we obviously like to maintain copy leadership, target higher wallet share in key markets, continue to offer superior product offering and provide customized customer centric solutions.

Moving on to our Language Publication Hindustan, our operating revenues are flat as you can see. Our operating EBITDA is up 42% with PAT up 12% from Rs.44 Crores to Rs.49 Crores. Margins, therefore jumped 3 points to 20%. EPS has gone up by about 12% to 6.7 and net cash is close to Rs.965 Crores on December 31, 2017. So Q3 2017 includes nine months of HTDS impact and hence the above results are not strictly comparable. As most of you would remember that we had carried a scheme of arrangement in Q3 last year, which had had a nine-month impact coming in the third quarter. Therefore, these results are not strictly comparable and PAT includes the impact of profit on sale of HTDSL shares, which Hindustan has sold off to HT therefore the profit is sitting in the current third quarter.

Moving on, if we look at the print Hindi Hindustan, ad revenues have grown by 5%. Circulation revenues have degrown by 14%, which I said, is due to enhanced competitive activities in both UP and Bihar. Ad revenue growth is driven by increase in yield and volume both. Some sectors like FMCG and Retail, etc., have been at the forefront of driving, or at least bringing it out from a negative zone to a breakeven zone and taking it towards the growth zone,. Our impetus on investment in copies continues and we are moving towards deepening presence in chosen markets. However, lower cover price realization remained a bit of issue, which we are trying to sort out at this point.

Moving further on to the key priorities, the focus is on initiatives to augment market volumes continues, better cover price realization, persistent investment into copies in poor market, better monetization of copies through higher yields and continued focus on cost management, which we have executed with flying colours and we continued to take the agenda forward.

If you move on to the Radio segment, our financial performance, which is slide #16,. our revenues grew by 5% YoY from Rs.45 Crores to Rs.47 Crores. EBITDA came to Rs.19 Crores jumping from Rs.13 Crores, which is a very handsome gain of about 45%. EBITDA margin, as a consequence, grew from 30% to 41%. EBIT was at Rs.10 Crores and EBIT margins at 22%. So top line for the new and existing stations continue on the growth path largely led by yield improvement. We witnessed margin expansion on the back of yield growth and continue focus on cost.

Moving further to slide #17, digital content business continued to be on the growth trajectory. However, Shine revenues have been soft. So as a consequence on the entire digital segment you can see that our revenues come down from Rs.37 Crores to Rs.28 Crores.

Moving further to slide #19, with green shoots visible in ad spends across sectors and receding impact of GST, we expect better financial performance going into the next fiscal. Our near term priorities basically will be in market position, where we wish to improve the leadership position in poor markets. On profitability, better monetization of copies and maintained cost focus will improve profitability. On Radio, we have to drive profitable growth. New radio launches which have already turned profitable, we need to take them to the next level. We have to focus on profitable growth for digital segment. We continue to focus on strong cash flow generation, which we have managed in the past as well.

With this, I will hand it over to my colleague Anna.

Anna Abraham: Thank you Piyush. This is the end of our formal remarks and we open up for Q&A. For asking a question, please dial in using number mentioned on the slide, which is +91 22 39600570. We are now open for Q&A.

Moderator: Sure. 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 K M Visaria Family Trust. Please go ahead.

Giriraj Daga: Hello team. Just a couple of first data point, what was the volume growth number for Hindi and English?

Anna Abraham: Hindi volume has grown. Of the 5% growth that we have, about 3% is from volume. In English, we have volume degrowth of about 16%.

Giriraj Daga: Second on a costing side, is there any percentage of costing, which was a discretionary and non-sustainable in nature on cost reduction side?

Anna Abraham: Given the revenue softness that we are facing, we continue to have a clamp down on all discretionary spends. I do not have a percentage as such, but in addition to the structural cost that we have taken out from the system, we also have a discretionary clamp down which continues.

Piyush Gupta: Even yesterday on the Hindi call, we had said that though our cost project is totally executed, but we have had discretionary cost clamp downs beyond those things, which are currently in play. So we do not have a number, but I would say 70% or nearly 80% of the cost take out which has been done is sustainable and will continue. But depending on the revenue scenario, we will take a call on the other elements of cost.

