



HT Media Limited's
Q4 FY2015 Earnings Conference Call
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Moderator: Ladies and gentlemen good day and welcome to the HT Media Q4 FY15 Results Conference Call hosted by Centrum Broking. 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 Mr. Ankit Kedia. Thank you, and over to you sir.

Ankit Kedia: We at Centrum broking are pleased to host the Q4 FY15 conference call for HT Media. Today we have with us the senior management of the company. I would like to now invite Vinay for his opening remarks followed by which we can have an interactive Q&A. Over to Mr. Vinay Mittal for the opening remarks. Thank you

Vinay Mittal: Good evening ladies and gentlemen. Thanks for taking out time at such short notice for this conference call, straight after the results having declared just about 2-3 hours ago. The advertising revenue growth continues to be in mid-single digit, as the economy struggles to catch tailwinds. In spite of the difficult advertising environment, there are some bright spots which auger well for the coming year. In Mumbai, advertising grew at 11% for the full year and for Q4 it grew at about 15%. Hindi business did quite well; advertising grew at 12.5% for the full year and for Q4 at 10.3%.

Radio continues to do very well for us. Advertising grew at about 12% for the full year and for Q4 at 15%. In Mint also, advertising growth was quite positive. For the full year, it grew at 7.1% and for the quarter it grew by 9.5%. Digital continues to grow strongly at 36% for the full year and for the quarter at 31%. Delhi has been a laggard. Being a mature market for us, it has seen flat growth for the full year in advertising and about 2.5% for Q4. Let us hope this Q4 trend continues into the coming year.

Circulation revenue grew in double digits at 11% for the full year and for the quarter at 9%. The EBITDA for the full year decreased by 8.2% and for the quarter by 16.5%. PAT decreased by 6.2% for the full year and for Q4, it grew by 17%.

On the expenditure side, bright spot was that the RM pricing continues to be benign and should remain so in the near future. The raw material costs grew by just 1% for the full year and decreased by 5% in Q4. Employee cost has been high this year due to certain regulatory costs and some new hirings. Advertising and sales promotion was also high because of the extra advertising done in 'Shine' as it was seeing traction. We had some new TV commercials that we ran in Q3 and Q4. One extraordinary expenditure in the 'Other expenses' head was the higher provisioning for AFE 'Ad for equity' at Rs. 28 crores which was to clean up the portfolio in the equity as well as mark-to-market some of the properties. In next year, 2015-16 we expect all cost heads to normalize and RM pricing to remain benign.

Another bright spot was the new IRS numbers, where we further cemented our position as a number 1 English Daily in Delhi-NCR and in Delhi, number 2 in the Hindi belt and number 2 in the business segment also. If the economy tailwinds come through, with strong IRS numbers and benign raw material pricing, we look forward to a better top line growth and margin expansion in the coming year. Thank you I would now open it up for the Q&A.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Chauhan Bhautik from Span Capital. Please go ahead.

Chauhan Bhautik: In quarter 4, we have seen a decline in core EBITDA margins excluding 'other income' vis-à-vis last year. Any specific reason for that?

Vinay Mittal: The core EBITDA margins have declined because of the slow top line growth which has been at the rate of only about 6% in advertising and about 7% if you take circulation to account. There has been a higher employee cost which has grown by about 15.2%. Also, advertising & sales promotion and the other expenditures were much higher. Consequently, the margins got squeezed.

Chauhan Bhautik: Do we see margins improving going forward?

Vinay Mittal: Yes. This is because we expect all the cost items including the employee cost, advertising & sales promotion and other expenditures to normalize because they have been in high double digits this quarter. But in this coming year, they will normalize and will be in high single digit to just about double digits. Plus, if there is recovery in the economy, we should have a higher growth in the top line. Consequently, we should see margin expansion moving forward.

Chauhan Bhautik: Can you throw some light on the non-current investments in your balance sheet? It has increased from Rs. 400 crores to Rs. 1,100 crores y-o-y.

