

## Conference Call – Quarterly Results – Q3 FY'19

Transcript of webcast and conference call on Q3 FY'19 results of  
**HT Media Limited**  
&  
**Hindustan Media Ventures Limited**

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**MR. RAJEEV BEOTRA – CEO, HINDUSTAN MEDIA VENTURES LIMITED**  
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Note: Please note that the transcript has been edited for the purpose of clarity

**Moderator:** Good morning, Ladies and gentlemen. Welcome to the HT Media and Hindustan Media Ventures Limited Q3 FY19 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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 Ms. Anna Abraham – Head of Investor Relations, Financial Planning and Strategy, HT Media and Hindustan Media Ventures Limited. Thank you and over to you, ma’am.

**Anna Abraham:** Thank you. A very Happy New Year to all of you and thank you for joining Q3 FY18-19 Earnings Conference Call. Joining me today on the call is Mr. Piyush Gupta - Group CFO, Mr. Rajeev Beotra – CEO of Hindustan Media Ventures Limited, Mr. Sandeep Gulati – CFO of Hindustan Media Ventures Limited, Mr. Pervez Bajan – Group Controller and my colleagues from the Investor Relations Team, Amit and Sankalp.

Like we have been doing over the past few quarters, our remarks today will track for the presentation on webcast. This presentation is also available on the Investor Relations section of our website.

Moving to the presentation Slide #2, I would like to draw your attention to the cautionary statement regarding forward looking numbers and information provided in the presentation. Slide #3 covers the topics that we will be covering over the course of the call today.

On Slide #4 we have our Chairperson’s comment on the results which talks about operating performance having been weak, given soft advertising revenue and high newsprint cost environment. There is, however, optimism given certain events and changes that are anticipated.

With this, I hand over the call to Mr. Piyush Gupta to take you through the details of our results this quarter.

**Piyush Gupta:** Thank you Anna. Good morning everyone and a Happy New Year to all on the call. Thanks for making the time.

Quickly moving to Slide #6, which gives the highlights for the quarter. We have published our consolidated results yesterday. You can see that the consolidated operating revenue has de-grown by 3% to Rs. 589 crores versus last year. However, total revenue is at Rs. 665 crores which is down 2% versus same period last year. EBITDA is at Rs. 85 crores at a margin of 13% and consolidated PAT came in at Rs. 43 crores with a PAT margin of 6%.

Some of the developments that I would like to point out on the call. As you would have already picked up, in December, we have announced open offer for majority stake in Next MediaWorks. Post 31<sup>st</sup> December, Government has announced DAVP rate increase by 25% effective immediately which is from January. And On newsprint, price which is really the

biggest raw material in our business, the prices have started softening and the full impact of this will be tracked in the subsequent quarters.

Moving to the next slide, which is the financial summary for the quarter. This is the detail. The total revenue came in at Rs. 665 crores in Q3 FY19 versus Rs. 682 crores in Q3 FY18 which is a decline of 2%. EBITDA came in at Rs. 85 crores, PAT at Rs. 43 crores and EPS came to Rs. 1.5 per share. Net cash still robust at Rs. 1,117 crores.

Now quickly going into the business unit performance and tracking Print business, which is Slide #10. So the financial performance - has seen a decline of 5% in ad revenue whereas the circulation revenues have grown 3%. I would just like to point out, we had mentioned earlier that we have taken pricing actions in most of our language paper editions. We have been tracking very positively and you can see in spite of a lower print order in those locations, the circulation revenue is growing 3%, which is also tracking the realization per copy which has gone up healthily. Therefore, operating EBITDA came in at Rs. 20 crores with a margin at 4%. Coming to some of the key drivers, if you break down the revenue, local ad revenue has shown good traction while national revenue is still soft, and we hope that this will recover in the coming quarter. Growth in the market volumes have been driven primarily due to the shift in the festive season. Most of the revenue is this time captured in the third quarter unlike last year where there was a flip effect in the second quarter as well. Also, we had better sequential operating EBITDA and margins despite high newsprint prices. Some of the things that did not work well – our journey on ad yield still is a tough journey and given the scarcity of volumes in the market, that agenda is still unfinished; and this quarter we have actually cycled the highest newsprint cost, and from next quarter onwards we should start seeing some softness in the newsprint prices.

Moving on and just having a quick look at Print -English which is Slide #12. Ad revenue as I had already highlighted, on the English side is at a de-growth of 4% at Rs. 256 crores while circulation revenues are flat at Rs. 18 crores and some of the key drivers are ad revenue growth in sectors such as Real Estate, e-Commerce and Luxury. Revival as I have said in the local advertising has happened, but national advertising will happen slowly. Weak festive season and subdued national advertising and muted ad spends in category such as government, FMCG, BFSI and medical health and fitness.

