HT Media Limited's

Q3 FY2017 Earnings Conference Call

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www.htmedia.in

Moderator: Ladies and gentlemen, good day and welcome to the HT Media Limited Q3 FY2017 Earnings Conference Call, hosted by Centrum Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone phone. I now hand the conference over to Mr. Ankit Kedia from Centrum Broking Limited. Thank you and over to you Sir!

Ankit Kedia: Thank you. We at Centrum Broking are very pleased to host the Q3 FY2017 Results Conference Call for HT Media. Today we have with us the senior management of the company, Mr. Piyush Gupta – Group CFO and Mr. Sandeep Jain - Chief Strategy Officer at HT Media. I would now like to invite Sandeep for his opening remarks followed by which we can have an interactive Q&A. Over to you Sandeep.

Sandeep Jain: Thanks Ankit. Good afternoon everyone. Thanks for taking out time for our Q3 earnings call. Let me start with the key developments for Q3. The quarter started on a good note with the festival season. However, subsequent short-term economic dip hit sentiment and therefore the media spends. This, in turn, impacted advertising revenues for our English and Hindi print business. Hindi print business was also weighed down by the higher base due to Bihar elections related advertising revenues last year. Radio continues to do well for us and we are seeing good traction for our phase III stations. We continue to focus on our digital strategy and aligning the organization to leverage our considerable strength in traditional media and our brands in the digital world. More specifically, overall advertising revenues were lower by 5.7%, mainly due to print ad revenues, which declined by 8.6%. While English print ad revenue sales de-grew by 9.5%, Hindi Hindustan was lower by 7%, also due to Bihar-base effect. Radio saw a healthy topline growth of almost 40% versus last year, growing to revenue of INR 45 Crores on the back of new station launches. Circulation revenue grew by 2% to INR 79 Crores, largely driven by higher realization rates. Shine once again grew at a healthy rate of 29% this quarter and the content business witnessed a 21% growth. HT Mobile Solutions had another adverse quarter and de-grew by 39%.

Consolidated EBITDA at INR 165 Crores was up by 10.5% with EBITDA margins at 23.5%, which is over 2% points higher than 21% of last year, helped by increase in non-operating income as well. Operating EBITDA margins for the quarter at 17% were marginally lower than 17.8% in Q3 last year. Margin erosions despite subdued revenues due to adverse economic sentiment post demonetization have been kept limited only through very tight cost controls and better operational efficiencies. RM costs were down by 5.9% largely due to lower consumption on account of lower pagination. SG&A cost decreased by 4.7%. Reported margins for radio were at 29.3% versus 27% in Q3 last year. On a sequential basis, the reported margin is substantially better than the 19%, which we reported in Q2. Absolute PAT was up by 24.8% to INR 106 Crores with PAT margins at 15.1% versus 12%, helped also by lower tax incidence.

We continue to constantly challenge ourselves to innovate and do things efficiently with leaner cost structure. This should bear fruit in the coming quarters and further help us deliver on our promise to create value for shareholders. Thank you. I and Piyush are here to respond to the Q&A, so let us open the Q&A session please.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. Anyone wishing to ask a question may please press "*" and "1" on the touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take the first question from the line of Shalini Gupta from Quantum Securities. Please go ahead.

Shalini Gupta: Good evening Sir. Just a couple of questions on HTDSL. To understand this transaction, you transferred assets to HTDSL? In lieu of that, they allotted shares worth 99 Crores to you, which stand in your books as investment. The value of purchase price, which is over and above the book value of assets transferred is in the capital reserve. What is that value in the capital reserves?

Piyush Gupta: Yes. Net assets were transferred to HTDSL. This is the valuation and the purchase consideration was therefore settled off with that. In HTML, the capital reserve is 103 Crores.

Shalini Gupta: Just couple of more questions. Right now, there is an income of 150 Crores which is coming in our books and this is for the first nine months, together which is coming in this quarter. There will be a minority interest on the PAT on this income of 10.7%. Is that correct?

Piyush Gupta: You are talking only HTML, but let me tell you that at the consolidated level at the PBT level there will be no impact. At the PAT level, of course, there will be a positive impact because of the subsequent tax savings which will flow through because of the goodwill amortization.