Vinay Mittal: This has been due to the shift in the mutual funds from 1 year to 3 year maturity. That is why the non-current investments have gone up.

Chauhan Bhautik: What has been the increase in the net cash position?

Vinay Mittal: The net cash has increased and it stands at Rs. 1,290 crores.

Chauhan Bhautik: What is the total size of 'ad for the equity' assets in terms of real assets?

Vinay Mittal: Gross block is about Rs. 310 crores with 80% in Real estate.

Chauhan Bhautik: Do we expect any second round of buyback going forward?

Vinay Mittal: No, we are not going for any second round of buyback.

Moderator: Thank you. The next question is from the line of Bijal Shah from IIFL. Please go ahead.

Bijal Shah: As you said that in the 'other expenses', there are some one off or non-recurring expenditure, what is the, 'Ad for equity provision for the quarter?

Vinay Mittal: The 'Ad for equity provision' is Rs. 28 crores for the quarter and Rs. 36 crores for the full year.

Bijal Shah: Does the large part of increase in expense this quarter in 'other expenses' can be attributed to the fact that AFE has gone up significantly?

Vinay Mittal: Yes

Bijal Shah: In the last two quarters, you have advertised slightly more for 'Shine'. Could you give us any number on the additional advertising?

Vinay Mittal: We have done about Rs. 16 crores of television commercial for 'Shine', which is extra this year compared to what we have been doing because of the traction that the product is enjoying. Also, we will do the same in this coming year.

Bijal Shah: Is the Rs. 16 crores for the whole year?

Vinay Mittal: This is the extra bit.

Bijal Shah: For the next year also, the number will remain at the current year's level?

Vinay Mittal: That is right.

Bijal Shah: The 'Ad for equity provision' has been continuing. Should we assume that around Rs. 20- 30 crores of 'Ad for equity provision' will be there every year? Since every quarter there is some 'Ad for equity provision', isn't it recurring in nature?

Vinay Mittal: No. In the previous three quarters, there was an average provisioning of about Rs. 2.5 crores to Rs. 3 crores per quarter. This is more like a cleaning up of the total book,

mark-to-market with outside consultants, etc and therefore a larger provision has been done. I do not expect that we would have this kind of provisioning again, in the coming year.

Bijal Shah: In the last year, the 'Ad for equity provision' was around Rs. 23 crores?

Vinay Mittal: Yes, it was higher. A part of the cleaning of the books was done at that time also and this is the last part of the cleaning up.

Bijal Shah: What is the regular 'Ad for equity provision' we should expect?

Vinay Mittal: One should expect between Rs. 10 crores and Rs. 15 crores maximum.

Bijal Shah: Besides this, what growth we should see in the employee cost and 'other expenses' in the coming year?

Vinay Mittal: It should get normalized to around 10% or 11% y-o-y growth for employee costs and less than 10% for "other expenditures" on a normalized basis.

Moderator: Thank you. The next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead.

Saurabh Kumar: Could you give us some outlook on when you expect the English print to start picking up? Also, given what we are seeing on the internet side, do you think that cannibalization is happening from the e-commerce players especially on real estate advertising?

Vinay Mittal: The economy at the ground level has still not picked up and specifically, in the property market, we are seeing that it is still slow. Some new verticals in terms of e-commerce etc. have opened up but there are still some laggards that are there. I am hoping that the economy does pick up, and going by what people are saying, it should pick up by the second half of this year. If that does happen, you will see an uptrend in the metros first where the consumption has got severely impacted and is now slowly spreading into the rural areas; as you could see from the results of the other prints media companies. But the first indication of an uptrend will come in the metros..

Saurabh Kumar: Do you think there is an impact of e-commerce too?

Vinay Mittal: No. In the -commerce, the digital advertising is picking up, but it is from a very small base. It is not to the extent that it is eating into our pie because print advertising is still growing.

Saurabh Kumar: Real Estate was supposed to be one of the largest advertisers. That is why I am trying to guess, which you do not think is happening.

Vinay Mittal: I do not think it is happening at this point of time.