Moving now to Hindi, where ad revenue came down 7% to Rs. 164 crores in the quarter, whereas circulation revenue went up smartly to Rs. 52 crores which is a 7% growth. Some of the key drivers – Auto, Retail, e-Commerce and Durables sectors have witnessed growth in ad revenue. Strong traction in local advertising on the back of yield and volume growth both. Circulation revenues continue to grow with focus on improvement in realization, which is something that we consciously did about two quarters back and now we are seeing the full impact coming to the P&L. However, weakness in national advertising remained, a point as I had already made despite the festive season. Some of the sectors which did not perform very well are BFSI, FMCG and Health & Fitness.

Going to Slide #16 to a quick look at the radio financial – Our radio revenue came in at Rs. 53 crores which is a growth of 14%, operating EBITDA at Rs. 22 crores which is at growth of 12%, EBIT at Rs. 13 crores which is a growth of 20% and the EBIT margins at 25%. So, we have seen now more than 12 quarters of double-digit growth, coming into radio and we have been able to maintain a very healthy operating EBITDA margin which is north of 40%. Strong growth in Travel, Auto, Retail and Healthcare categories are some of the reasons which have been responsible for the revenue growth. With that, I end the presentation and we can now have some questions from the participants please.

**Moderator:** Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

**Abneesh Roy:** My first question is on the 3-4 segments wherein you have mentioned weakness in ad. So English has seen weakness in Government ad while Hindi has not, because you have not mentioned that. So is that a proactive shift from government to see more advertising being sent to the vernacular regional rather than English?

**Rajeev Beotra:** In Hindi, the government revenues have been largely flat. So, it is not as if there is a major shift into vernacular or Hindi. So the trend is not very dissimilar, and its more or less flat revenues in Hindi.

**Abneesh Roy:** I asked this because you have not mentioned in Hindi. Secondly, in FMCG I was surprised because from whatever few results have come in FMCG, it seems it is not soft. So, in your case if you could highlight, is it because Patanjali has cut down significantly? Ex-Patanjali is the growth better, as in both English and Hindi you have pointed it? So is there any market share loss issue of any of your business that is also impacting this?

**Rajeev Beotra:** So our overall shares have by and large actually been robust in this particular quarter. and Patanjali has had no significant impact in our overall performance. Part of the reason for some growth is the shift in festive season, but our market shares have been intact by and large. In fact, we have gained a few points of shares in October to December period.

**Abneesh Roy:** Sir, I could not get the answer. So FMCG, what I gather, is still spending robustly. Why are you saying it is a weakness? And festive season actually would have benefitted because it was there this time while it was not there in the base quarter to the same extent. So could you elaborate with more details?

**Rajeev Beotra:** You are talking about Hindi business or English business, will you just be a little more specific.

**Abneesh Roy:** Because FMCG has been pointed in both Hindi or English so it is actually for both.

**Rajeev Beotra:** FMCG has been soft in this particular season. That is an industry phenomenon. It is not as if we have lost shares in FMCG at all.

- Abneesh Roy:** And on the festive, why in spite of festive you saw a decline of 5% in the print ad?
- Rajeev Beotra:** Our single largest contributing category is Government, which is our DAVP business. That is one category which has not grown – it has been flat in Hindi and bit of decline in English. The second biggest category for us as a business is tenders, which have also seen a decline in this particular quarter, in fact a sharper decline than DAVP. Like Piyush mentioned a little while back that the robust part of our advertising performance has been the local retail revenues, which have grown in English as well as in Hindi. Real Estate has done well for us, the two-wheeler segment advertising has been good for us in this quarter, but the two large categories have not been very good.
- Piyush Gupta:** Just to add on to what Beotra said, apart from the volume shares, yields have been under pressure across Hindi and English, because of lack of volumes in the markets. So that has also contributed to a bit of decline on the revenue lines.
- Abneesh Roy:** And on the Government bit, what is the percentage Government revenue in English and Hindi separately? And because of this 25% increase, is that the quantum of increase you expect from day one? So if you could give us more in terms of how much is the benefit?
- Piyush Gupta:** Though we do not specifically give the government category separately, but suffice to say it is in the same ballpark, as it is for other publication. So broadly I can just lead you towards that it is the single biggest sector for us. That is point number one. Point number two is that it is close to about 20%, obviously Hindi and English will differ. So, this 25% will play out in those proportions in the publications.
- Abneesh Roy:** From 1 Jan itself this should grow by 25%? Is there a lag impact because State ads are also there?
- Piyush Gupta:** No. The government notification is very clear about 25%. Now, when the volumes will come, it will basically track the volumes.
- Rajeev Beotra:** Look, the good part is that in the bulk of our business, you have got a 25% price increase. That is a good part. Now of course all of that may or may not necessarily result in commensurate revenue increase depending on the advertising volumes. Now, in this particular quarter Jan to March, the volumes may be robust because this is a prelude to election year. But whether it is sustainable over a long period of time, we will have to wait and watch.
- Abneesh Roy:** Sir last question on Health & Fitness, is it large enough category that you have mentioned it in both English and Hindi, that it has seen slowdown?
- Rajeev Beotra:** Overall health and fitness has a low single digit contribution. It is not one of our largest categories. Our largest category, just to reiterate, is between government business and tender business and that is the bulk of our business.