Giriraj Daga: Are you going to give the volume number in Radio? You said in Radio, yield was our focus. What was the volume number in Radio?

Anna Abraham: No, there is no breakup that I have on this. But largely, the growth is from yield.

Giriraj Daga: Secondly, on the Digital side like, we had been maintaining that the Digital losses will be lower compared to last year. Is there any revised plan there, because if we see the nine-month number, we are slightly higher.

Anna Abraham: The increase in losses of digital is largely led by the drop in the revenue of Shine. Had it not been for that, you would have seen a much better position. So I think Shine in this quarter has not performed. Once it is back in its growth trajectory, the loss position should improve.

Giriraj Daga: But for the full year in number?

Piyush Gupta: Full year number if you break down our Digital segment, as Anna was just explaining, our Digital content business sales continue to grow both on the topline and bottom-line. However, the Shine numbers had disappointed us in this quarter, but we are hoping that even the Shine numbers will grow in the fourth quarter. But given the state of job markets, online recruitment platforms are not garnering a lot of revenue. So we are pretty much on track in terms of reducing our loss position. Maybe we might be off by a couple of quarters, but we are definitely on track.

Giriraj Daga: Just a followup there. In Shine, if you just can indicate something on FY2019, like what kind of reduction we can anticipate, so we can model in our numbers on Digital side and Shine total?

Piyush Gupta: First of all, I cannot give you a forward looking statement. But it will be fair for me to say that the loss position in FY2019 will definitely be better than the loss position in FY2018.

Giriraj Daga: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Vikram Ramalingam from Maybank. Please go ahead.

Vikram Ramalingam: I would like to ask what is this unallocated revenue that has been shown? Can I get a colour on what it is?

Anna Abraham: This is the education business that we have.

Vikram Ramalingam: For my own clarity, the digital business that is hiving off HTDSL, that would still be part of the parent group, right?

Anna Abraham: For now it is. Because the demerger process is yet to conclude, so in the parent company results, it will form apart.

Vikram Ramalingam: When would it demerge?

Anna Abraham: The scheme is yet to be approved.. Currently we have a NSE, BSE nod for it. It is awaiting shareholder approval, then it has to be filed with NCLT.

Piyush Gupta: I think it is just going through the processes right now. It is pending the NCLT approval. We believe that in max 1-2 quarters, the scheme should be approved and therefore the operationalization of that will begin then.

Vikram Ramalingam: After that point it would not be part of the segment, right?

Anna Abraham: No, it will be a separate listed company.

Vikram Ramalingam: Alright. That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Vaibhav Barjatia from HNI Investment.

Vaibhav Barjatia: Thank you for providing me this opportunity. We have heard earlier that Indian Readership Survey will be out sometime next week. So I just wanted to hear managements view on its impact on the ad you will say generally in print media industry, and for our English and Hindi newspaper in particular?

Piyush Gupta: I believe what we have been given to understand by MRUC, in the next couple of weeks and probably as early as next week the results of IRS will be out. As far as the impact is concerned, it remains to be seen. But I believe IRS impacts the national revenue. So it will always depend upon what the relative and the competitive positions of various competitors are, depending on the outcome of the survey. I do not think it will have any particular impact on the entire sector, but it will have impact on the relative participants within the sector. But I think it is just about one week away, so we will see the results in about a week's time.

Vaibhav Barjatia: So when you say on the entire print media sector is not impacted, you mean to say that whatever the growth that happen after the last survey in terms of circulation and the benefits in terms of increased readership, which is obviously not in public domain, that has already priced in the current yield for the industry as a whole?

Piyush Gupta: Just look at it like this. I think the readership survey will give you relative competitive positioning of various players within the sector. But I do not think basis the IRS, various corporates or various people going to allocate their budgets. I think they are going to allocate their sectoral budgets to participants, and therefore, the relative positions are of absolute necessity and they matter. But will they have a very big impact in redefining the sector itself, I do not think so.

Vaibhav Barjatia: Fair enough. I think that is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Amit Kumar from Investec Capital. Please go ahead.

Amit Kumar: Thank you so much for the opportunity. Starting up with a question on the print business, in the English print business your circulation revenues has declined by 15%. If you can just help us understand how much of this is pricing and how much is circulation?

