

Conference Call – Quarterly Results – Q4 and Full Year FY'19

Transcript of webcast and conference call on Q4 and Full Year FY'19
results of

**HT Media Limited
&
Hindustan Media Ventures Limited**

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Note: Please note that the transcript has been edited for the purpose of clarity

Moderator:

Good day ladies and gentlemen and a very warm welcome to the HT Media and Hindustan Media Ventures Limited Q4 and full year FY19 Earnings 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, Financial Planning and Strategy at HT Media and Hindustan Media Ventures Limited. Thank you and over to you Ma’am!

Anna Abraham:

Thank you. Welcome all to earnings call of Quarter 4 results of HT Media Group. Our presentation has been uploaded on the website and we will also be going through the webcast of the same. Joining me on the call today is Mr. Piyush Gupta – Group CFO, Mr. Rajeev Beotra – CEO of Hindustan Media Ventures Limited, Sandeep Gulati – CFO of Hindustan Media Ventures Limited, Pervez Bajan – Group Controller and my colleagues from the Investor Relations team.

I am going to just start the presentation and focus on the first slide. I would draw your attention to the cautionary statements given there, on the forward-looking statements given in this presentation. Moving forward, this has the table of content, which lists the matters that we will cover during the call today. So, we will start with the consolidated performance, move to business unit performance update and talk about certain other updates that have happened during the year.

Moving forward, I would like to draw your attention to our Chairperson’s message on the slide, which talks about soft ad environment continuing and the fact that high commodity prices have weighed down our performance in print, but in Quarter 4 Hindi business has posted some robust growth. Our radio business continues to report growth in revenue and robust profits and we have also acquired majority stake in Next Mediaworks. Going forward in the next fiscal year, she remains confident of a better performance on account of higher yields from government advertising, lower newsprint prices and prospects of a more conducive advertising environment.

Now I would like to hand over the call to Piyush Gupta to take you through the results.

Piyush Gupta:

Thanks Anna. Good evening everyone and thank you for the time you have laid to join our call. I would like to welcome everyone on the call. So, quickly just going through the agenda Anna highlighted.

If we go to slide no 6, these are the highlights for the quarter and the full year. Our consolidated operating revenue for 4th Quarter came at 536 Crores, which is a 2% decline from the same quarter last year and on a full year, we have got a revenue of 2,194 Crores,

which is 5% decline over the full year FY'18. EBITDA for Q4'19 came at 38 Crores at a margin of 6% and FY'19 is at 220 Crores at a margin of 9%.

The other key developments which my colleague has highlighted are that the newsprint prices have started softening for the last two quarters, and we believe the full impact we will be witnessing in the next fiscal. Effective January, as all of you know, DAVP prices stand revised upwards by 25%. We have already in April completed, which is a post March 31, 2019 event, the acquisition of majority stakes in Next Mediaworks. Our scheme for demerger of 'Entertainment and Digital Innovation' business with Digicontent Limited has become effective, and company will become a trading company. Moving forward to the financial summary, so for the full year, you can see the total revenue at 2,436 Crores which is 6% decline, EBITDA came in at 220 Crores with PAT going to a negative 27 Crores.

If I just move on to the business unit performance section, on the print, if you look at our ad revenue, on the print is a 6% decline with revenues at 1,587 Crores for FY'19. Operating revenue including the circulation revenue came in at 1,921 Crores with operating EBITDA at 105 Crores. What is heartening to note is that our market shares across all the key markets, both in Hindi and English newspapers, have improved in the full fiscal year. However, profitability has been impacted on account of higher newsprint prices and the softness in revenues, which still continues. Ad yields have remained under pressure for the fourth quarter and the full year in spite of our best effort to shore them up. Our circulation revenue has remained flat during the year due to high competitive intensity in some of our markets in Hindi locations.

If we move forward to English print, for the fourth quarter ad revenues declined 14% and for the full year, the decline is at 8%. Circulation revenue is down for the fourth quarter by 11% and for the full year by 7%. The key positive is that ad revenue traction in Government revenues, Entertainment and BFSI categories, you know, has been noticed in the quarter. Local advertising, you know, has seen a bit of a revival in the year, which is largely yield driven. However, sluggish national advertising has impaired us and circulation revenue has been impacted by the mix on the English business.

If I move forward to the Hindi business, for the fourth quarter, our ad revenues have indeed grown by 9% what my colleague highlighted, but for the full year there has been a marginal decline of 3%. Circulation revenue for the fourth quarter has come in, you know, at a decline of 4% and for full year, they are showing a very marginal growth of 2%.

In this quarter, the government advertising has seen growth on account of higher volumes and DAVP price increase, which came into effect in January 2019. Our categories such as FMCG and BFSI have also witnessed growth. Ad revenue growth is led by strong performance in local advertising revenue in both yields and volume, which is the point I

made earlier. Circulation revenue continues to grow in FY'19 with focus on improvement in realization. We maintained market share across various markets, which is a positive sign. However, muted circulation revenue in the quarter due to heightened competitive action and softness in some categories, specifically, Auto, Education and Industrials has challenged us.

Going to Radio, our operating revenue for the full year came in at 194 Crores, which is a growth of 10% and with operating margins at 34% which is a de-growth of 6% on a full year basis. However, for the quarter, the growth has been 5% and operating margins have come on a quarter at 33%. So, there is a double-digit operating revenue growth during the year. EBITDA has been impacted by the transaction cost, as we have already stated that we have completed our NMW transaction in April, the transaction cost is a one-time cost which is sitting in the financials. Excluding this one-off cost, Operating EBITDA continues to be around 40%. Yield growth seen across all the four stations and new metros and UP stations, which is very heartening. Strong growth in BFSI, Government and Telecom categories continues.