Shalini Gupta: Okay. If you could also probably explain why the tax outgo has been so low in this quarter?

Piyush Gupta: For the very simple reason, if you have gone through the scheme which has been approved by the Honorable High Court of Delhi and Patna, the goodwill which is now standing in the books will be amortized and is tax deductible over a period of next three years and therefore the tax incidence to that extent will come down.

Shalini Gupta: Okay, but this goodwill is standing in the books of HTDSL.

Piyush Gupta: Yes, I am talking about the consolidated level. So, if you look at the consolidated level, thereby HTDSL as per Associate Accounting, will also be proportionately consolidated at a PBT level in both HTML and HMVL, the tax incidence on the group will come down to that extent.

Shalini Gupta: So, for the next one-year, we are at this kind of tax rate?

Piyush Gupta: The tax number is amalgamation of three to four things. One, there will be operating income, most of it will suffer tax at the marginal rate. Then there will be treasury income, which my colleague, Sandeep, said was a non-operating income, which will be to that extent, exempt from tax. Then, there will be amortization of goodwill. So, depending upon the weightage of which item will be how much, the tax rate will be a consequent deduction from that number.

Shalini Gupta: But obviously, the tax rate will be substantially lower?

Piyush Gupta: It should be lower, but how much lower is something which we cannot conjecture at this point in time, but of course it will be lower.

Shalini Gupta: Because of demonetization, would you say that December revenues in volume terms have been at least flat?

Piyush Gupta: Not flat. As a consequence of demonetization, even if you look at our competitors who have already declared the results and the other guys who will, the volumes are substantially lower even in December. The full flurry of demonetization has been felt both in November and December. January we are hoping will be better, but December was definitely substantially down.

Shalini Gupta: Okay. We have seen English ad revenues declined by close to 10%. You are saying that the volumes are down substantially and we have not taken a price increase, I am assuming. So, this is all the impact of volume decline?

Piyush Gupta: Simplistically stating it is fair to assume what you are saying because in this kind of a scenario where volumes are tough to come by, obviously, taking up pricing is a very tough call. But if you have to exactly reconcile those numbers you will have to go category by category because of substantial mix of volumes change in this kind of a scenario. There are a few categories and sectors, which have had a bigger impact. For example, the government category has not contracted, it has actually expanded. So, to that extent that particular category has grown, whereas some of the other categories like real estate and education have taken a very big brunt. E-commerce, etc. has grown. The weightages have shifted, but it is fair to say that broadly you can use that as a surrogate for volumes.

Shalini Gupta: Okay. Two last questions, you are saying that the impact of demonetization on your volumes still continues. Would you say that in Q4, we will still see at least 5% volume decline, because one month is already over for us?

Piyush Gupta: We can do crystal ball gazing, but to be very honest it will just be a conjecture view. I can tell you for whatever days in January that we have crossed; it is not looking pretty at all. What will happen in the next seven days you will see, but right now it is not pretty at all.

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

Yogesh Kirve: Thanks for the opportunity. During this quarter, we had certain cost-cutting measures. We have closed down the four editions, Indore, Kolkata, Bhopal, and Ranchi. Can you tell us what was the number of copies, which were out there in these markets?

Sandeep Jain: The impact of the closure of editions in rather limited. I would say that these editions have only been shelved, so very small circulation as far as these editions are concerned. It will not reflect at all in the overall numbers. I would rather resist giving specific numbers. All I can say is that the impact is very minimal, both on copies and also on revenues.

Yogesh Kirve: There have been some other measures as well in operations at Kanpur, Allahabad, Varanasi, and in the business bureau. Is there a way to quantify what could be the annual savings?

Sandeep Jain: All I can say is that as far as the topline impact is concerned, it is very limited, both in terms of revenues and in terms of copies. I am not only talking of the four editions that you mentioned earlier, which have been shelved, but also the three bureaus which have been closed, because there was only a couple of pages of local content in each of those editions. So, very minimal impact on advertising revenues, copies and circulation revenues. At the EBITDA level, actually some of these were even loss making. So, to that extent, there could also be a little bit of value accretion to the bottom line.