Piyush Gupta: Well, we have not classified that thing. But I will just jog the memory a little bit, we had closed down a few unprofitable editions about two quarters back, some impact is coming from there. So that was the closure of unprofitable editions. Beyond that, I would say it is both pricing and volume. But how much is attributed to pricing and volume, we do not have the exact numbers. Suffice to say that we have already started rebuilding that back and in the next couple of quarters we should be back to the pre-reduction realization performance.

Amit Kumar: I am just trying to understand; when we look at the Hindi market, we have seen this kind of a decline because new competition sort of entered. When we look at Delhi and Mumbai markets things have actually cooled off. So DNA was very big in Mumbai and they are very niche small player now. I do not think in Delhi we have seen at least any significant incremental competition. So little bit surprised by the fact that pricing is also down and circulation is also down?

Piyush Gupta: It is not always by introduction of a new player in an existing market. It could also be by enhanced activity by a current incumbent. So both in the big markets of Delhi and Mumbai, we have a interesting position vis-à-vis our competitor. Although there is no new player here, but there are various activities, which are happening by competition, which is resulting in this kind of erosion currently.

Amit Kumar: On the FM radio bit, in first half the growth in advertising was fairly strong. Actually third quarter you had a straightly better base because of demonetisation in the base quarter. So is it because now the new stations that you have launched, they sort of matured a bit, that we have seen in this growth sort of moderate. I would have thought especially the new stations that you have launched, there would be a fair bit of volume opportunity available in those stations still?

Piyush Gupta: Your hypothesis is correct. There is a lot of opportunity and in the coming days and months and quarters you will see that. First of all, post demonetisation I think most of the stuff happened in the fourth quarter, so you will see that base. But having said that, the entire volumes in the Radio sector in this particular quarter have been quite soft compared to a quarter ago sequentially. So that is a bigger reason. The volumes itself are soft, so some part can be attributed to base, but the volumes in this quarter are soft per se.

Amit Kumar: That one I am just trying to understand; is there any reason why volumes are soft in this quarter, which is the festival quarter. And December also, at least for metro markets December also Christmas, New Year has sort of become a bit of festival period. And you have a greater leverage to metro markets compared to all the other players.

Piyush Gupta: We do. I totally get it that this is a festive quarter and by logic there should be higher number of volumes. But you will have to correlate the volumes with the performance of the underlying sectors and companies which come on the radio as a medium. I would say being a derived demand medium, if the performance of those sectors and companies have not been so great, that could be one of the reasons which can attribute to lower volumes in this quarter vis-à-vis a quarter ago.

Amit Kumar: Final question if I may be permitted or should I come back in the queue?

Piyush Gupta: Yes please.

Amit Kumar: Sir on the Digital side the Shine business. As I remember, if the memory tells me right we launched a business in 2007 and last year we have celebrated the 10th year anniversary of the business. It has been consistently loss making and scalability, profitability in the business has been very difficult to come by. Is it of any plan or any sort of thought on closing it down now?

Piyush Gupta: I think that is a great question. Though we do not give forward statement, but I can tell you that in the next few quarters, a few things that we are experimenting on this particular business will bring it back to a reasonable level of health. I am not saying that is going to go gangbusters here, but I understand it has been a long time. But you also have to have a perspective that in most of these digital businesses, the monetization is very tough given the incumbent is a strong player. Also, the job market has been exceedingly soft for the many, many years now. However, suffice to say that we are doing something in the next couple of quarters. In any case we will bring down the cash burn position. I think if we just fast forward our plans, in the next couple of quarters we just might be positively surprised.

Amit Kumar: Sir I am just asking this question sort of theoretically, but you have sort of experimented quite a bit with this business in the past as well. So assuming that these next set of experiment over the next three, four, six quarters do not sort of pan out the way it is expected, and the business sort of still does not either both in terms of scalability and profitability meet the benchmark, can we expect that you will sort of take some action and close this out? I know it is theoretical; I am sort of putting you on a spot here but in 10 years…

Piyush Gupta: You are not putting me in a spot at all. I love these kinds of questions. I totally get it. But we are as concerned as you are and that is the reason I said we will do something which will bring it back, but that is all I can say at this moment.

Amit Kumar: Thank you so much that is it from my end.