The last update on slide no. 18 is that transaction of Next Mediaworks has been completed and now we are in control of Next Mediaworks with a 51% share. With this, we get additional 7 stations in the core markets where, you know, as per our strategy we operate. This gives us a very sharp ability to segment the listenership in the big markets of Delhi, Mumbai, Bengaluru, and other markets like Chennai.

With that I come to the end of the presentation and I open the session for Q&A. Thank you.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. First question is from the line of Mahantesh Maralinga from Finquest Securities. Please go ahead.

Mahantesh Maralinga: Good evening Sir, like actually you mentioned that the government ad rates have been increasing. So what's the contribution for revenues from that segment overall both in Hindi and English?

Piyush Gupta: While the entire print business is concerned, the contribution on the average basis is north of 20% on the entire revenue, but in the fourth quarter, it is higher because of the election activities, so it will go north of 30%-35%, but on a full-year basis, it's about 20%.

Mahantesh Maralinga: Okay. Sir and what was the cost of newsprint in the last two quarters and how much it has come down, and what is your outlook in the near term?

Piyush Gupta: See, you know, the cost of newsprint actually depends upon, you know, what newsprint is coming into consumption. The third quarter saw the highest rate newsprint come into

production and the highest price actually went up to 750 dollars a metric tonne when dollar was costing about 70-72 rupees. However, since then, it has come down by about 20% and we hope that this downward trend will now continue into the next fiscal.

Mahantesh Maralinga: So, in Q4 it was down 20% or it will be down in Q1 this year?

Piyush Gupta: In Q4, it was not exactly down 20%. It was down about 10% and another 10% will happen in the first quarter.

Mahantesh Maralinga: But the actual amount impact would not have been felt in Q4 right, mostly because of old inventory?

Piyush Gupta: Absolutely, because of that low cost inventory was sitting in inventory and would come to production only in the first quarter.

Mahantesh Maralinga: So, in Q1 what cost impact we might see, Sir?

Piyush Gupta: Well, depends on the mix and grade of newsprint we'll use. But suffice to say that on a broad level it will be about 10% positive price variance that we will get on like-to-like inventory in the first quarter vis-à-vis the fourth quarter of last fiscal.

Mahantesh Maralinga: Sir coming to the overall dynamics in the current scenario, there is a slow down in right from Auto and in general in the FMCG sector. So how is that impacting your ad revenues?

Piyush Gupta: I'll request my colleague, Rajeev Beotra to answer that.

Rajeev Beotra: Yeah, so the Auto category advertising has indeed come down in this particular quarter. So it is impacting advertising spends.

Mahantesh Maralinga: Like how much broadly, like 10% decline from last year or some ballpark numbers you can give Sir?

Rajeev Beotra: Yeah, ballpark, it is closer to 20% odd.

Moderator: Thank you. The next question is from the line of Dharmesh Pandya from BP Investments. Please go ahead.

Dharmesh Pandya: Good evening. My question is regarding note no 6 of the financials. During the quarter 713 lakhs equity shares of HT Overseas investment has been done in the subsidiary, so what is the purpose?

Anna Abraham: So, it's a combination of funding for the operations in Singapore as well as we have some strategic investments that we have committed, which we talked about in the last quarter and there are some follow on payments with regards to that.

Piyush Gupta: See HT Overseas subsidiary essentially takes on three important activities for HT Media group. One is our international procurement operations, which are conducted out of HT Overseas. You know, this gives us an eventual rate savings because we try to dis-intermediate as many middlemen as possible. The second is we have got weekly newspaper in the geography of Singapore, which is called Mint-Asia, and therefore we have got certain staff, which is sitting there doing these operations and third are the strategic investments that we carry out of Singapore. So for the funding requirements and for the investments requirement, you know, these investments are made there.

Dharmesh Pandya: So, this will be regular exercise henceforth or it is again one off like last quarter?

Piyush Gupta: You know, depending on the cash flow requirement, because HT Overseas is still a very nascent subsidiary that we have just about 5 years old. So there will be some cash flow requirements for which we keep on capitalizing the entity, but all the activities that are happening there like the procurement activity is giving price advantage to the procurement that the group does here. The investments are for long-term strategic reasons, so as and when the cash flow requirement will be present, we will undertake investments there.

Dharmesh Pandya: Because why I am raising this question is last quarter we invested 50 Crores and this was not done in the previous year, neither one of your competitors do, that is why this question?

Piyush Gupta: Yes, so last quarter we made very important strategic investment in Koovs Plc in London and that funding was basically done to finance that investment. So, it is on need basis.

Dharmesh Pandya: Thank you.

Moderator: Thank you. The next question is from the line of Parth Kotak from Keynote Capital. Please go ahead.

Parth Kotak: Hi, Good evening Sir. Sir my first question is regarding HMVL. If I look at the debtor days, our debtor days are increasing, full year I am talking about. So can you please throw some light on the same?

Piyush Gupta: I think that is a great question. I think on the debtors, specifically in the Hindi location, there are a lot of long debts which had been stuck with the government departments at the industry level. That's not just us, that is happening with various other people who are conducting business with the government. So those have gone long, but what I can tell you is that at the group level, we are putting disproportionate effort to bring down our debtors

days and we have seen some early signs of improvement, but still there is a long distance to be covered as far as debtor days are concerned, and these are primarily government debts and not private debts.

Parth Kotak: Okay, okay alright, and secondly Sir it will be great if you can just throw some color on which sectors are positively contributed to your ad revenue?

Anna Abraham: We have covered it in English and Hindi separately in our presentation, which we just went through. So, if you could just cover from there.