Yogesh Kirve: If you can give some quantification on that?

Sandeep Jain: As you know, we normally do not share edition-specific numbers and I would resist doing it. All I can tell you is that it is an impact which you will not notice at the topline.

Yogesh Kirve: Going into FY18 or FY19, do we have any EBITDA margin target or aspirations that you would like to attain?

Sandeep Jain: As I mentioned Yogesh, we normally do not give guidance on EBITDA margins, etc. Clearly some of the cost initiatives which we had embarked on are beginning to show some results. So, we hope that some of the softness that we have seen on the topline will get compensated and will not flow to the bottom line exactly. I think we are making efforts to ensure that the margins improve, but I would not speculate on a percentage.

Yogesh Kirve: Finally, I understand these measures are largely focusing on the print business, would there be any thought of looking into non-print business as well?

Sandeep Jain: The first part of the exercise was focused on print and we still continue to focus on print. We also have to recognize that these different businesses are in different phases of growth. The print is obviously a mature business and hence it is a business that we have continued for all these years and over the years the cost lines had bulged. We thought this was right moment when our revenue growth expectations were becoming lower, we had to look at the cost to ensure that print remained a sustainable business. In some of the other business like digital etc, we are obviously taking actions and some of them are moving in the right direction, but they are not so much in scope of this particular project that we had embarked on.

Moderator: Thank you. The next question is from the line of Swathi Hiroo from Ratnabali Capital Market. Please go ahead.

Swathi Hiroo: I actually had a question regarding HTDSL. What would be the total revenue and PAT for the nine-month period?

Sandeep Jain: I think it is important to recognize that HTDSL is completely consolidated into HT Media Group either directly or through HMVL and hence on consolidated level there is no impact at all.

Swathi Hiroo: Okay. On the standalone level, if I ask you, just for HTDSL, what would be the revenue and PAT for the nine-month period?

Sandeep Jain: It's given in the segment results, Multimedia Content Management revenue, which is part of HTDSL is about 150 Crores. A part of Digital segmental revenue also moves into HTDSL standalone.

Swathi Hiroo: Okay. PAT for HTDSL would be?

Piyush Gupta: PBT is given in the segment, so if you just look at the segment results, multimedia content management PBT is 24.75 Crores. After amortization of the goodwill, which we were talking about earlier, PAT will be close to negative (-1) Crore.

Swathi Hiroo: Okay, thank you so much.

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

Vikash Mantri: Just an understanding on the raw material cost side, did we have a drop in circulations this quarter which led to lower raw material cost?

Sandeep Jain: No. circulation by and large has remained at the same level. So, there is really no drop in circulation. What has happened is because of the lower advertising, obviously, the pagination is lower and most of the consumption savings is a factor of lower pagination.

Vikash Mantri: Okay. Can you help me with the tax benefit because of the goodwill creation in the books of HTDSL?

Piyush Gupta: As I was explaining earlier, this goodwill will be available as a tax-deductible expense to be amortized over the next three years on a WDV basis, so that is the saving that will come on the tax line over the next three years.

Vikash Mantri: 75 odd Crores is the tax deductible.

Piyush Gupta: As a matter of fact, if you look at the entire goodwill number between the two legal entities, because you are talking one legal entity, it will be a much bigger number.

Vikash Mantri: Okay. I just do not understand it. You create another entity from your organization and goodwill is created and that enables you to get this tax benefit.

Piyush Gupta: I do not think it will be easy to understand it simply from tax saving perspective. Either you will have to read the scheme in detail, which the courts have approved. It is not about just creating another entity and getting a tax deductible on this.

The whole idea was to create a focused content creation entity, which can then propel our journey into digital content at a must faster pace than what we are currently doing. The substance of the scheme is that we will be retraining and retooling most of our content creation staff so that they can, to that extent, focus on all modes of delivery of content be it print medium, be it digital medium. So to that extent, the only assets which get transferred apart from human capital are the peripheries, laptops and servers that we used, there are no real asset sitting in it, it is a knowledge entity if I may say so. So, a knowledge entity, which will have a net asset or liability of 2 or 3 Crores negative, but the heart and soul of the entity will have a lot of intangible value, which is captured in goodwill. So it is not like via fiction you create this thing, but because for any media company the knowledge will basically be the heart and soul of the company, that is why the goodwill came on a fair valuation basis which has been through a court process, recognized, and this is available as per the Indian Tax Code to be amortized over the next three years.