- Anna Abraham:** All our other categories tend to be in a similar range. So for us, unlike in TV, there are a lot of other categories with a similar weightage, which kind of contributes apart from Government.
- Rajeev Beotra:** We have just actually called out the declining categories and some of the growing categories. Therefore it got mentioned, although it is not a large category.
- Abneesh Roy:** And again to repeat market share you don't have loss either in Hindi or English?
- Rajeev Beotra:** No. We have not in volume market share either in Hindi, or in English.
- Moderator:** The next question is from the line of Nagraj Chandrasekar from Laburnum Capital. Please go ahead.
- Nagraj Chandrasekar:** My question is this mid to high single digit decline in English ad revenues we have seen for the last 7-8 quarters for you guys. Is this something you see across the industry or are we facing higher decline due to higher decline in circulation volumes, and if so, what is causing this higher decline in circulation volumes?
- Rajeev Beotra:** It is not related to circulation volumes. The entire English print business has been under stress, and most English publications have been witnessing a decline. I cannot comment on revenues and pricing, but volumes, which are tracked by central body, volumes have been declining for most English publications and therefore top line for most of them has been under stress. Over the last few years, again some of the local categories like Real Estate, Government spending has been low. So, that has been impacting everybody. Geography-to-geography it may vary a little. For example, in Quarter 3 in October to December some states which saw election those markets may have behaved a little differently than the ones which did not see assembly elections. However, over the last two to three years, you mentioned 12, 13 quarter it has been a secular trend for most English dailies.
- Nagraj Chandrasekar:** Could you give me your outlook on news print prices? You have said that they are on declining trend. I know this is something that is hard to predict on a long-term basis, but on a quarterly basis if you could give us a sense of your dollar rates on average, that would be great.
- Piyush Gupta:** Well Nagraj, as I have said the outlook is positive because we are already contracting future newsprint at about 10% lower than the current rate. The exact number I would not like to give that on call, because these are very critical to our negotiations with our vendors, but we foresee that in the next quarter itself, the consumption prices on newsprint should come down, the rates should come down by at least 10%, and that trend should also follow through into the first quarter of the next fiscal.
- Nagraj Chandrasekar:** You mentioned the declining trend of English print. Given the structure with the debt at HT Media and declining English print profitability, are we considering merging the two entities sometimes in the future given the cash level at HMVL?

- Piyush Gupta:** At this point in time we have seen synergies running them as separate legal entities. I understand your point on the cash level, it is absolutely valid, but there is no proposal at this point in time to merge both the legal entities because on the front-end side we see a lot of synergies going to market with a separate proposition in both Hindi and English.
- Moderator:** The next question is from the line of Jigar Shah from Maybank. Please go ahead.
- Jigar Shah:** My question pertains to the radio business. Can you give us an idea in terms of where it stands, from the point of view of consolidation of Next MediaWorks that you have bought? And when do you propose to list the new company and give shares to the shareholder of the HT Media?
- Anna Abraham:** There is actually a change in the structure proposed. We are actually now buying 51% in an existing listed entity. So therefore, there is no further listing of radio entity. Post the completion of open offer, we would be holding 51% of the existing listed entity. Further to the public announcement on December 20<sup>th</sup>, we have filed the draft offer letter with SEBI and we have also filed for regulatory approvals. So, post revert from the regulators we will be able to go ahead with the open offer and complete the transaction. We had published the detailed public statement on December 28 where the tentative timelines are also mentioned. The best-case scenario if everything falls in place, we are looking at late March in terms of completion of the transaction.
- Jigar Shah:** I remember that you had mentioned earlier, when you did this transaction, that eventually the jointly listed radio entity, now with the Next MediaWorks, will enable the HT Media shareholders to directly own the radio pie?
- Anna Abraham:** In the earlier transaction which was being done through a scheme, the HT Media radio assets were also being carved out and put in the listed entity which is no longer the case. So this is a cash deal now and not a stock deal, which is what was envisaged earlier. Now, we will only be taking majority in Next MediaWorks Limited.
- Piyush Gupta:** So what we are referring is the earlier scheme, on which we couldn't secure all the regulatory approvals. These schemes also require regulatory approvals. In the new structure, the way we are going ahead is that we are purchasing stake in the listed company, which is Next MediaWorks, through the open offer route. As Anna was highlighting, if all goes well, by March, we would be able to complete. After that, if your question is that then radio assets will be sitting in different legal entity – the answer is yes. Would we be consolidating them at some point of time, is something we will see going forward. At this point in time, I cannot comment on that. But by March end, we will become shareholder in Next MediaWorks, if the offer goes as per plan in terms of timelines and other approvals which we are seeking from the Government.
- Jigar Shah:** The only thing is that why earlier shareholders were told that they will get to own the radio entity directly, which allows them to do value creation, and now it has been changed?