Parth Kotak: Okay, so I will just have a look. Thanks.

Moderator: Thank you. The next question is from the line of Gaurav Gupta, Individual Investor. Please go ahead.

Gaurav Gupta: Thank you for taking my call. One thing I just wanted a clarification kind of a thing, in the presentation. While you were giving a brief on that, you mentioned DAVP increased by 50% ad rate, benefits we have got in the Hindi business. Is not that the same for the English business as well because in the presentation we have not highlighted that?

Piyush Gupta: Gaurav two points, first of all it is not 50%, it's 25%. So the government has announced 25% rate increase, which is common for Hindi and English both. I might have mentioned in the Hindi segment, but it is common for Hindi and English both.

Gaurav Gupta: So, what kind of impact we have seen that in the English business because in the presentation that is not mentioned?

Piyush Gupta: Well the rupee Crores rate impact is not separately classified, but, you know, all the volumes which the government has released since January 2019 is coming at 25% higher price.

Gaurav Gupta: Second clarification is that while briefing the presentation you were saying that, it was a great achievement that acquisition of Next Mediaworks has been done. So that is an achievement at the management level or at the promoter level or at the majority shareholder level or there is something for the minority shareholders as well in this particular transaction at the company and the group level?

Piyush Gupta: It has nothing to do at a promoter level. You know, it is a subsidiary for HT Media so this is entirely at HT Media level and if you have seen the transaction, HT media holds 51% directly into the listed company, Next Mediaworks. There is no linkage to the promoter, I think it's all the shareholders will get impact of this transaction.

Gaurav Gupta: Okay fine. My question as a shareholder in HMVL is that our promoters for the management of HT Media is abusing power as the majority shareholder because there is a 1000 plus Crores rupees available in HMVL and we are giving a dividend of 1.2 rupees per share. Isn't it that somewhere we are abusing the power as a majority shareholder in HMVL?

Piyush Gupta: Well, you know what, I wouldn't use such a strong sentence of abusing power. I think dividend is clearly to indicate to the market what the dividend policy of the company is. As you have already seen the results we have not kind of changed the dividend policy both in HMVL and HT Media in spite of the set of numbers that we got here. Now dividend is one way to reward the shareholders. We have always believed that it is not about the 1000 Crores which is sitting on the balance sheet, but to deploy the 1000 Crores in the best interest of all shareholders, including the minority shareholders. Now radio business does not sit well with HMVL. Had that not been the case, you probably would have done in HMVL. But we are looking at various opportunities in HMVL itself because as you have already seen that the Hindi print medium, has a much higher growth potential and that's what all the forward-looking reports are indicating. So we are consistently investing in our Hindi publication. But most of the investment currently is organic, we have strengthened our publication in Kanpur, in Purnia. We are increasing the copy in various UP locations. So those are the competitive activities that we are financing out of the 1000 Crores, and 1000 Crores is built up because it is a free cash flow generating business and it is a very profitable business. But it's nothing to do with the abuse of power. I mean just taking the dividend out would be very wise thing to do when you do not have any other place to deploy that money for a long-term shareholder value creation.

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

Deepesh Kashyap: Hi, thank you Sir. Sir just wanted to understand decline in circulation revenues, sir, both in English and Hindi print release. So was it like decline in circulation copies or like we are still seeing fall in realization?

Piyush Gupta: In Hindi, actually our realization per copy has increased in this fiscal. Let me request my colleague to answer that in detail. Beotra, would you like to answer that.

Rajeev Beotra: Yeah, look the circulation revenue is a function of the number of copies and also cover price. We have actually made some good gains and progress. If you remember, HMVL saw a sharp price decrease in the financial year 2017-18, starting July and circulation revenue and realization dropped. This year we have actually corrected a lot of that. But what we have also done this year, given the fact that we deploy very large number of copies, almost 3 million copies every day, is that, we have actually improved efficiencies of our business significantly in terms of unsold and copies which get returned every day. So a lot of that

correction, given the difficulty that we were encountering, we resorted to a lot of efficiency improvement, so some of it is on account of that. But underlying the cover price realizations and copies are actually at a healthy trend.

Deepesh Kashyap: But Sir this thing was happening in the beginning of the year. But if you talk about this quarter, 11% decline in circulation revenue of English print. So can you tell me how much was the drop in circulation copies and what was the realisation drop?

Anna Abraham: We can't give you a specific data, but in English there is no drop in price. It's just the mix change. So we are moving more from line copy to subscription copy. Subscription copies are more subsidized copies, and we talked about this mix change in the previous quarter also that is largely impacting. There is marginal reduction in copies, but that as Rajeev Beotra was saying, is more linked to efficiencies. In Hindi, yes this quarter has seen some correction in pricing on account of certain competitors. So while we were seeing them continuously increasing prices, this quarter has seen a slight correction in price in some of the markets.

Deepesh Kashyap: In English is the efficiency drive still on like will we see any further decline in copies going forward or is it mainly done?

Piyush Gupta: Well, look, this is a dynamic exercise that will continue throughout the year and it is really linked to a relative positioning vis-à-vis competition. The drive is always on. Our unsold and unproductive copies are at a historical low right now, but depending on where the opportunities lie, we will take our copies up or down. The other thing which my colleague was alluding towards is a mix between the line copies, which we call a full price copy versus subscription copies or sampling copies. So right now if you have to go deeper into any market you will have to sample more copies and which really gives rise to a subscription and the mix changes and therefore the average realization comes down, which is a trend, which is happening in English more than Hindi.

Deepesh Kashyap: Understood Sir. Sir my last question is why we did not participate in the IRS survey this time, because copies have dropped?