Vikash Mantri: This is not something specific to HT. If the other media companies so wanted, they can also do it. Is that statement correct?

Piyush Gupta: Of course. I would say simplistically, to understand this is what is the value you attribute to your content creation and what are the real tangible assets that you used to create that value and the delta therefore is goodwill.

Vikash Mantri: Okay, fair enough. That is what I wanted to understand.

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

Giriraj Daga: Sir my question is again on the HTDSL. It was decent in profit. EBIT margin has been reported at about 16% to 17%. It is basically in the intersegment, because if I look, the numbers of intersegment have also gone up sizably. So basically, the intersegment charges are decent that is why it is in profit. Can you explain a bit?

Piyush Gupta: That is a great question. Let me just tell, yes, it is all intersegment because of content which is being used by all our newspapers getting created in that entity. So, there is a chargeback mechanism on an arm’s length transfer pricing which has been put into play here, and that is a reasonable amount of money. And because it is a certain percentage of revenue, etc., if you go into the scheme documents you will understand how that is worked out. So, tomorrow the whole hope and expectation is that the content creation, which will drive larger value, will enrich both the content creation company as well as the company which is using that content to monetize in the market place.

Giriraj Daga: Okay. Just to understand, if this demerger was not there, these additional 25 Crores would have been visible in printing and publishing?

Sandeep Jain: Yes, absolutely.

Giriraj Daga: One question related to your capital reserves of nearly 100 Crores plus, you have not paid any tax on that, right?

Piyush Gupta: No. That is the way it happens on a slump sale basis. If you go through this thing there is no specific consideration which is given here. That is accounting, and the tax code for it.

Giriraj Daga: Okay. My last question is related to our cost-cutting measures. Obviously this quarter was a bit difficult because of demonetization, we have cut our A&P spends also, but obviously some of the cost will again move up? Or should we assume this as the base for the cost going forward?

Piyush Gupta: Without going into the exact numbers, I will just say, as Sandeep was just articulating a minute back we do not give forward guidance, but as we stated in our last conference call etc, we have started this whole cost rationalization exercise much before this whole demonetization. This is because we wanted to make a more agile organization as the revenue expectations have not been panning out for quite a while now. In that scenario, of course demonization is a subsequent event which has happened and this has come in very handy, but nothing suggests that we will be off track on this agenda because this agenda we had embraced much before demonetization. I would personally, without giving you any forward guidance, say that we will be at it for the longest time and the whole idea is to make a much more agile organization going forward.

Giriraj Daga: Okay. What is your outlook for the raw material prices?

Sandeep Jain: In this quarter, specifically we should see a little bit of bump up, maybe 2% point or so and that is also partly driven by exchange rates which have been firmer. But on a full year basis I think we are still talking of maybe a benign 1% or 1.2%.

Giriraj Daga: For this year, but for next year any thought?

Sandeep Jain: For next year, as of now we do not see any substantial increases, maybe a nominal 1% to 1.5% for the year as a whole.

Giriraj Daga: Okay, thanks a lot.

Moderator: Thank you. We will take the next question from the line of Rohit Dokania from IDFC Securities. Please go ahead.

Rohit Dokania: Good afternoon, thank you for the opportunity. I just wanted to understand this cost-cutting exercise slightly better. Is it fair to say that a portion of this exercise is already visible in Q3 results? I am talking primarily from the cost side.

Sandeep Jain: I think a part of the results are obviously visible here and that is why you see effectively the cost line items remaining under control. As Piyush was mentioning in response to the earlier question, this is an exercise which has been initiated some months ago and now we have concluded with the diagnostic stage and are implementing some of the actions, etc and obviously, maybe the need became even a little bit more urgent in this quarter because of demonetization. I must say that irrespective of demonetization, this is an exercise, which we had embarked on, and we are beginning to implement the findings that came out of here.