Saurabh Kumar: What would be your EBITDA margin for HMVL in the UP business and margins in Mumbai? Because these are the two geographies, which have broken even and are in positive territories, but they are not fully stabilized. Once they are fully stabilized, what could be the additional kicker to EBITDA margin?

Vinay Mittal: At this point of time, the EBITDA margin for Mumbai is about 6%-8% for the full year.

Saurabh Kumar: What is the revenue?

Vinay Mittal: Revenue is about Rs. 190 crores and over the next 3 years, we expect the EBITDA margin should be in the range of 25% plus for Mumbai

Saurabh Kumar: And what about for UP, for HMVL?

Vinay Mittal: It should be about 25% plus, UP is already at about 8% to 9%.

Saurabh Kumar: What would be the revenue of UP?

Vinay Mittal: Total revenue would be about Rs. 300 crores.

Saurabh Kumar: You expect both of these to move to about 25% in 2 years?

Vinay Mittal: In the next three years, including 2015-2016.

Moderator: Thank you. The next question is from the line of Subhankar Ojha from SKS Capital. Please go ahead.

Subhankar Ojha: What was the EBITDA loss for our internet business and what is the capex plan for FY16?

Vinay Mittal: Loss is about Rs. 50 crores.

Subhankar Ojha: Is that higher than what you had last year?

Vinay Mittal: Yes. This is because of the TVC that we ran in 'Shine'.

Subhankar Ojha: What is the capex plan for the current financial year?

Vinay Mittal: In FY15-16, the total capex, including HMVL would be in the region of about Rs. 75 crores.

Subhankar Ojha: Obviously, this capex is excluding the Radio?

Vinay Mittal: Yes, that is not regular capex.

Subhankar Ojha: Last time you also talked about some acquisition plans.

Vinay Mittal: That would not be capex. Those are separate.

Subhankar Ojha: Is it still ongoing, is that happening?

Vinay Mittal: Yes, we are re-doubling our efforts on the acquisition side of things.

Moderator: Thank you. The next question is from the line of Ashish Urganlawar from Elara Capital. Please go ahead.

Ashish Uppanlawar: Could throw some light on the advertising scenario across key cities?

Vinay Mittal: In Mumbai, we have grown at around 15%. If it picks up, we should grow better than 15%. In Delhi, I am hoping that we should be able to grow by around 4%-5% but if the economy picks up, it could be between 5% and 10%.

Ashish Uppanlawar: In Mumbai, what is difference in the advertising rates between us and the leader and between us and the other peers?

Vinay Mittal: From the display side, we are literally one-third of what TOI is.

Ashish Uppanlawar: How has our readership improved over the last 2-3 years in this market? Is it a sustainable increase?

Vinay Mittal: The readership growth has been very strong and we are close to about 65% to 68% of the readership of TOI. We have about 1.4 million- 1.5 million readers compared to TOI which has 2.2 million readers.

Ashish Uppanlawar: That should give around 15% annual growth at least for the next year?

Vinay Mittal: Most of our growth should come from yield increases.

Ashish Uppanlawar: Could you also elaborate on the different advertising segments as the revenue contributors? How is the scenario shaping with them? How are you looking ahead for the next year?

Vinay Mittal: Education used to be 11% of the pie is now at 9%. FMCG, over the last 3 years has grown from 4-5% to literally 6-7% of the pie. Telecom has grown from 4-5% to 6%. DAVP is steady but there is a slight decline because of elections in Delhi.

Ashish Uppanlawar: How much is DAVP advertising as a percentage overall? And this is for the English or the consolidated numbers?

Vinay Mittal: Consolidated. DAVP is 13% to 15%.

Ashish Uppanlawar: What about real estate?

Vinay Mittal: Real estate would be about 8%.

Ashish Uppanlawar: What would be the biggest after the Government?

Vinay Mittal: We have tenders at 8%, education at about 8% and automobiles at 9%. These are the bigger categories.

Ashish Uppanlawar: Regarding the pagination, circulation and cover price, how things have moved this year and what is the scenario for next year?