Piyush Gupta: No, so we have participated in the IRS survey. It's a technical validation which is happening at IRS level. We are definitely there. Now when the results will come out etc., IRS will say and I will also request Beotra to basically give his perspective.

Rajeev Beotra: No so we are there. Our results are little delayed on account of some validation, which are happening. They should come out in a few days time, there has been a bit of a delay, but we'll be there.

Deepesh Kashyap: We are in top position like you must be having some color right. So have been see a drop in position because of the drop in circulation copies that we have seen?

Rajeev Beotra: We don't know. We cannot comment on that because you see, this is a readership survey, this is not a circulation survey and anyway dropping unproductive copies does not impact readership. We are also awaiting the results. This is more of a readership survey not a circulation survey.

Deepesh Kashyap: Understood. Okay I will get back in the queue. Thank you.

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

Rohit Dokania: Yeah, Hi, Good evening. Thank you for the opportunity. Just two questions from my side, in the presentation you talked about, you know, exceptional item of EBITDA both for Q4 and FY'19, can you please list them down for me?

Anna Abraham: So, the exceptional item is only on account of that labor litigation. There is a note to our results also with regard to that and that is largely provision on account of that. If you were to refer to note 9 of our published results, it talks about it. So, there is a labor dispute against which we had to create provisions, and that is what is causing this.

Rohit Dokania: Okay sure. And the Lavasa thing, where has it been booked?

Anna Abraham: That will be sitting in other expenses.

Rohit Dokania: Yes I was actually asking, you know, above EBITDA all these sort of, so are these the only two things or there are anything beyond this as well?

Anna Abraham: We have taken mark-to-market losses across quarter on our strategic investments and we have talked about it in the past. In addition to which we have Lavasa, and that is all sitting in the other expenses line.

Rohit Dokania: Understood. Can you quantify this for the quarter and for the full year the entire mark-to-market losses, you know that will helpful so that we can look at the adjusted EBITDA?

Anna Abraham: For the quarter it will be about 55 Crores.

Rohit Dokania: For the full year?

Anna Abraham: Full year it will be close to 90.

Rohit Dokania: Does this 55 and 90 include Lavasa?

Anna Abraham: Yes.

Rohit Dokania: Okay, perfect. And the second and last question is if you can talk about net cash across both the consolidated and sort of standalone entity?

Anna Abraham: It is 1,368 Crores on a consolidated basis.

Rohit Dokania: 1,368 Crores and across HMVL also?

Anna Abraham: HMVL would be about 1,000 Crores.

Rohit Dokania: Thank you so much and wish you all the best.

Moderator: Thank you. The next question is from the line of Arpit Ranka from Kovil Investments. Please go ahead.

Arpit Ranka: Yeah, Hi, so I want some clarification on note no 11 pertaining to share reduction in HT music from 334 Crores to 34 Crores. Can you explain that last year, I believe, you infused about 300 Crores pertaining to scheme of merger. So what's changed and what's exactly happening here?

Piyush Gupta: So, we are undertaking a capital reduction scheme in HT Music. You know, as you remember we had earlier tried to do a scheme through the merger process with Next Mediaworks for which we could not get the ministry's approval. At that point in time, we had parked certain amount of money, which was about 300 Crores in our subsidiary HT Music, and now through a capital reduction scheme, we are bringing it back to the parent company.

Arpit Ranka: So it's just basically transferring the cash back to the parent company?

Piyush Gupta: Yes, it's just transferring cash back to the parent company, that's all.

Arpit Ranka: And, so then, follow up question to that is what happens to our radio business right? I mean we have now two separate one operating in HT Media and one separately as Next Media, so any plans to bring them together?

Piyush Gupta: I think that's a very interesting question, you know and if you allude towards the investor call that we did three quarters ago, that was the initial plan. But unfortunately due to the government regulations and also because right now we are going into the election terms, not too many policy changes can be affected. Eventually to unlock the value for our investors, both majority and minority, that was the stated objective. But we couldn't achieve it because of the policies being what they are, but we understand that the businesses are lying

in separate legal entities, at some point in time, we would definitely like to unlock the value for all shareholders.

Arpit Ranka:

Okay. Fair enough. Thank you.

Moderator:

Thank you. The next question is from the line of Lalaram Singh from Vibrant Securities. Please go ahead.

Lalaram Singh:

Sir my first question is on HMVL income statement. We see that the other expense line item has increased significantly on a quarter-on-quarter basis and even Y-o-Y, 32% Y-o-Y and quarter-on-quarter 15.5%. Can you explain such a sharp increase in that line item?

Anna Abraham:

There are a couple of factors. Major one is related to the bad debts provisions, so we had to make higher provisions this quarter while in last year this time there was a write back, accounting for large swing. We are also investing behind marketing and B2B spend in our core market given the competitive pressures that we are facing and to support the cover price actions that we have taken during the course of the year. These are mainly what's accounting for the substantial shift in the expenses.

Piyush Gupta:

And just to expand a little bit on our bad debt provision, you know, I was just explaining to one of your colleagues a while back that the government debts are going long. We are trying to collect because those long dated debts and that is indeed an industry problem, but as per our provisioning policy we have to provide for those debts, which have not, you know, been collected within a certain period of time.

Lalaram Singh:

Can you please quantify that bad debt provisioning this quarter?

Piyush Gupta:

Four and a half Crores.

Anna Abraham:

The impact will be about 7 Crores given there was a write-back in previous year. So when you are looking at the differential, it will be about 7 Crores.