Rohit Dokania: Sure. I am not too sure if you can answer that, but I will try my luck. Let us say you plan to cut Rs.100 of cost, is it fair to say that Rs.40 of that has been cut in this quarter or whatever Rs.30 or Rs.20. Can you give any color on that?

Sandeep Jain: It may be a little difficult to answer this at this stage. Also, I must say that the 100 is not fixed. We continue to look at options of whether we can actually broad base the 100 as well, so obviously, it is difficult to say how much percent of it is realized. I think it is a very difficult conjecture to make as of now.

Rohit Dokania: Sure, I understand. The other part was, I see that on HTDSL there are about 150 Crores of revenues that have been proportioned. Is this entire revenue driven out of the print ad revenues? This broadly relates to the three key websites or what all does it include, if you can give some more details it will be very helpful?

Piyush Gupta: It is not just ad revenue; it is ad plus circulation revenue both. In terms of what assets etc fit into this thing, you will have to go into the first 5 to 10 pages of the scheme itself. This is for a period of nine months because the effective date was 31st of December 2016 with the starting date of 31st of March 2016. In case you want to basically estimate the magnitude on a full year basis, you can just divide this by 9 and multiple by 12 and you will get that number. But basis the arm's length pricing and the factors of transfer pricing which has been agreed, I would say if the revenues of the entities which are consuming this content go up, then the revenue of HTDSL would go up proportionately, so to that extent revenues are inter-twined.

Rohit Dokania: Sure. Just one quick follow up on this, is it possible for you to quantify that out of these 150 Crores for nine months, what would be the contribution of the three websites in terms of the entire 150 Crores?

Piyush Gupta: If you look at the segment revenue, it is sitting in the digital segment and not inMultimedia Content Management.

Rohit Dokania: Okay, just let me rephrase it. Basically, does our digital revenue segment already include the ad revenue from these websites plus Shine and all? That is that a fair understanding or is that incorrect?

Piyush Gupta: Yes, that is correct.

Rohit Dokania: Okay, perfect, that is all. Thanks a lot and wish you all the best.

Moderator: Thank you. The next question is from the line of Aman Vij from Status Investment Management. Please go ahead.

Aman Vij: Good evening Sir. I have a couple of questions pertaining to the radio business. The first question is, you were talking about some sectors which in terms of advertising spend grew while other sectors de-grew. Could you quantify in terms of what was the approximate de-growth in real estate, education sector as well as growth in the government sector advertising?

Sandeep Jain: Radio is more of a local medium, so sectoral breakups have been at local level rather than the national level. Effectively, we have seen a drop by and large in volumes across and we have obviously avoided any drop in yields to that extent, and that is why we have seen limited growth as far as existing stations are concerned. Still they have grown. But radio on the whole has performed well with a 45 Crore revenue, which has grown by 40% or so.

Piyush Gupta: Just to add to what Sandeep said, by nature it is a hyper local medium and therefore it is very proximately linked to the retail segment, which has taken the brunt of this whole demonetization. So obviously, radio has taken a huge brunt.

Aman Vij: Okay. Even in terms of government spending?

Piyush Gupta: Government spending on radio stations is very miniscule.

Aman Vij: Okay, thanks for that. The second question is regarding your legacy station as well as new station. What kind of approximate IRR do we generate on our old stations and what is the target IRR for the new station?

Piyush Gupta: Let me give you some high-level details. When we were bidding for the phase III stations, our hurdle rates were pretty high for any investment to make the cut, so IRR expectations are pretty robust that we are looking for. Suffice to say that the existing radio stations, which we call the first core, which we took in the phase II, are pretty mature now. They are all about 10 years old, so across if you look at, those investments are reasonably healthy. But the new ones which we have taken in phase III, obviously, the assumption still has to fructify over the next couple of years, which was also our going-in assumptions.

Aman Vij: Okay, by healthy you mean is it like 20% plus or 15%?

Piyush Gupta: As a guess, by healthy I would say probably something in that ballpark, but we do not give those things. The information is given in the segment accounts. If you can just basically take out the last 10 years' numbers you will get a sense of what has been the PBT on these businesses and from the government filings, you can clearly understand what is the kind of money that we have invested apart from the loss coming in the initial years which was 2007, 2008, 2009, so you can get your answer there.