**Anna Abraham:** Earlier, the shareholders of HT Media were getting the benefit of holding shares in HT Media, because when the part of the assets of HT Media are moving out of HT media, the shareholders had to be reimbursed. Therefore, in the earlier proposed scheme they were getting share. At this point of time, there is no asset of HT media which is moving out. However with us being 51% majority holder and in control of Next MediaWorks, the results will get consolidated for the HT Media. So, the shareholders will still get the value, but by holding shares in HT Media itself.

**Jigar Shah:** The second question that I have is about the listing of the digital content business. Can you please tell us the status of that?

**Anna Abraham:** We are awaiting the NCLT order. There was a hearing scheduled which got postponed, and the next hearing is supposed to be in February. Once the hearing happens, if there is no further postponement, the moment the orders comes, within two months of the order, is when the listing will happen.

**Moderator:** The next question is from the line of Vivek Pai from Aroha Capital. Please go ahead.

**Vivek Pai:** My question is regarding Hindustan Media Ventures Limited. In the company we have a large mutual fund book of close to Rs 1000 crores. Normally with such a large mutual fund book, corporate houses go for direct investments in mutual funds. I would like to know whether all our mutual funds holding are regular or direct holdings?

**Piyush Gupta:** I would say majority are direct. There are just very few which are indirect through brokers and intermediaries because of advisory that we seek from them, but largely the book is all direct.

**Vivek Pai:** For the corporate house, why is there a need for advisory when you have your own...

**Piyush Gupta:** That is a very small proportion which is indirect. We still need our advisory to be updated on the market trends in terms of what is happening. But if you just look at the historical performance, and if you look at the balance sheet also, most of the book is direct anyways.

**Vivek Pai:** So out of Rs. 1,000 crores, about Rs. 800-900 crores is direct?

**Piyush Gupta:** Yes, I would think so.

**Moderator:** The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

**Sarvesh Gupta:** Actually I joined the call late, so I could not understand your comments on the trend of newsprint prices. Having looked at import data for newsprint, I think till November it was steadily going up. In fact November was far worse than even October. So what is the current trend in terms of what you are seeing in the market, even as you do not want to disclose your specific buying rates.



**Piyush Gupta:** So let me just repeat that. You are absolutely right that in the third quarter which is October, November, December we have actually cycled the highest newsprint prices and the rates have still been going up. The point that I was earlier making is now that we are contracting newsprint for future quarter and we are getting into negotiation with some of the newsprint providers in India or overseas, we are already seeing a softening of the newsprint prices to the extent of about 10% currently. Our own belief is that going forward, the softening should continue well into the next quarter and another 5%-10% it should come down. So without going into the exact number, I think we have now cycled of the peak newsprint cycle and now the softening will continue for some time and then there should be a period of stability on the newsprint prices. That is what our internal view is.

**Moderator:** We will move on to the question from next participant, that is from the line of Lalaram Singh from Vibrant Securities. Please go ahead.

**Lalaram Singh:** My first question is with respect to newsprint. In the next quarter, do we see the effective rate going down or we will be using the old inventory at higher prices?

**Piyush Gupta:** We should see the effective rate coming down approximately between 8% to 10%.

**Lalaram Singh:** My second question is that on HMVL balance sheet, what would be the net cash after all the debt liability taking off?

**Piyush Gupta:** The net cash which is there on HMVL's balance sheet is north of Rs 900 crores on 31 December. We believe that from now to 31 March, this position should improve slightly because there is a very enhanced focus on working capital management, which should basically release more cash into HMVL balance sheet.

**Lalaram Singh:** Finally, if you look at HMVL, the company is trading at a market value which is equal to the cash value, which I think is very depressed. So, as shareholders, what can we expect from the management in terms of steps which will let this anomaly go away and create value?

**Piyush Gupta:** That is a great question. The management is totally focusing on looking at the interest of all shareholders, including minority shareholders. In line with that, all the actions which have to be targeted towards the operational side of the P&L would be geared up in terms of revenue and cost optimization and revenue maximization. In terms of cash, as I have stated earlier also, we are always strategically looking at various organic and inorganic opportunities to utilize the cash in HMVL. As you can see in HTML right now with this radio transaction which is now a cash transaction, we would be utilizing a substantial part of the cash which was there on HTML balance sheet. If we get such opportunities in HMVL, we would be more than pleased to kind of deploy that cash. And therefore that is the strategic reason that we are holding the cash there.