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

Rajeev Ravani: See my question is first is that the Print EBIT margins have been at around 22%, Radio EBIT is around also 22%. First question is that if the company will be in a position to maintain on a sustainable basis the present margins on both fronts, the Print and the Radio.

Piyush Gupta: I guess as I was telling to one of the gentlemen on the call just a little bit before. Right now we are in a situation whereby there are a lot of discretionary cost clampdowns beyond the structural cost takeout which we had done along with BCG. We can only hold them so far and no further. So I would say that give or take 3-4 points we would be able to maintain. Nothing like the bottom going to fall off, but I cannot exactly say that 21% or 22% we will be able to retain. If the revenue scenario picks up, we just might go into investment mode whereby we start scaling these businesses, where the margin might come a little bit under pressure.

Rajeev Ravani: The second part is that the company is on a consolidated basis sitting on cash on hand of 1222 Crores. This also includes of Hindustan Media Ventures Limited, that is a separate listed company in which HT media is holding the 75%. Are there any capital investment needs of HT media or Hindustan Media Ventures Limited in the short-term because both the companies have been generating the cash now as early as last, two three quarters. Perhaps the radio business is also not requiring further cash infusion. So are there any capital investment needs of these companies; and if not are there any plans to return the excess cash to the shareholder?

Piyush Gupta: First of all it is a great question. It comes every time, and so let me try to kind of answer that. First of all I would actually not exactly agree with you that there are no cash needs of the business. At any given point in time there are various organic and inorganic activities that we are doing were a lot of cash can be deployed. A case in point is in Radio we invested Rs.500 Crores just about two and a half years ago and that was to buy new licenses which are now serving us exceedingly well. Going forward there are various such proposals which our board is considering at any given point in time both in Radio as well as in Print side of the business. So those are the activities which will need reasonable amount of cash, though I would not say the entire amount of cash. And then there is some amount of cash which we would always like to keep on the balance sheet as a safety cash given the fact volatile nature of both revenues and the volatile nature of raw materials, there is always a certain safety stock of 1-3 months of requirement, which will always be there on the balance sheet. Besides that, I can say like we did Rs.500 Crores two and a half years ago, those kind of numbers can happen into organic or inorganic activity at a very small notice and our board is perpetually discussing such options at all points in time for sustainable shareholder value creation.

Rajeev Ravani: And the last question is that the board of directors has approved the investments of Rs.21.90 Crores into Realpro Realty Private Limited. What exactly is this nature of transaction? what is the investment all about?

Piyush Gupta: We have our investment arm within the business which is an in corporate VC firm. This is a strategic investment where we are providing advertising in lieu of equity of Realpro Realty firm. We will be giving them access to our media vehicles to enhance the business and in lieu of that they will be giving us shareholding. So, there is no cash investment and this is a strategic investment that we have done.

Rajeev Ravani: Okay, wonderful. Thank you so much!

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 revenues and EBITDA of the new stations?

Piyush Gupta: Well we do not carve it out separately. But as I said earlier, all of the new stations have positive EBITDA. This includes the big ones of Delhi, Mumbai and the smaller ones that we had taken in UP and in Chennai. They are all positive is all I can tell you, but we do not break it down separately in terms of numbers and percentages.

Neeta Khilnani: And in terms of revenues, would you give us some idea of how they have grown, or that would also not to be possible?

Piyush Gupta: That would not to be possible, but I can tell you the revenues have also grown very handsomely.

Neeta Khilnani: And Sir the effective tax rate for this quarter seems far lower, so if any comments on that?

Anna Abraham: Yes, it is actually disclosed in the results also. There was a demerger scheme of HT campus that had been underway for which the approval has finally come through in October. This has enabled us to recognize what we were otherwise carrying as provision because of which there is savings on the effective tax rate.

Neeta Khilnani: So this should normalize from next quarter?

Anna Abraham: Yes. this will normalize from next quarter.

Neeta Khilnani: Alright thank you.

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

Vikash Mantri: Sorry, I did not understand the tax-related saving. How does that work out and what should be our effective tax rate for the full year?

Piyush Gupta: It is very simple. We had applied for a scheme of arrangement whereby HT Campus, one of our digital businesses sitting in legal entity Firefly e-Ventures, was merged with HT Media. Consequent to that, all the carry forward losses can now be set off against HT media losses. This scheme has been approved by NCLT in October, and therefore there is a onetime big benefit on the tax line which you are seeing.