Aman Vij: Okay, sure, thanks for that. Last question is I was doing some research on the Bengaluru advertising industry. Could you help me with the reason why the Bengaluru rates are comparatively much lower to Delhi and Mumbai rates on the radio?

Sandeep Jain: I would presume because while we have a certain standing as far as Non Kannada market is concerned, but that is predominantly a Kannada market.

Aman Vij: Okay, but even the Kannada rates were not that high, I was a little surprised.

Sandeep Jain: Maybe in Bengaluru, a lot of people would be putting money on digital and it would be not so much on radio that could be one of the reasons.

Piyush Gupta: Also, if you just look at the phase III bidding auction results for all the metros including Delhi, Mumbai, Bengaluru, Hyderabad, you would see that there was a wide margin between Delhi and Mumbai on one side, and Hyderabad and Bengaluru. I think the market realities would have been factored into that. I presume the yields or rates are not as high as it is in Delhi and Mumbai and that is just a market phenomenon. I am just correlating with the phase III auction results and the digital overplay in Bengaluru would definitely be more.

Aman Vij: Okay Sir. Do you share the utilization rates of the old stations or the new stations?

Sandeep Jain: We do not specifically share utilization rates, but yes, for the older stations our inventories are completely sold out. Even if I must say that this quarter has been a little bit under pressure, so if we were in an oversold state earlier, we were going beyond the 100% inventory levels, but we have come back to about 100% inventory sell out level in this quarter because of the demonetization impact.

Aman Vij: And, we have opened two new stations in the same city like Delhi and Mumbai. Normally how much time does it take to get to the 100% utilization level?

Sandeep Jain: It is clearly a factor of yields honestly. In our case, we are trying to hold the yields at good levels and that is why we are a little bit tight fisted about the inventory that we release.

Aman Vij: It should be over in five years or it can take even longer?

Sandeep Jain: I think it is difficult to give a number there.

Piyush Gupta: I think as Sandeep has just said, you can actually do it overnight if you want to do that, but we have to do it in a right manner. It can take anywhere between one to five years, but that is just a conjecture, also depending on market situation and the competitive intensity of the market.

Aman Vij: In terms of market share we have been doing very well, at least in the top three to four cities. Do you have the latest numbers?

Sandeep Jain: In terms of listenership, we continue to be No.1 in Delhi. We have always maintained that in Bengaluru, as I was saying, in the non-Kannada space we are No 1. Mumbai we are No.3 with a 14% share and these are obviously the RAM numbers. It is publicly available, so you will be able to find the details.

Aman Vij: Okay, thanks for that.

Moderator: Thank you. The next question is from the line of Deepesh Kashyap from Equirus Securities. Please go ahead.

Deepesh Kashyap: Okay, thanks Sir. Your standalone digital business used to include Shine.com and basically two news websites. After the creation of HTDSL, now your standalone digital will only include Shine.com, is that correct?

Sandeep Jain: Yes. Only Shine will be there in standalone.

Deepesh Kashyap: Okay. Can you guide me what was the loss for the Shine.com in the first nine months at least? Because you have guided around 30 Crores for the full year, so it fair to assume that you are doing better or how is it?

Sandeep Jain: We are about 18 Crores as of now. I think our guidance was more on the overall basis and not so much about Shine specifically. So, we had overall indicated about 35 Crores or so in terms of total losses for digital and we would probably be anywhere between 35 to 38 crores for the full year.

Deepesh Kashyap: Okay. In terms of the new entity HTDSL, will it manage the content only for digital or will also have the print and radio content?

Piyush Gupta: It will manage all content which will come either on the newspaper or the digital side, but nothing to do with radio.

Deepesh Kashyap: Okay, the content sourcing fee that HTML and HMVL are going to pay to this company is basically the print content right, because the portals are only transferred in this particular company?

Piyush Gupta: It is the print content; irrespective of whether it lands on a newspaper or a website.

Deepesh Kashyap: Okay. Lastly, I just wanted to understand what the current arrangement with News Corp is. You have the editorial tie up with Wall Street Journal. I just wanted to know your views on that. There has been a talk going on regarding the increase of FDI limit to 49% in print space, how do you see that news?