**Lalaram Singh:** On this point, the acquisition would be in a similar space as we are in print media vernacular, or we will look outside that ambit also?

- Piyush Gupta:** Broadly in terms of our own vision statement, we look at Information & Entertainment as the key categories where we would like to make our investment. We believe they have a lot of synergistic appeal to each other and they are in close adjacencies. So, we would be looking at things which can closely synchronize with media – be it in digital, be it at the classical legacy media space be it in various other spaces. But it has to be in the Entertainment or Information space.
- Moderator:** The next question is from the line of Varshita Unwalla from CARE Ratings. Please go ahead.
- Varshita Unwalla:** I understand that your largest ad revenue comes from the Government and the Tenders. Can you please give us an approximate segregation of how much revenue comes from different industries, approximately in percentage? Maybe from FMCG is 20%, or that way?
- Piyush Gupta:** It is a little more than 20% between the two put together.
- Varshita Unwalla:** How much do you think comes from the Government and Tenders?
- Piyush Gupta:** That is what I said. The contribution from these categories is more than 20%.
- Anna Abraham:** We would not be able to give you that breakup between the two. So overall, it constitutes over 20%.
- Moderator:** The next question is from the line of Yash Jhaveri from Meridian Capital Group. Please go ahead.
- Yash Jhaveri:** So I have two questions regarding HMVL. One can you tell me the gross debt level? And the second is the substantial increase in the Other expenses if you look at Q3 or even the nine months numbers, it is in the range of 18% to 24%. So could you just throw some light on what has led to that?
- Anna Abraham:** The gross debt is about Rs. 140 crores. I will let Sandeep Gulati answer the question on other expenditure.
- Sandeep Gulati:** So, if you recall in the last call also, I had mentioned that we are continuously investing in our core geographies of UP and Bihar, and that is what is driving the growth in spend, and that we will continue to invest. Other than that, for this quarter we had provided for some of the long outstanding dues from the Government. Of course, we are working to kind of get that sorted, but as per our policy, the long over dues we have been providing for. That is the other reason for expenses significantly growing this quarter. I hope that answers your questions.
- Yash Jhaveri:** And just for a follow up. The debt that we have is mainly for working capital?
- Anna Abraham:** In HMVL, it is also for CAPEX as we have been investing in CAPEX.
- Moderator:** The next question is from the line of Neeta Khilnani from B & K Securities. Please go ahead.

- Neeta Khilnani:** What I was asking was that we have mentioned that national advertisement continue to remain soft for both in Hindi and English. I just wanted to understand because this seems a little counterintuitive, because after a macro event like say GST or a de-mon, national probably would be the first one to pick in followed by local. So I just wanted to understand why the divergence? Or is my understanding wrong in this regard?
- Rajeev Beotra:** Basically, what has happened is actually that the local retail business last year was far more impacted by GST compliances and stuff like that. Actually, Real Estate has been one of our highest growing categories in this quarter. So specific categories like local Retail and Real Estate have done very well for us. Therefore, there is a relative improvement in contribution of local business versus national. Look, one of the large categories in print in national categories is automobiles. It is actually the largest category and Auto industry has been going through a bit of struggle last few months. Therefore, it has not done well. In Hindi, they have done reasonably well, not so much in English. But Real Estate and local Retail have now recovered from some of the GST impact of last year, and have done well this year.
- Anna Abraham:** We saw exactly the same trend that you are talking about post-de-mon and post-GST. That time, it was only the national revenue that had come up and local revenue was on a decline for a long time. Last three quarters, however, we have seen local revenues picking up and that, as Rajeev said, is also on account of the fact that there was a decline in the year before.
- Neeta Khilnani:** And second question, in HMVL our employee cost is up by 25% on a YoY basis, and even on a QoQ basis it is up. So is there any one-offs in this item or this is a base that we can assume?
- Sandeep Gulati:** Let me answer first versus the year on year and then I will come to quarter-on-quarter. Year-on-year basis, the growth is actually driven by A) normal annual increments and also in the base year, we had some of the vacancies in leadership positions which has been kind of fulfilled. If you think about quarter-on-quarter, we are running in the same zone. Now let me come to the quarter-on-quarter basis versus prior quarter. We had some help in the prior quarter because of performance bonus for previous year getting reversed. That is why, on a QoQ basis, you are seeing a marginal increase.
- Piyush Gupta:** I think the big point that Sandeep is making is that if you compare it on a YoY basis, it goes up because there were vacancies that we had to fill up which have now been filled up. However, on a sequential basis there are some provisions which are sitting extra in this quarter which were not there in the last quarter. I hope this clarifies.
- Neeta Khilnani:** So, probably this is not the base yet?
- Anna Abraham:** No, you can take this quarter as a base.
- Moderator:** The next question is from the line of Mahantesh Marilinga from Finquest Securities. Please go ahead.