Lalaram Singh:

My second question is that in HMVL after a long, you know, I think 5-7 years we have used that cash to do small acquisition of an entity for which the business is not very clear. We have given press release, the revenues are hardly not in even rupees 1 lakh. So can you please explain what does the company do and what we look in terms of the potential in that business?

Piyush Gupta:

You know, we haven't done an acquisition. We have done an AFE transaction. We have got a pretty active AFE business whereby we do invest in early stage and matured businesses for a twin objective of getting a return on investment and also creating the print advertisers for tomorrow and having a partnership with them for a long period of time. So that is

basically AFE investment as we called it that we have done. It is not acquisition that we have done.

Lalaram Singh: Okay can you please elaborate. I did not understand AFE. So what exactly is that?

Piyush Gupta: So, AFE is a brand investment whereby we invest in a potential investee company, a certain amount in their equity with a certain structure whereby, you know, they also undertake to do the same value advertising within our newspaper, you know, in a certain period of time.

Anna Abraham: Sorry, can we take this offline? We could give you more color. You could reach out to the investor relations team.

Lalaram Singh: Okay.

Moderator: Thank you. The next question is from the line of Navneet Bhaiya an individual investor. Please go ahead.

Navneet Bhaiya: Hi, I understand the last year there have been several headwinds for the industry. I just wanted your views on a competitive environment, you know versus some of your vernacular competitors. HMVL has seen a slightly higher dip in your operating margins, you know the margins excluding the other income, so is that due to some specific reason or what exactly could be the reason? The dip in the margins in operations is a little higher.

Rajeev Beotra: Look from a competitive landscape point of view, it's actually been by and large a status quo kind of a year. Not much has changed, except for that in Bihar we have actually strengthened a little more in this particular year, but otherwise by and large the relative positions have stayed intact in this particular quarter and year. So, not much has changed from that point of view.

Piyush Gupta: And If you look at a high level, you know, Bihar being our core market, we have strengthened our product, we have been investing behind this thing apart from the headwinds which everyone is facing. UP, where we are the incumbents and fighting a fresh battle, you know, there obviously we are feeling the pressure because these tough ad revenue scenarios, you know, we are trying to do our best possible and we believe now going forward, once the new government settles in, the situation, you know, will improve with all our investments in Kanpur, Purnia and we have strengthened our UP offering further, we'll be able to harness more revenues out of that market. So, UP is something that we will double down very heavily on.

Navneet Bhaiya: Okay, so do you see your margins may be again getting in sync with the competition?

Piyush Gupta: On the margin side, I think we are now fully invested in UP after you know we brought our Kanpur press on stream. I don't think there will be, you know, too much of a margin

erosion or something but I think the margins will only improve from hereon, but obviously as you rightly said, there are headwinds and we'll see how the ad markets perform, but UP I think we definitely have some distance to cover and we have put that in our plans and we are gonna go very sharply for them.

- Navneet Bhaiya:** Okay, all the best.
- Moderator:** We will move to the next question from Yogesh Kirve from B&K Securities. Please go ahead.
- Yogesh Kirve:** Hi, thank you for the opportunity. So, in HMVL there has been some 65 Crores of capex. So, if that is correct, and what does this pertain to?
- Anna Abraham:** We have talked about it in our earlier call also that we are expanding our footprint by adding certain plants in HMVL locations, which we have done during the course of the year.
- Yogesh Kirve:** Any further capital required towards this?
- Anna Abraham:** We are potentially looking at one more location. Otherwise it will all be maintenance capex.
- Yogesh Kirve:** Can you talk about the capex guidance for the FY'20?
- Piyush Gupta:** Well, we don't give a forward guidance, but as I said broadly we are fully invested. Apart from the maintenance capex, you know, whatever is required which will be only marginal to strengthen our position; that will be all the capex. I think all the major capex has been done now.
- Yogesh Kirve:** As far as HT Media is concerned was there any sort of material capex during the year?
- Piyush Gupta:** No, I don't think manufacturing capex is required, but you know as we go forward and when the world is turning digital, I think there will be a lot of digital push and technology capex that will be deployed both in HT Media and HMVL. But those plans are currently underway. As and when we get more clarity, we will definitely let you know.
- Yogesh Kirve:** Right. The second question is regarding the radio business, Next Mediaworks, so we control, we have 51% stake. Are there any plans to change the content or brand with respect to the NMW stations?
- Piyush Gupta:** You know, I think that's a great question. I think one of the key assumption while we went to acquire NMW was it gives us a very clear ability to segment our listenership in the big markets. As you know, our radio business is predicated primarily around the metro markets and in the Phase 3, the UP market station that we basically acquired was primarily to have a

much more richer offering to our newspaper advertisers. This gives us the opportunity to give them a 360-degree, you know, marketing solution. But if you look at the big metro markets, NMW fits with that footprint very beautifully. You know, right now we have Fever 104 in Delhi, you know which is all focused on contemporary Bollywood music. We have Radio Nasha, which is all retro music, and now we can have our NMW, which will give us access to Hollywood and Western music in a certain genre. So, at this point in time, we are not planning to change the content very drastically, but of course, our radio teams are looking at whatever is the offering which they can take to the listeners, but I think the current programming format helps us sharply segment our listenership and we will see if we need to make some moves on the go, but at this point in time, there are no radical changes planned.

Yogesh Kirve:

Including the brand name right?

Piyush Gupta:

Including the brand name at this point in time.

Yogesh Kirve:

Sir finally, digital business which is now remaining in HT Media, so it largely comprises of the Shine, right?

Anna Abraham:

That's right.

Yogesh Kirve:

Sure. That's all from me. All the best.

Moderator:

Thank you. The next question is from the line of Amit Sen from AFS Financial Group. Please go ahead.