Vinay Mittal: On the circulation piece, we have grown at 9% in the quarter and 11% for the whole year. Therefore, I have benefited from circulation increase by about 4% at 4.4 million

copies from 4.2 million copies in Q4 last year. Also, in HH, the realization has improved to 2.2 from 2.08.

Ashish Uppanlawar: In the 4% circulation increase, rest is cover price increase that we have taken. If things remain the same, do we have some room for cover price increase to drive the top line?

Vinay Mittal: Yes, if the advertising does not pick up, that is, if economy does not pick up, then I suppose there is room for increase in cover price. But if the economy picks up and advertising more than makes up for it, then we would like to keep it steady. To answer your question, there is a scope.

Ashish Uppanlawar: And what could be the circulation increase, normally with that 4%-5% number would hold true for next year as well in the circulation?

Vinay Mittal: In terms of number of copies, yes. It may be same or a little lesser than that.

Ashish Uppanlawar: On the newsprint prices, what is the decline and what is the outlook for it?

Vinay Mittal: Newsprint prices continue to be in region of \$500-\$525 a ton. They should remain at these levels for the next 2-3 quarters.

Ashish Uppanlawar: What is the price decline that we have seen for us y-o-y?

Vinay Mittal: The average price that we got in Q4 is about 36,500 compared to 39,500 y-o-y, that is about 7.5%-8% decline.

Moderator: Thank you. The next question is from the line of Vinod Malviya from Fluorine Tree Advisors. Please go ahead.

Vinod Malviya: Are we still taking Ad for equities or we have stopped taking Ad for equity?

Vinay Mittal: We still do but we have learnt from our experiences in the last 4-5 years. Therefore, lesser of equity and more of hard property. That is the reason for our confidence in saying that we will take much lesser provisioning going forward.

Vinod Malviya: Generally, what is the intake run rate for Ad equities in a quarter?

Vinay Mittal: The usual run rate that we do is about, close to 5%-7% and we also like to monetize, whatever property we have, so that the non-cash revenue has an equal cash inflow by monetizing the investment

Vinod Malviya: What is the total 'Ad for equities' we have on our books?

Vinay Mittal: The investments that we have on our books because of the 'Ad for equity' is Rs. 310 crores.

Vinod Malviya: Can you split them between Real Estate and Equities?

Vinay Mittal: Close to 75%-80% is Real Estate.

Vinod Malviya: On the digital space, the loss has increased to Rs. 80 crores but if I remember correctly in the Q3 you were expecting that we will close at somewhere around Rs. 45 crores to Rs. 50 crores.

Vinay Mittal: What did I say?

Vinod Malviya: You said Rs. 80 crores?

Vinay Mittal: No, Digital is Rs. 50 crores.

Vinod Malviya: If I look at your standalone numbers, the EBIT for the printing and publishing has come at around Rs. 29 crores v/s Rs. 47 crores on y-o-y basis. There is significant deterioration in the margin. Can you just explain the reason for that?

Vinay Mittal: The reason for that significant deterioration is the sluggish top line growth. English growth has been quite low.

Vinod Malviya: Even if I look at y-o-y basis, there is hardly any improvement there.

Vinay Mittal: Expenses have grown much faster under the heads of employee cost, advertising & sales promotion and other expenditures. They have grown by about 20%.

Vinod Malviya: Is the entire 600 basis points because of the increase in employee cost and other things?

Vinay Mittal: Yes. Because of the expenses and a very low growth in top line, the margin has got squeezed.

Vinod Malviya: Also, is this 'unallocated' largely for the 'Ad for equity provision' in volume rate?

Vinay Mittal: Yes.

Vinod Malviya: Is there any operational improvement in the 'Shine' business?

Vinay Mittal: Yes. That is the reason we have backed it up with TV commercial. We did not do it in the earlier year because we felt that there was still some fine tuning of the product that was needed. Today we are a number 2 player in the recruitment business after 'Naukri'. So, we are seeing traction and growing by close to about 35%, backing it up with a bigger marketing expenditure.