Sandeep Jain: We do not have any arrangement with Wall Street currently. We used to have at some point in time when Mint was launched, but there is no arrangement as of now. So, we have to see when foreign participation goes up to 49%, but I do not see that impacting us in any way honestly.

Deepesh Kashyap: Okay. Lastly, has your circulation gone down in Delhi and Mumbai also?

Sandeep Jain: By and large, our circulation has remained at the same level.

Deepesh Kashyap: Okay, thank you Sir.

Moderator: Thank you. The next question is from the line of Alankar Garude from Macquarie Group. Please go ahead.

Alankar Garude: Firstly on Shine, it has a seen a strong 30% revenue growth. I was wondering if you have seen any slowdown in the hiring space in India. This is also in context of the leader commenting today that there has been a significant slowdown in hiring across many sectors in November and December.

Sandeep Jain: There is no doubt about it that the hiring did slow down in the last quarter. I think that is a factual statement and particularly it has impacted Shine because there are also a lot of smaller consultants for example, who buy database for a month or three months and obviously when you have environment like we had in the last quarter, there has been an impact for some of those smaller clients.

Alankar Garude: Okay. A quick follow up to that would be that going forward in the Q4, there could be some slowdown happening on the revenues for Shine and could it pose a risk to your digital losses estimate for FY17?

Sandeep Jain: No. I think by and large we would stay with the estimate that I shared; maybe anywhere in the range of 36 to 38 Crores for the year as a whole.

Alankar Garude: Secondly, can you highlight any sectors which are most likely to lead the ad recovery both in print and radio?

Sandeep Jain: I would say that the sectors, which have dropped, are the ones hopefully which need to come back. We have also seen clearly that the FMCG and retail are the sectors which have suffered in a big way. You have also seen some of the results of the FMCG companies like Hindustan Lever with 4% decline in volume, P&G also saying that they had high single digit decline. So, these are some of the sectors where we hope recoveries will come. Obviously, real estate over a period of time has been underperforming and that was a big contributor to our advertising pie. Education has been slow. Auto, to some extent has been slow but auto is coming back with some new launches etc. As we were mentioning in the earlier part of the call, I think all the sectors, by and large, except for government and to some extent BFSI, e-wallets etc, have underperformed in this quarter. The ones which contribute larger are the retail, auto, FMCG and we do hope that there is a bounce back on these.

Piyush Gupta: And I guess the next round of indication will come from the Union Budget on the 1st of February. So, depending on what the finance minister announces there, it will also have a huge bearing on various sectors on how they will perform going forward from hereon.

Alankar Garude: Thank you Sir. That is all from my side.

Moderator: Thank you. The next question is from the line of Shalini Gupta from Quantum Securities. Please go ahead.

Shalini Gupta: I just wanted to check. You were talking about higher realization on your newspapers going forward. Is it that you believe that competitive intensity has eased off particularly in Delhi and Mumbai?

Sandeep Jain: We never mentioned higher realization going forward. We mentioned about higher realization in this quarter which is a matter of fact and that is because there have been marginal price increases in some of the Hindi markets and also there have been some increases in the subscription packages etc that we have. So, overall, we are seeing a 5% kind of improvement in realization rate. It is difficult to make a conjecture. I do not think that the competitive intensity has declined. I think everybody has been under pressure, so maybe some of the markets where price increase has happened; they have been taken because competition has also gone up or competition has followed our price increase one way or the other.

Piyush Gupta: I think Shalini, the other perspective to look at it is that the competitive intensity definitely has not gone down. If at all, it has only gone up as you can see that some of the Hindi players have gone into each other’s market, but the reality is that the ad revenues keep on performing the way that they have been performing and we also know that newspapers are a hugely subsidized medium in this country. That is the reason that the newspaper prices will have a propensity to go up rather than go down, but it does not mean that the competitive intensity would have gone down at all.

Shalini Gupta: Thank you Sir.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for its closing comments.

Piyush Gupta: Thank you so much everyone for participating in the call. Thanks for your time.

Moderator: Thank you. Ladies and gentlemen on behalf of Centrum Broking that concludes today's conference. Thank you for joining us and you may now disconnect your lines.

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