Vikash Mantri: Okay, I get that. What would be the amount?

Piyush Gupta: Well, the amount is approximately Rs 20 odd Crores on the tax number.

Vikash Mantri: And for the full year what will be our tax rate?

Piyush Gupta: I would not hazard a guess because there are multiple things at play here. One is obviously our treasury income which depends on the money markets and the G-Sec yield etc. where volatility has been very high in this quarter. Second, of course, is the scheme of arrangement which has been executed and third is the operational income. I would say as an amalgam of these, it should be anywhere between 22% to 26%.

Vikash Mantri: So that is other than this Rs 20 Crores saving?

Piyush Gupta: Yes, that is other than this. So if you factor for that, I think it should be on the lower side.

Vikash Mantri: Thanks Piyush. That is all from me.

Moderator: Thank you. The next question is from the line of Chetan Chollara from Pragya Equities. Please go ahead.

Chetan Chollara: I am looking at the stock price since 2005. The stock price is hovering on the same level. Do you have any thought on this and why market is not giving due price to the stock. What could be the reason?

Piyush Gupta: Well I cannot speak for the market. I wish I could, but I cannot unfortunately. But what I can say is that the stock price is at a two year higher at this point in time. Now if you go back 10 years, I really would not be able to comment. Markets have got a mind of their own, but at this point in time the stock price is at a two-year high.

Chetan Chollara: Yes, but looking at the overall market conditions and the way market is behaving, do you not think that Rs.2500 Crores cap is too low?

Piyush Gupta: Well, that is what I said I cannot speak for the market. But in 2 years, stock price has come from Rs.80 per shareto nearly Rs.120 per share which is an increase of approx 50%. Clearly the Sensex has not moved 50%. But what markets really reward and what they do not reward, I cannot speak for them.

Chetan Chollara: Okay, thanks.

Moderator: Thank you. Next we have a followup question from the line of Vaibhav Barjatia from HNI Investments. Please go ahead.

Vaibhav Barjatia: Sir, just continuing my earlier discussion, do you think that we will be able to defend our number two position in Hindi print business in UP in the upcoming IRS survey? What confidence do we have on that?

Piyush Gupta: Vaibhav, this is at best a conjecture. But given all the work that we have done in the market, given the fact that we have been deepening our market presence for the last one year which we have been speaking about on the calls, given the fact that you have seen the erosion on our realization per copy and we are therefore increasing the competitive activities in UP which is a very important market for us; I honestly believe that the results of the survey should validate all that we have said. But as I said, we would not know till we will know. It is just a matter of week before the results are out. I honestly believe that we will definitely be able to keep up number two position. Since after that the results will be much more regular feature, we would definitely try to strengthen our position and move towards number one as strongly as possible.

Vaibhav Barjatia: Thank you that is it from my side.

Moderator: Thank you. Next question is from the line of Dhiral Shah from Asit C Mehta. Please go ahead.

Dhiral Shah: Sir, my question is regarding the newsprint prices.

Piyush Gupta: You will have to speak up a little bit; your voice is very low here.

Dhiral Shah: Sir my question is regarding your newsprint prices. What is your outlook for the same?

Piyush Gupta: Well, I think the outlook for the newsprint prices is now given in the public domain. Newsprint prices for at least the last couple of months have already started inching up. I believe, there will definitely be a spike of 5% to 7% going forward.

Dhiral Shah: So, is it going to impact our margins?

Piyush Gupta: Well, as I said with the high newsprint prices, the one good thing that happens is that all players come back to a rational level of paper consumption. So, all the extra paper which was there in the market will start rationalizing itself out. So I hope that the margins will remain protected and the margin dilution will not happen.

Dhiral Shah: Thank you Sir. That is it from my side.

Moderator: Thank you. Next question is from the line of Rohit Dokania from IDFC Securities. Please go ahead.

Rohit Dokania: Just one question from my side. Could you talk about the great improvement in the EBITDA margin on the Radio front? what has exactly led to that?

Piyush Gupta: Rohit, as my colleague Anna was telling to a gentlemen before this; like in Print, we had a yield improvement program in Radio which has given us better results than Print which is highly competitive at this point in time. And given the fact that we have got many more frequencies in the last two years, we are playing it very strategically. That has given us operating leverage which has come down to the EBITDA margins.