Vinod Malviya: Can you give any guidelines on what type of loss you are expecting in digital space for FY16?

Vinay Mittal: It would be the same because we will continue to back 'Shine', through advertising TV commercials.

Moderator: Thank you. The next question is from the line of Ritwik Rai from Kotak Securities. Please go ahead.

Ritwik Rai: I wanted to ask you about IRS. Your Hindi paper and Mumbai is doing better than the market but not commensurate to the kind of readership gains that you have made. Also, it appears from your comments that you expect the outperformance to be similar even next year, even after 2014 which has validated the 2013. Why is that?

Vinay Mittal: In the print business, especially when the economy is not doing too well, the share one has got in IRS numbers does not become commensurate to that in the revenue pie. It takes time for it to start improving because there is natural tendency of the advertiser to resist price increases, especially in an economy which is low. One is able to get the kind of price increases over a timeframe of a year or two depending on the competitive intensity and the level of economy in that geography. But to give you an idea, in terms of display advertising, in UP we will be very close to the leader or, let us say, 80% of the leader over the next one year. In Mumbai, it will be little more because in Metros, the economy was more stressed compared to the rural areas.

Ritwik Rai: What growth are you expecting in UP, in next year?

Vinay Mittal: 13% to 15%.

Ritwik Rai: Currently, you are averaging 50% of the leader in terms of yields?

Vinay Mittal: In terms of yield, we are about 60%, in display.

Ritwik Rai: If you intend to go to 80% in the next one year, that means.....

Vinay Mittal: Display forms only about 40% of our total advertising. We also have Government, tenders, others etc.

Ritwik Rai: And one more thing on the acquisition side, you said that we are redoubling efforts on the acquisition. Are there any changes in the kind of criteria you had such as you wanted to acquire only such newspapers which were among top three and which could breakeven in the next two years etc. Are there any changes or do all those figures remain same?

Vinay Mittal: No, they do remain the same. But the preference for inorganic has increased compared to organic.

Ritwik Rai: Why is that, in the past one year?

Vinay Mittal: The competitive intensity for an organic growth results in much delayed breakeven. Therefore, we do feel that an inorganic way is a better way to expand.

Ritwik Rai: Regarding the guidance for losses in digital, are you intending to increase the Ad spends further on Shine.com by Rs. 16 crores or the 'Ad spend' will remain the same and some other expenses will rise? Because one would expect the same rate of growth in top line to continue, right?

Vinay Mittal: Yes and the top line growth should be better. In fact it should be higher than 35%.

Ritwik Rai: Then why do you expect the same level of losses? Are you then increasing your 'Ad spends'?

Vinay Mittal: We will increase 'Ad spends' especially if the top line growth increases. We need to come closer to the number one player and we need to create top of the mind recall for our brand in the recruiters' mind space. It needs a dose of TV advertising/marketing expenditure to achieve that over an extended timeframe.

Ritwik Rai: How long could that timeframe be?

Vinay Mittal: It all depends, there are various factors; like economy, how the product fares etc.

Ritwik Rai: I am asking you because this has been a problem area for earnings visibility for a very long time in the company and every time we think that now it will turn around and now losses will reduce, we have some other new plans. How long does it go on because although, you can keep trying harder but losses keep rising, is there any stop loss?

Vinay Mittal: We expect the same amount of losses that we have in 2014-2015.

Ritwik Rai: But last year you had said you expect lower losses. That is why I am asking this question.

Vinay Mittal: I will be in the better position to explain to you or answer that probably during the course of this year or the end of the year.

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

Yogesh Kirve: In the non-current investments about Rs. 1,180 crores, Rs. 310 crores pertains to Ad for equity?

Vinay Mittal: Yes, it includes the equity assets portion for Ad for equity as well.

Yogesh Kirve: On the remaining amount, how much of it would be a pure treasury kind of investments?

Vinay Mittal: The whole thing should be cash investment.

Yogesh Kirve: That would be some investments into associates and other things?