Amit Sen:

Yeah, hi, thanks for the opportunity. I just have two questions regarding the print side of business. In your revenue slide, you have said that for English both circulation as well as advertisement revenue has gone down whereas for Hindi it is the circulation revenue that is showing a slow growth whereas overall ad revenue is lower, so I just wanted a little bit of details on that, how the copies in circulation moved as compared to last year?

Rajeev Beotra:

Look, I just mentioned a little while back that by and large this year the relative position, shares and all have not changed much expect that in Bihar we have improved relative to competition. Given the toughness of the market, we have undertaken some efficiency measures and brought down our, market returns every day, that's the industry. So that is the only change that has happened on the distribution side, now that things are beginning to look up this year, we are back in copy building and copy investing mode, in fact even while we speak, you will soon hear of a new product that we have launched in Bihar already. In fact I think we are one of the few print houses which have launched new editions last year also and we have launched one in April, which is last month, as well. So we are in an investment mode, copies are going up. Last year was a year of efficiencies. Relative shares

are all held and intact, with slight improvement in Bihar. For Ad revenues, it was a tough year. Overall market volume saw a dip last year, pricing also continued to be under pressure last year. In quarter 4, the quarter in question, of course we saw that we got a good price increase from DAVP. We also got some marginal volume improvement from the government, so overall revenue growth in Quarter 4 was driven a lot by government advertising. So that's pretty much the sum and substance of the advertising market last year.

Amit Sen: Okay, thanks. And the second question is regarding your exposure to the depreciation of rupee due to the import of newsprint. So what has been the impact of that and how do you choose to mitigate that in the coming months, because crude being a lot of pressure on the rupee?

Piyush Gupta: Well, you know, if I had got a bullet proof answer on that, I would have started a hedge fund. To be very honest, I think you know rupee, which took us by surprise in the second quarter and third quarter, our belief is that it stabilized at a certain level, which is at RBI's comfort level. You know, we have got a very active hedging policy which we keep on tweaking to mitigate the risk which comes from a currency valuation or devaluation, our belief is that rupee vis-à-vis the dollar should stay at the current level and basis on that our hedging policy is geared at this point in time.

Amit Sen: Okay, thank you.

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

Abhishek Bohra: Hello, thank you for the opportunity. My question was on the HMVL balance sheet. There is around 700 million increase in the fixed assets, around 400 in plant property and equipment and around 300 million in investment properties. What is that regarding, if you could give the colour on those investments?

Anna Abraham: The asset side we already spoke about saying that we had, you know, incurred capex on a couple of new locations as well as augmenting the capacity of our existing locations, and that is what you see in the property plant and equipment side. In the investment side, is with regard to the investment in AFE assets that Piyush talked about in response to a question earlier on.

Abhishek Bohra: Thank you very much.

Moderator: Thank you. The next question is from the line of Shailendra Mundra, an individual investor. Please go ahead.

Shailendra Mundra: Hi, thank you for the opportunity. So, I want to congratulate the management to work under this tough environment. My question is regarding HMVL. You have almost 1160 Crore rupees of financial assets, which looks like mostly liquid investment. So my question is what is management planning to do with that kind of cash and if there is any plan to return some of this cash to the shareholders by way of buybacks and dividends? Because I don't see any plan to deploy this kind of cash in the near future?

Piyush Gupta: Well Shailendra, you know, what I can tell you is on the Hindi business, since the IPO that we took about seven years ago, we had already seen this trend and that's the reason we have been continuously investing behind our Hindi business. The reason the cash gets accumulated there is because Hindi is imminently a much more profitable business at this point in time, the way vernacular press, you know, is seeing growth vis-à-vis the English press. Last year if you see has been a bit of year whereby, you know, there has not been too much of a cash generation, there has been cash utilization, but you are right when you say that there is a substantial amount of cash which is sitting on the balance sheet. As far as the buybacks and dividends are concerned, there are no fixed plans. Why I can tell you this is today we finished the board meeting for HTML, and yesterday for HMVL, those things are getting discussed there, so at this point in time, there are no concrete plans which I can apprise you, if there will be any, we will definitely let you know. However, our intent always has been to invest in other productive business activities, could be organic or inorganic. What I can tell you at this point in time we are looking at a couple of inorganic activities and one organic activity, which is to strengthen our UP presence. So, you know, if these things happen, they will take a substantial amount of cash. But obviously it is not taking away the entire cash, which is sitting on the balance sheet, but there are no fixed buybacks or dividend increasing plans, which are on the table at this point in time.

Shailendra Mundra: Okay. You know, I have had a 25 years career in senior corporate position in M&A and investing, etc. So I want to urge you either you look at specific opportunities for the deployment of the cash and particularly the cash has been sitting and it has been invested in liquid investments, which hardly gives you real returns over inflation rate. So if you keep this for a very long term, it will be harmful for the interest of the shareholders. So either you invest in some businesses which will give you long term returns over cost of capital or you start returning. I am not saying return all of it to shareholders, but at least increase the dividend rate. We have not seen much return from the share price appreciation over the last five to six years. So at least we can start earning reasonable yields. Or you do a buyback, you know, which will improve your return ratios etc. So, I urge you to look at this and that will be a positive signal to the market as well. Let me comment that as of now, the market is giving negative 300 Crores value of business, because the market cap is about 850 Crores, your cash is 1150 Crores, so the market is attributing negative 300 Crores value to the business and it reflects very, very negatively on the management and the board which is running this company. So I urge you to look at it very seriously and do something positive. There is no point in giving vague answers to investors that we don't know what we are

going to do with the cash or we haven't taken any decision about buybacks and dividends. I really urge you to give a positive signal. You have been running this company very well. I have been a long-term shareholder and I have been watching you and now the patience is running out.