- Mahantesh Marilinga:** Sir I had couple of questions. I just wanted to know like how much contribution of the margin is coming from the higher newsprint prices and how much is from the softening of realizations in the advertising in the print?
- Anna Abraham:** If you see the results, you will see that we have a high impact on the paper cost. At a consolidated level for HT Media, raw material cost has moved from Rs. 168 crores to Rs. 217 crores. So that is what has come to the bottom-line from paper.
- Mahantesh Marilinga:** And the rates. How much they have come down?
- Anna Abraham:** No, quarter three has higher newsprint rates. So, nothing has come down.
- Piyush Gupta:** You can do the math. What Anna is trying to say is on a YoY basis the rates which are impacting Q3 are about 50% to 55% higher than last year. That is the impact which is coming on a YoY basis, rest is all revenue linked.
- Mahantesh Marilinga:** And you mentioned about this slowdown in the Auto sector. But that is only in Q3 or it is visible in Q2 also?
- Anna Abraham:** Yes, it was visible in Q3.
- Rajeev Beotra:** It has been now there for a couple of quarters – more in English actually and not so much in Hindi, but been there for a couple of quarters. However, having said that, next year has a good line up of lots of automobile launches coming up.
- Mahantesh Marilinga:** The percentage of revenue that has come down. Could you give any broad idea?
- Anna Abraham:** We do not give category wise share, but auto is a big category for us.
- Mahantesh Marilinga:** Bigger than the Government and Tenders or less than that.
- Anna Abraham:** Government and Tenders is the biggest category.
- Moderator:** The next question is from the line of Vijay Kumar from TrustLine. Please go ahead.
- Vijay Kumar:** If you see any metric, HT Media or HMVL has never created value for the shareholders for the last 5 years or 10 years. If you look at it, the one real attempt was made is to demerge the radio business and all the minority shareholder would hold shares in Next Media. Now you are saying that even that is being aborted. Even the cash, you were not making open offer for buy back. So, I am just wondering what is the next serious attempt you are going to make to create value for the shareholders?
- Piyush Gupta:** Vijay, I do not know if you got the gist earlier. We actually attempted to come out with a scheme where all the radio business was getting demerged into a separate entity. We could not secure all the regulatory approvals, that is the reason we could not go ahead and that is the

reason we have announced our open offer in the target company, to at least have a majority or a controlling stake in that entity. Now, eventually once we get that business, we would obviously look at other means of securing all the regulatory approvals bringing the businesses together, so that we can create shareholders value. But it is not that we did not try about that, but you have to secure all the regulatory approvals for that as well.

**Vijay Kumar:** The previous person who told that we are not considering it. I hope it will be considered because that radio business alone can have a market cap more than the HMVL and the HT Media together.

**Piyush Gupta:** I totally take your point. We understand that the radio business is being viewed by the market much more favorably than the print business and obviously we will try to create shareholders' value. But we have to do in a manner that we can take this whole scheme through. We have to secure those regulatory approvals. But once we get a controlling stake in the target business, we would definitely try to unlock the value for all shareholders including minority shareholders.

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

**Rohit Dokania:** Just two questions from my side. One is on the other expenses for the consolidated entity, is there any sort of FOREX loss or a diminution in value of asset for the private treaties? Is there any number that you can call out there?

**Anna Abraham:** Yes, we have taken some mark-to-market losses in that line.

**Rohit Dokania:** And what would that number be ma'am?

**Anna Abraham:** It would be to the tune of Rs. 20 crores.

**Rohit Dokania:** Just one other question. I mean if I look at your English subscription revenue over the past two years; if I look at the first nine month for FY'17 it was about 65 odd crores and now it is about 52 odd crores, which is almost a 10% CAGR decline over the last two years. So is the circulation falling so sharply as far as English is concerned? Is there a drop in the newspaper getting delivered to houses? If you could you throw some light on it, that would be very helpful?

**Anna Abraham:** There isn't such a sharp decline in copies. It is largely because there is a certain cannibalization from line copies to subscription copies that we are seeing in all our English markets. Therefore the realization per copy is far lower vis-à-vis line copy.

**Rohit Dokania:** So, would the circulation drop be more than the range of 3% to 5%?

**Anna Abraham:** It will be lesser than that.

**Rajeev Beotra:** There is not much of a circulation copy drop.

**Piyush Gupta:** For the copies, I think it will be about 1% to 2%, and that too, it might be due to some wasteful copies coming out of the system. But as it was highlighted earlier, the mix between the line copies and subscription copies is changing because of the competitive pressure in the market space, which is impacting the realization in English.