Vinay Mittal: That is right. That should be there but if you want a breakup of the balance sheet figure, I will email it to you.

Yogesh Kirve: What was the gross debt for the year including the noncurrent and current portion of long term rate?

Vinay Mittal: The debt for the year as of March 2015 was Rs. 370 crores.

Yogesh Kirve: Regarding Digital business, around 50%-60% of those internet revenues pertain to 'Shine'?

Vinay Mittal: Yes. In fact, 90% + of digital losses pertain to Shine as against 30% of digital revenue.

Yogesh Kirve: Regarding the revenue that we make from our websites including the news website, HT or Hindustan and also the Mobile App, how much they are contributing to assets?

Vinay Mittal: The HT Mobile revenue for full year is close to Rs. 35 crores.

Advertisement on Websites and the Mobile App together is about Rs. 15 crores.

Yogesh Kirve: Is there an opportunity to scale up these revenues as well going forward?

Vinay Mittal: Absolutely. We are investing a lot into that. In fact we are setting up a whole new newsroom; digital newsroom etc. to scale up our digital revenue and traction is expected to be in the later part of the year.

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

Rohit Dokania: In the P&L, probably 3-4 years back, you had losses in both Mumbai and UP. Still, we had around 14%-15% EBITDA margins, whereas now, after having turned them around and reporting a margin of 8-9%, we are still lower. When do we see these margins moving upwards and what would be the real driver for that?

Vinay Mittal: What happened is that, the nascent businesses have grown, become stronger and have moved into positive territory. But in the mature markets like Delhi or the English market, the top line growth in the last 2-3 years has been quite stagnant or very slow. So, whatever we have gained out there, to some extent we have lost in these markets in terms of margins. If the economy does turn around and picks up, these mature markets will throw up huge margin expansion. Then you will actually see the contribution of mature plus the nascent and what kind of beta there is to the margin and profitability.

Rohit Dokania: Let us say, if that is not the case, do you see a case for margin expansion to happen? This is because you never know the time when the economy revives etc. and how

the whole digital piece would start impacting our business, if at all. Therefore, do you see a case for margin expansion beyond 15%-16% at the consolidated level?

Vinay Mittal: It is difficult to answer for me because there are too many variables depending on when and how the economy picks up, how the digital fares, and how quickly that option takes place there. So, let us see how this year pans out.

Moderator: Thank you. The next question is from the line of Srinivas Seshadri from Antique Stock Broking. Please go ahead.

Srinivas Seshadri: I was trying to understand the trends in terms of E-commerce vertical advertising. How has it contributed to the revenues especially in the English print? How are you seeing it going forward especially in the last one and a half months or so?

Vinay Mittal: Clearly, the E-commerce has grown for us and that is why the FMCG portion has grown for us. What used to be just 4% or 5% till 3 years ago has moved to 7% now. So, E-commerce is one of the growing segments and a bright spot in our advertising pie.

Srinivas Seshadri: So, you actually classify E-commerce under FMCG when you talk about the numbers?

Vinay Mittal: Telecom has also done well for us. It is 6% compared to 4% earlier.

Srinivas Seshadri: Which have been the major drags on the business in the English print?

Vinay Mittal: The real estate used to be 10%. For entire year last year, it was 8% and now 7%. DAVP was the biggest where the government expenditure was a little lower in the third quarter and fourth quarter because of the Delhi elections. So, partly because of the elections, it got affected.

Srinivas Seshadri: You have reported around 3% growth in English print advertising. If you were to exclude the DAVP, how much would have been the growth, on a normal basis?

Vinay Mittal: Then, it would have been a better growth of 4% to 5%

Srinivas Seshadri: And do you see that, i.e. ex-DAVP of 4% to 5% continuing?

Vinay Mittal: Yes, that is right..

Srinivas Seshadri: Based on what you see, is there confidence in that kind of a growth rate continuing?

Vinay Mittal: At the moment, yes. April has been good. I am hoping that this trend continues and I should be able to tell you better and happier news in the next quarter.