Rohit Dokania: Sure Sir, just a followup on this. Once the new stations also start doing better than where they are currently, what kind of stable margins on an annual basis can one look at as far as your Radio business is concerned?

Piyush Gupta: Very tough to say. I think the current margin of 41% also looks to me like a stratospheric margin. Even if we are able to defend these kind of margins, I think I will be very happy. But once the new stations start coming into a high zone of activity, there will be investment which has to be put back into the business. So I think these are very realistic high-level margins and on that I would not like to hazard a guess at this time because they would not be sustainable in the long run.

Rohit Dokania: Thank you for your comments. All the best.

Moderator: Thank you. The next question is from the line of Pankaj Gurnani from Niveshaay. Please go ahead.

Pankaj Gurnani: Sir, I would like to ask a question about acquisition strategy. Are you exploring new geographies or new media venture like online venture. what exactly is the acquisition strategy?

Piyush Gupta: I think the simple answer is all of the above. As I had highlighted earlier, in the area of Education, Entertainment and Information, we are open to evaluating all potential opportunities which might come. But as I said, they have to be value accretive to the shareholders, only then will we go for them. So the approach will be to evaluate on a conservative basis and if there is shareholder value, we will go as long as they are in our preferred space.

Pankaj Gurnani: We are in the business where we have a lot of data. So is there any development on analytics part from our side?

Piyush Gupta: Well, on the analytics part which is a very important part, we use analytics within various facets of the business any which ways. Either for segmenting of the markets when we go on a new geographies within the existing markets; segmenting the reader, segmenting the customers, segmenting the advertiser, analytics play a very important role and it will continue to play a very important role for all time.

Pankaj Gurnani: Fine Sir that is all from my side. Thank you very much.

Moderator: Thank you. The next question is from the line of Amit Kumar from Investec Capital. Please go ahead.

Amit Kumar: Just a quick followup on the Radio business. To what extent are you using networking? So in phase III you own a lot of smaller stations; and when I say smaller and in non-metro stations essentially. To what extent are you using networking in these stations and is that a key driver of the margins because margin seem to be pretty much ahead of everybody else in the industry?

Piyush Gupta: I think that is a very interesting and important operating lever because networking is allowed. You have to remember that segmentation of the listeners have to be kept in the mind; so wherever we can network without disturbing the listeners' experience, we are using networking to the hilt. If we can increase that we will absolutely be happy to do it because those synergistic values always bring down value to the operating margins.

Amit Kumar: Sir, that is what I just wanted to understand that what is the networking that you are doing in the smaller stations in terms of prime time and ordinary time?

Piyush Gupta: For networking, you have to understand the content, which is music. Now you do not have to have studios in all the markets; you can network your studios. You do not need fixed overheads in all the markets, you can use the central fixed overhead and defray it over various revenue streams. So those are the networking opportunities which are available, as long as they are not destroying the listeners' experience in different markets and that is the networking we are doing currently.

Amit Kumar: Let me elaborate on my question. basically which of those smaller markets so The smaller markets also have gradation, right. You have a tier 1 market like Lucknow or Kanpur and then you have markets which are significantly below them,i.e, tier 2 and tier 3 markets. Your metro stations very clearly you have not networked and it is largely original content and RJs in each of those specific markets. I wanted to understand in which of those smaller markets have you network? And is it like the full station is networked or prime time is local content & local RJs and non-primetime is networked?

Piyush Gupta: I think it is a great question. So the simple answer to this is that all our smaller stations which are there in UP are getting the benefit of networking. But you specifically asked me which stations etc., I would not be having those operational details. But whatever they can in those 8 to 10 markets they would be doing because that is our chosen strategy.

Amit Kumar: Alright, understood Sir, thank you so much for this.

Moderator: Thank you very much. That was the last question in the queue. I would now like to hand the conference back to Ms. Anna Abraham for any closing comments.

Anna Abraham: Thank you ladies and gentlemen for joining our call. I appreciate you making the time. We are happy to have reported a decent set of numbers despite macroeconomic environment continuing to be tough. We hope to come back to you with better results in the next few quarters and look forward to speaking with all of you. Thank you.

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