**Moderator:** The next that is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

**Sarvesh Gupta:** I wanted to ask about the current trend of newsprint prices. For imported ones, we see from the government data till November it has been steadily increasing and almost reached \$800 in November. So what is the trend that we are seeing December onwards on imported as well as the local and what is the kind of mix that we use?

**Piyush Gupta:** Sarvesh, as I was trying to explain earlier, you are absolutely right that if you pick up the government customs house data, etc., all the imports coming had peaked by end November till about \$800 a metric ton. We are now seeing, when we are sitting on a negotiation for future procurement of newsprint with both domestic suppliers and global suppliers, some softness in the newsprint prices coming. I would be pretty comfortable in saying that we should be able to bring at least 10% softness into the Q4 results. So all the newsprint that we will be consuming in Q4 should be down by anywhere between 8% to 10%. If the trend indeed does persist for a longer period of time, I would believe it should come down another 8% to 10% in the subsequent quarters. I think the worst commodity cycle is now behind us and the prices should start coming down, and then stabilizing for the mid-to-long term as far as newsprint is concerned. I think the domestic newsprint prices will always track the global newsprint prices adjusted for the quality, grammage, etc., because they have historically always moved in tandem. So, I think this should be secularly coming down and then stabilize.

**Sarvesh Gupta:** And sir any reason that you attribute to the same. I mean earlier it went up a lot because of concern on China's waste paper capacity reduction, etc. Right now is there any reason which has led to the fall?

**Piyush Gupta:** Sarvesh, it is very tough to call that out. I understand that China reason was headline reason and everyone was speaking about it. But given that this commodity is not traded on any commodity exchange in the world and there are no forward points available, I would tend to think that the pricing is more tactical than anything else. Of course, the China environmental concern kind of reason can always pop up. But if the historical cycle is anything to go by, the down cycle should now persist for another couple of years before we see another abruption coming into this one.

**Sarvesh Gupta:** So you are saying 800 has become 720?

**Piyush Gupta:** Yes

**Moderator:** The next question is from the line of Pavneet Singh from Skyline Equity. Please go ahead.

- Pavneet Singh:** My question is regarding circulation. In the cover price we normally see that there are leading two or three players in every market – be it at UP, Bihar or you name any state. So why is it that despite having a very sticky customer base, the newspaper companies are so scared of increasing the cover price and matching the raw material cost with it?
- Rajeev Beotra:** We have actually spoken about this. In the Hindi belt, our Hindustan has seen the highest cover price increase during this year. We started in February - March and we have been consistently taking up pricing. In fact, our realization per copy in the Hindi belt is actually at its higher ever.
- Pavneet Singh:** And what about the Bihar market as well as the other....
- Anna Abraham:** In both markets, we have taken prices up.
- Rajeev Beotra:** We saw the circulation revenue going up largely driven by realization in the pricing, and not so much by copies.
- Pavneet Singh:** Particularly in the Hindi side you mean?
- Anna Abraham:** Yes, both geographies.
- Moderator:** The next question is from the line of Lalaram Singh from Vibrant Securities. Please go ahead.
- Lalaram Singh:** My question is on the competitive intensity in Bihar and Jharkhand. Has that mellowed down? What are your thoughts on that?
- Rajeev Beotra:** There continues to be intense competition in Bihar.
- Lalaram Singh:** But still we have been able to increase our cover prices. So that is correct?
- Rajeev Beotra:** We have not only been able to increase our cover prices, in the last few months we have also been actually able to increase our circulation copy share also. We have strengthened our product. We have launched a new printing location in Bihar five months back, so we now have launched another printing center out of Purnia. We took our cover prices up and competition followed the suit after that. We have also been investing in brand building and other activities, and we have actually gained in copy share in Bihar.
- Lalaram Singh:** And can you comment on the same in UP, what is the situation?
- Rajeev Beotra:** UP actually, by and large, has been status-quo in terms of relative position. The competitive intensity of course in top 3, 4, 5 cities in UP also continues to be high. But UP has not seen any significant shift in relative positions in the last 3 to 6 months. Bihar, as I said, has seen intense activity.
- Moderator:** The next question is from the line of Vivek Pai from Aroha Capital. Please go ahead.