Srinivas Seshadri: In the current quarter how much was the AFE provision?

Vinay Mittal: Rs. 28 crores.

Srinivas Seshadri: And typically how much are you writing-off on a quarterly basis in a normal quarter?

Vinay Mittal: For instance, last year it was about Rs. 33 crores.

Srinivas Seshadri: Rs. 33 crores on a full year basis.

Vinay Mittal: This year it has been about Rs 36 crores.

Srinivas Seshadri: But was last year more spread out?

Vinay Mittal: It was more spread out.

Srinivas Seshadri: And how much is now your net AFE book, as of date?

Vinay Mittal: Rs. 310 crores.

Srinivas Seshadri: This is after all the write-offs?

Vinay Mittal: That is the gross book.

Srinivas Seshadri: But there would have been substantial write-off already?

Vinay Mittal: We are still holding a provision of Rs. 46 crores. Therefore, the net book is only Rs. 260 crores.

Srinivas Seshadri: How much revenue you would have booked on AFE on new deals and contracts?

Vinay Mittal: In Q4, it was about Rs. 16 crores.

Srinivas Seshadri: How much new AFE book has got added this year i.e. the AFE deals which you would have signed?

Vinay Mittal: I need to get back on that to you.

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

Jignesh Makwana: What was the 'Ad for equity' provisions last quarter of the last year?

Vinay Mittal: In Q4 FY14, it was Rs. 17 crores.

Jignesh Makwana: What was the performance in Delhi market in this quarter Sir?

Vinay Mittal: This quarter, it was 2.5%.

Moderator: Thank you. The next question is from the line of Srinivas Seshadri from Antique Stock Broking. Please go ahead.

Srinivas Seshadri: Regarding the English circulation, there has been very moderate growth in the circulation and it seems to have fallen slightly compared to the third quarter. Is it because you are rationalizing copies or is it a rate correction or a package pricing you are doing for monthly or annual deals?

Vinay Mittal: That is usually the trend, if you see every year, it comes off from Q3. It always comes off. The highest quarters are the 2nd and the 3rd quarter and in the 4th quarter it comes off and then it starts building up again in Q1, reaching a higher level up in Q2, highest in Q3 and then it comes off again.

Srinivas Seshadri: But this was a line which was growing a little faster, till the last quarter. The circulation revenue growth was 9%-12% in the last couple of quarters and in this quarter it is a bit flattened out even on a y-o-y basis. So, have we taken some price cuts or some more copies have been sold on an annual subscription basis versus last year. What would explain slower growth in the circulation revenues?

Vinay Mittal: At 11%, is it going slower?

Srinivas Seshadri: The calculation I had was that English circulation has grown by about 1-1.5%, backing off the numbers you have reported for HMVL from the overall number.

Vinay Mittal: English circulation naturally will grow slower than the Hindi one because Hindi is where the more copies are getting added.

Srinivas Seshadri: The English circulation revenue growth itself appears to be around 1.5%.

Vinay Mittal: Yes, for the Mumbai, that is where most of the growth in English circulation is coming.

Srinivas Seshadri: Can we say Delhi is flat?

Vinay Mittal: Delhi would be flat because that is a mature market for us.

Srinivas Seshadri: Overall year-on-year, the number of copies in English would be more or less flat?

Vinay Mittal: That will be more or less flat; except for Mumbai where we will start adding copies this year.

Srinivas Seshadri: One of the hypothesis was that we should get some kind of realization improvement from Mumbai and Mint. It should come in the numbers but one is not seeing a very strong realization improvement.

Vinay Mittal: The realization has improved from a (-25) paisa and it is flat now.

Srinivas Seshadri: It is flat now on a y-o-y basis. Because the overall number seems to have moved just a little bit...

Vinay Mittal: No, Mumbai improved.

Moderator: Thank you. The next question is from the line of Chitranga Kapoor from Reliance Securities. Please go ahead.