Piyush Gupta:

Well Shailendra, thank you for that, you know, very informative comment. Two comments I would like to make, first of all, it is neither the intent nor any desire to give you any vague answers. I told you dividend or buybacks is not on the table, so I am not being vague about anything. I have just apprised you of the board discussions which happened yesterday, so that is point number one. Point number two, I totally take your point that the market is definitely not rewarding this cash and I really don't want to go into the economics, but I totally see your point and I am not even countering that point. The only last point that I would like to make here is, you know sooner rather than later, we are looking at a few strategic inputs that we will do which will require a lot of cash, and we will be sharing it with all the investors in a public forum and you will get to know about it. I really at this point in time would not like to hazard a guess that we will utilize 100 Crores of cash or 1000 Crores of cash, because at best that will be a conjecture and I don't want to do that. But what I am telling you very clearly is that we are at this point in time not increasing the dividend ratio or a buyback, but however that is not an annual event, even if you want to do it intra year, it can always be done. I will definitely pass on your sentiments to the board is the best I can do and if there is a decision to that effect we will definitely come back, but as I told you sooner rather than later, we'll be unrevealing some strategic thoughts that we have on the business which might create a long term sustainable shareholder value creation.

Shailendra Mundra:

Thank you Sir. Please pass on the message to the board.

Piyush Gupta:

I will. Thank you so much.

Moderator:

Thank you. The next question is from the line of Hansal Thacker from Lalkar Securities. Please go ahead.

Hansal Thacker:

Yeah, Hi Sir, I wanted to ask you just briefly on one of the most recent scheme of arrangements that you have concluded in the form of Digicontent. If you can shed some light on Digicontent, it will be a little helpful?

Piyush Gupta:

Okay, let us do it in two parts because we have spoken a lot about what we intend doing for the last one and half years, so let me just give you a high level thought as to why we are doing, what we are doing and then I will request my colleague to kind of fill you on the detail. For the longest time, even if I go back two years, and if you look at the transcripts, we have been trying to incubate all digital businesses within either HT Media or HMVL and we have been trying on multiple strategies. Of course, digital business is a very different business from a classical legacy print business and we have been having our own

motions. One of the things that we have decided about a year back is really you know we came to all the investors and we socialized that very clearly is to increase our focus on the digital properties and digital businesses, which can be conjoined with our classical news business, we have now decided to create a separate legal entity, get a separate set of management, give them a separate annual operating plan, give them enough resources and fund them, and then you know with that increased focus, maybe we can, you know, increase our digital content business much more sharply. There are multiple properties on the digital businesses that we have incubated between the legal entity. What I can tell you is that when they were distributed amongst various places, for the fiscal year ending March 31, 2019, our digital properties have grown north up 35% in a topline fashion, but most of the resources that we have created, we have invested behind the business because these require long term investments to be gone into that. With this now, we announced a scheme of arrangement to create Digicontent Limited whereby we can house all these assets under a separate team and they can be tasked with the business plan and they can run with the business plan. That scheme has now, you know, got the NCLT and the shareholder approval and that has become a separate legal entity and a separate company. This separate company is a sister concern of HT Media Limited and all the shareholders of the HT Media Limited will get a mirror shareholding in Digicontent Limited. This will become a publicly listed company and before the end of this month, you know, this should get listed and share allocation should happen. Anna would you like to say something on this?

Anna Abraham: No, I think that is pretty much covered unless you have a specific question?

Hansal Thacker: Yes, just one follow on question to this, so would it be safe to assume that entirely all digital assets of the group will fall within Digicontent or all relevant digital aspects will fall under Digicontent?

Piyush Gupta: Look, one of you colleagues just asked, the only asset which is now sitting in HT Media is Shine. Most of our digital assets have already gone there. The whole idea is to kind of collate them in a single place because the risk and reward equation is very different, the resourcing and staffing equation is very different and the way the shareholders look at digital assets and the market perception is very different. So, most of the assets have been housed there. Shine is the only big asset, which is lying here. There are some scattered assets, which we have consciously not taken there, but most of all assets have gone there.

Hansal Thacker: So, is there any logic behind using Shine out or just does not fall in the long term view?

Piyush Gupta: I was just explaining to the colleague before you, you know, we come back with an intervention plan which we are trying to do for the strategy thing and that we will be sharing with you. Shine is one of the spokes on which we plan to kind of re-pivot the model so that Shine can become a value creator for all the shareholders.

Hansal Thacker: Okay, great. I will wait for the next communication from you.

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

Deepesh Kashyap: Hi, Thanks for the follow-up. I had just one question. Can you please quantify if there are any one offs in other expenses line on HMVL's P&L?

Anna Abraham: There is no major one offs in HMVL's P&Ls.

Deepesh Kashyap: This is mainly higher marketing spends you have done?

Anna Abraham: And the bad debt provision which I talked about.

Deepesh Kashyap: That is entirely 4.5 Crores in HT Media, so it is in HMVL you are saying?

Anna Abraham: No, we talked about HMVL. The gentleman asked a specific question on increase in cost of other expenses in line of HMVL, to which we had responded.

Deepesh Kashyap: Sure, so the marketing spends, do you think it will continue or like is there any?

Anna Abraham: It will continue. Given the competitive pressures in the market, it's expected to continue for sometime.

Deepesh Kashyap: Thank you.

Moderator: Thank you. The next question is from the line of Vaibhav Badjatya from HNI Investments. Please go ahead.

Vaibhav Badjatya: Hi Sir, hanks for providing this opportunity. On the Digicontent business, can you just provide me a broad number as to what would be the revenue and profitability for FY'18 of that business?