- Vivek Pai:** My question is regarding HMVL again. Could you kindly explain the reason why the authorized share capital of HMVL is proposed to be increased under the scheme of arrangement for the demerger of IESPL into HMVL?
- Anna Abraham:** I think there is a little bit of disconnect. So can we take this off line, please.
- Vivek Pai:** So how would we take offline?
- Anna Abraham:** You could connect at the IR Desk.
- Moderator:** The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** With regard to the cover prices, what is the extent of cover price increase that we have taken in response to the heightened newsprint prices in the last let say 9 months specifically in UP and specifically in Bihar?
- Rajeev Beotra:** Look, it has been quite significant, It is in double-digit. I will not be unfortunately be able to get into to specifics but without going into specifics, it has been a good healthy consistent price increase in the last few months, which is well into double-digits.
- Sarvesh Gupta:** So, 15% - 20%, in that ballpark range?
- Rajeev Beotra:** Yes, you could say that.
- Moderator:** The next question is from the line of Manish Jain, an Individual Investor. Please go ahead.
- Manish Jain:** My question was regarding cash on the balance sheet of HMVL. What are management thoughts on usage of that cash?
- Piyush Gupta:** Like I was just explaining to one of the earlier participants, most of the cash that is sitting on the balance sheet is always to be utilized for further growth, whether in organic or inorganic. In this quarter, we have already announced the radio scheme whereby HTML cash would be deployed. We are looking at opportunities in HMVL, whereby we can utilize this cash for the business purposes to grow the business on an inorganic axis much faster. So that is basically the utilization of that cash.
- Manish Jain:** Looking at the market cap of our company, would buyback not be the best option to use that cash?
- Piyush Gupta:** At this point in time we are not considering the buyback option. That could be one option, but we believe rather than a buyback, we can put it to much better use by strengthening the business and putting it on a much faster growth axis. Therefore, we are evaluating multiple options.
- Moderator:** The next question is from the line of Lalaram Singh from Vibrant Securities. Please go ahead.



**Lalaram Singh:** Sir can you comment on the trend of advertisement yields in your Hindi market over the last one or two years?

**Rajeev Beotra:** Overall yields and pricing have been under pressure for last two years, both in English and Hindi but more possibly in English than in Hindi. Hindi business has also been under pricing pressure in last two years, largely on account of several disruptions in the economy, viz., GST, demonetization etc. So yes, the pricing has been under pressure.

**Lalaram Singh:** So, this is because of demand side issue. Is it?

**Rajeev Beotra:** Yes, partly that, because the overall advertising volumes in the industry have been a little sluggish for last six, seven quarters. That has been the primary reason. Having said that, we just mentioned at the beginning of the presentation that on more than 20% of our business, which is Government business, we have now got a healthy 25% price increase.

**Lalaram Singh:** Okay. If you ignore the Government business, do you think yields in rest of the business can again start showing positive growth?

**Rajeev Beotra:** Yes, it can, if demand seems to be coming back. Also, remember that local business, that we procure, usually comes at a higher price than the national business. Also, the local business, at least in the last two quarters, has been growing faster than the national business. So, that also helps pricing to that extent. So, a combination of both absolute pricing and the healthy mix of categories in business should help us in our overall pricing.

**Lalaram Singh:** Final question. Can you give some comment on the education business which we have taken over from our group company? What are the plans for that business and what are the kind of investments you will be putting in that business?

**Piyush Gupta:** It is not a very investment-heavy business. We discussed this thing about three quarters back, when we had conceptualized. This higher education business, IESPL, has a lot of synergies with our Hindi print business, because most of the people for utilization of such a product, are actually in Tier-2 and Tier-3 towns, where our Hindi business has a very significant presence. So, the whole idea was to scale up this business in those towns by taking this business to the Hindi locations rather than trying to incubate that in Delhi or Mumbai. So, that is going in thesis. We have already been in the business for about 3-4 years, but did not see too much of success in big market like Delhi because a product like this is not very easy to stabilize. But there is no substantial investment, as I said earlier on, which will be required. If at all, there will be a very marginal maintenance kind of investment which is required in this business.

**Lalaram Singh:** Can you think of increasing the dividend payout of the company. We generate more than Rs. 150 crores cash every year. If we exclude this year. We already have net cash into balance sheet which keeps on increasing. So, even if we increase the payout to say 25% - 30% of the profits, it would not hurt our ability to invest in new business?

**Piyush Gupta:** I understood the question, Lalaram. I think the whole point is that we can debate about the dividend payout ratio, but one point I would like to make since you said that we generate positive cash every year - if you look at the cash flows for the first nine months, because of this whole thing around working capital investments and the escalated newsprint prices, the cash flows have been under tremendous pressure. So, given the cyclicity of the raw material and the cyclicity of the revenue, there is some level of comfort cash that we hold on. And of course the big use of the cash is in growing the business by looking at inorganic opportunities. But as far as your dividend point is concerned, I will definitely take it back to management, and we will see what best we can do there. But it is not that every year there is free cash flow which gets generated here.

**Moderator:** Ladies and gentlemen that was the last question. I now hand the conference over to the management for their closing comments.

**Piyush Gupta:** Thank you everyone for taking the time to join our call. For us, it has been a good experience interacting with all our investors and taking all the questions. We hope to have a better set of results in the next quarter. We hope to engage with you all with you in one quarter's time. Have a great day and Happy New Year once again, to all of you. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of HT Media and Hindustan Media Ventures Limited, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines. Thank you.