Chitranga Kapoor: The circulation revenue, unlike advertisement revenue, does not have cyclical in terms of the quarterly numbers that is projected because usually you have a subscription basis for a circulation. For a household for instance, one orders Hindustan Times in a month, one will continue to order Hindustan Times going forward also for next 3-5 months. That should not change for one quarter or two quarters, until or unless one is shifting out of the place. So, please help me understand here because you just mentioned that the circulation piece comes off in quarter 4 and picks up again in quarter 1 etc. How does that work?

Vinay Mittal: There are certain things such as student copies in school, which fall in the 4th quarter and then again pick up during the second quarter and the third quarter.

Chitranga Kapoor: How much percentage is the student copies of your total circulation?

Vinay Mittal: I will have to dig that out, I will come back to you on that. Also, the second piece of it is that sometimes competitors take down their prices in geographies, in the Hindi space etc. One may have a bit of a pressure there and it will bring down the prices for a quarter or two before they are taken back up.

Chitranga Kapoor: Have we done that for Hindustan this time?

Vinay Mittal: It always keeps on happening in some geography or the other. We have 150 editions, sub-editions there.

Chitranga Kapoor: But Hindustan has grown quite strong as per my calculation. Circulation is about 12% growth.

Vinay Mittal: True, I am explaining that how circulation revenue can go down also in spite of the fact that you may be circulating the same number of copies. But in terms of Hindustan, the increase in number of copies and addition of 2 lakh copies took care of any price action that may have taken place in certain geographies.

Chitranga Kapoor: The quarter three, which was the sequential quarter, we saw incremental revenue coming from the DNA moving out of Mumbai and that really helped us improve. How did our Mumbai market grow because this Mumbai circulation increase should not be in the base quarter, that is of 4Q FY14. This is because that DNA movement away from Mumbai has happened in 3Q FY15.

Vinay Mittal: When DNA moves out, it is not that we increase copies and move in to take the DNA readers immediately. We did not increase circulation, let us say last year, we kept it constant. Only now, in this year that we are increasing circulation.

Chitranga Kapoor: Have you seen very positive trend in the first quarter which is still going on for FY16.

Vinay Mittal: In terms of what?

Chitranga Kapoor: In terms of your pick up in circulation copy. You just said that this year you are increasing your circulation copies.

Vinay Mittal: It is not that we are increasing them by 100,000 copies or 200,000 copies. We are increasing slowly.

Chitranga Kapoor: How is the Mumbai market coming along for you?

Vinay Mittal: Mumbai market is going well; it is growing at 13% to 15%

Chitranga Kapoor: This quarter or the full year?

Vinay Mittal: For the Mumbai market, it has grown at 15% q-o-q.

Moderator: Thank you. The next question is from the line of Jimit Jhaveri from Jainam Share Consultants. Please go ahead.

Jimit Jhaveri: Could you elaborate on the long-term borrowings which increased by around 44% y-o-y which is Rs. 676 million in FY15.

Vinay Mittal: This is on account of the FCNR borrowing that we have taken for capex. As a totality, in long term debt, which is noncurrent holding, it has not increased by 44%. It is the FCNR component which has increased.

Jimit Jhaveri: Could you elaborate on the growth guidelines for Education business.

Vinay Mittal: Education business will grow strongly, it should grow at about 25%- 30%.

Jimit Jhaveri: What is the number of Studymate classes?

Vinay Mittal: There are 23 centers currently and we measure them in terms of student subjects. We hope to keep growing them by 10-15 centers every year.

Jimit Jhaveri: How much percentage in Education business is contributing to the total revenue?

Vinay Mittal: It is very insignificant at this point of time.

Jimit Jhaveri: What is the target for this Education Business component?

Vinay Mittal: Our target for the Education business is that, over the next 5 years, it should be at least 10% of revenue.

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

Vinay Mittal: Thank you again Ladies and Gentlemen for taking out the time. I would like to reiterate what I said in my last para in the introductory remark; if the economy tailwinds

do come through, the IRS numbers being in place and if the benign raw material regime continues, we hope that the top line growth and the margin expansion should follow suit. Thank you.

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

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