Anna Abraham: I believe, at PAT level is about 6 Crores which is going.

Vaibhav Badjatya: 6 Crores as a discontinued operation, okay. So, this is, I mean there is a profit that would be there in the Digicontent business that is what you meant to say?

Anna Abraham: So, as Piyush explained earlier, we are expecting it to be a margin breakeven to marginal profitability , because growth are high in that business but we will redeploy that money in investing behind growing the business.

Vaibhav Badjatya: Okay, thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Dharmesh Pandya from BP Investments. Please go ahead.

Dharmesh Pandya: Thank you again. My question is the write off's, how much is the written off in the investment value of the subsidiaries in this quarter and this financial year?

Anna Abraham: There is no write off in case of subsidiaries this quarter.

Dharmesh Pandya: No write offs. Secondly there are strategic investment you have mentioned in Singapore subsidiary and something which has been bought in UK. So what is this if you can elaborate?

Anna Abraham: We would not want to get into specific details.

Piyush Gupta: Look you know we don't get into the specific details, but you know one of the investments we made through Singapore was an investment in Uber. Uber is now going through IPO, so that investment will obviously encash at some point in time. So there are various strategic investments, which are businesses of tomorrow which we undertake those investments either from India or from Singapore depending on where they are best suited from.

Dharmesh Pandya: Okay, see, why we are asking this question is you know in the last two to three years, the overall performance for various reasons is going down and the investors have lost about 60% to 70% of their investments in these stocks. So I mean, you know, we understand from where you are coming, still how you look going forward in this scenario, because this is the National Election and the revenue has to grow in a level, that has not grown and going forward in a couple of quarters, what do you see in the overall print business?

Piyush Gupta: So, are you talking about the print business or the strategic investments?

Dharmesh Pandya: I am talking about the print business, because even in this election scenario the growth is not as anticipated, so what is expected by you guys in the next couple of quarters?

Piyush Gupta: Look we are eternal optimist, on the lighter side. But having said that, my considered view is that for the last two years where the headwinds have been so strong for the entire print sector, more so on English than Hindi, the bases have already corrected very sharply. You know newsprint advertising is a derived demand and also it is facing certain headwinds from digital advertising and that is the reason we are investing behind digital and setting up a business separately on the side. However, having said that, I believe the print advertising has a very substantial role to play, you know, pan India across English, Hindi and vernacular. So, you know, we had a very hearty discussion at the time of writing down the plans for the next year and we are hoping for a decent late single digit growth that we are all having ambition for in the next year. We clearly see a trend that Hindi growth rates might

be a delta higher than the English growth rates, but we are going for growth and I don't think this whole headwinds scenario will continue for long. So that's what is sitting in our plans and that's what we are all hoping for and resourcing our organization for. So, you know, If I go out category by category, so if you would remember, you know, five years ago, Real Estate used to be one of the top five categories, so was Education. If you see because of various policy changes, RERA, GST on the real estate side, education policy of the government on the education sector side, some of the very prominent advertising categories have become very small categories. However, at the same time, new categories have emerged, the new age companies, the startups etc. are taking very actively to advertising, thereby, we are using AFE, you know, as a product to bring them into newspaper advertising and they are absolutely loving it. That is the reason, you know, why the investments like Koovs, which we did have gone on for a follow-on investment, and that is why big global companies like Uber have come on into newspaper and radio as a medium. So I think growth will happen. It is just that new categories will emerge and some of the earlier categories will be under pressure. Beotra would you like to contribute something?

Rajeev Beotra:

Yeah, look some amount of economic tailwinds will help of course, but you see some of the traditional print friendly categories. It is not as if there has been a flight, so the entire Real Estate industry, it is not as if they have given up print, it is just that the industry spend itself has come down significantly because of all the other challenges. In fact real estate has been one of the faster growing categories for us last year. Local retail nothing wrong, that has stabilized, local retail is doing well. This year we will also see I think from whatever I have read and seen lots of four-wheeler and auto wheeler launches, some new players are entering the country, MG Motors entering, Kia Motors entering. So I think once the elections are over, a lot will also be a function of how the economy performs, but I would not say that, print is at any significant disadvantage.

Piyush Gupta:

Even if you look at the reports put out by the FICCI, KPMG and PwC etc., you know everyone is predicting a print growth, of course the numbers on Hindi will be higher than English, but it's a growth category, and we are already seeing the early signs of revival but it's coming from a different set of categories because being a derived demand business, you know categories like Real Estate which themselves are facing such huge challenge, they are not spending a lot on advertisement dollars at this point in time.

Rajeev Beotra:

Watch out for the new categories, the OTT platforms. They are spending money on print as well. So all your Netflix and Amazon Prime, and all these, they are also resorting to print to spend and I think that is an interesting new emerging category as well.

Moderator:

Thank you. Due to time constraints, that was the last question. I now hand the conference over to the management for their closing comments.

Piyush Gupta:

Well, thank you everyone for joining us on the investors call. The year FY'19 has been a perfect storm from our perspective. One is the tough revenues scenario followed by our very tough raw material cost scenario and the currency also depreciated 11%. However, as we get into FY'20, we are very optimistic about these things. The input costs have already started correcting out, the currency has already stabilized and we are hopeful that we will be able to drive growth. Apart from various actions on the new business acquisitions that we have done on the radio, the new focus that we are putting behind our digital businesses, we are very hopeful that we will be able to turn in a profitable growth which will, you know, help create long-term value for the shareholders. With that I sign off and I wish you all the best and look forward to speaking to all of you in 90 days time. Thank you so much.

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. You may now disconnect your lines.