"HT Media Limited Q4 FY2016 Earnings Conference Call"

May 27, 2016

ANALYST: **MR. BIJAL SHAH – IIFL CAPITAL LIMITED**

MANAGEMENT: **MR. RAJIV VERMA – CHIEF EXECUTIVE OFFICER – HT MEDIA**
MR. PIYUSH GUPTA – CHIEF FINANCIAL OFFICER – HT MEDIA
MR. VINAY MITTAL - CHIEF FINANCIAL STRATEGIST – HT MEDIA

Moderator: Ladies and gentlemen, good day and welcome to the HT Media Limited Q4 FY 2016 Earnings Conference Call hosted by IIFL Capital Limited. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bijal Shah from IIFL Capital Limited. Thank you and over to you Sir!

Bijal Shah: Good Morning and welcome to HT Media 4Q FY 2016 Earnings Conference Call. To discuss the result and outlook we have senior management of the company represented by Mr. Rajiv Verma, CEO and Mr. Vinay Mittal, Chief Financial Strategist and Mr. Piyush Gupta, the CFO. I hand over the call to Mr. Vinay Mittal for opening remarks and which will be followed by questions and answer session. Over to you Vinay!

Vinay Mittal: Thank you Bijal. Good Morning ladies and gentlemen. Thanks for taking out time for HT Media's Q4 and full year analyst call. We had a reasonably strong quarter and full year of advertising growth in spite of a drought like situation in some parts of India. Raw materials prices continued to be benign and combined with operational efficiency led to good operational profitability for the quarter as well as for financial year 2016.

The highlights for the quarter and the year were as follows - our Hindi business advertisement for the year grew at 14.7% and for Q4 at 14.9%, Delhi advertising for the year grew at 3.2% and for Q4 at 3.3%, Mumbai grew at about 11.5% and for Q4 at 9%, Radio grew at 13% for the year and for Q4 at 18% excl. Chennai, Digital had a good year and grew at 35% and at 31% for Q4. The circulation revenue grew at above 5.6% for the whole year and for Q4 at 6.4%.

On the expenditure side raw material consumption for the year decreased by 3% but was up for Q4 by 1%. Raw material prices continued to be benign although there is some uptick lately. Prices have increased by approximately 5%. Employees cost for the year increased by 15% for the year and for Q4 by 7%. Ad and sales promotions for the year increased by 11% and for Q4 by negative 4%.

Other expenses for the year grew by 16% and for Q4 by 12%. Other expenses grew because of the extra license fees for radio, one time legal cost of about 15 Crores. There was increase in rentals and in Q1, we had a television commercial for Shine for about 14 Crores.

EBITDA for the year grew by 6% to 4622 million and for Q4 by 26% to Rs.1232 million. Operating EBITDA for the year grew by 18% and for Q4 by 70%. Profit after tax decreased for the year by 2% but was up for Q4 by 1% at 497 million. The profit after tax fell because of higher interest outgo and higher tax outgo.

Lately, economic commentators have been talking about green shoots, With the monsoon expected to be good , we do expect the economy to pick-up in the second half of financial year in 2017. Operationally, we are well positioned to take advantage of the pickup in the economy when it comes.

Thank you, I will now like to open it for Q&A.

Moderator: Thank you. We will now begin the question and answer session. The First question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Sir, my question is on radio. The growth has accelerated from 13% to 18% in Q4, so ex of Chennai how was the growth?

Vinay Mittal: Ex of Chennai, the growth has been 18% in Q4. If we include Chennai in this year of Q4, the growth is 22%.

Abneesh Roy: Sir, if I see Delhi and Bombay the growth has decelerated versus the full year so what is the reason and how much are the online players in terms of advertisement ? **Vinay Mittal:** No, we are not seeing any big erosion in advertising growth because of digital. Our digital revenue have grown pretty strongly at about 35% to 40%, but in Q4, lower advertising growth in Delhi and Mumbai is not because of advertisers moving to digital although, yes, it has been weaker than the full year, but we do expect it to pickup in the second half of 2017.

Abneesh Roy: Sir, what is reason for the slower growth? Is there any particular reason? It is not a very different number, but still it is slower?

Vinay Mittal: I suppose at this point of time people are trying to save up on margins with an expectancy of good monsoon. As soon as they see that a good monsoon is becoming more of a certainty, the advertising will increase.

Abneesh Roy: My question was on the online retailers like Amazon, Flipkarts of the world. How big they are in percentage of revenue terms in the full year and in Q4 and are you worried from that aspect?

Vinay Mittal: No, online retailers have slowed down their advertising a little bit, but I do expect them to continue advertising as compared to last year or even if you take Q4, advertising has not come down. The growth of online retail may have come down, but in absolute number we are still seeing them advertising quite nicely in print.

Abneesh Roy: As a percentage it will be high single digit of the total advertisement?

Vinay Mittal: **Of total** advertisement, it is mid-single digits

Abneesh Roy: You are not worried that will fall because they are under huge cash crunch?

Vinay Mittal: It is down, that is true, the growth rates are down, but it is still higher on YOY growth.

Abneesh Roy: Sir, last question, raw material you said is on the up in the past few weeks by 5%, what is driving that because this is a fairly sharp increase when other raw materials are not that much inflationary, what is driving this?

Vinay Mittal: Partly it is because of the increasing crude prices and partly due to consolidation of paper mills abroad.

Abneesh Roy: Sir, you expect this to continue or you expect it to stabilize at this level?

Vinay Mittal: It may be elevated compared to last year, but we do not expect it to run away. So, we do expect that the increase should be in the region of 5% to 8%.

Abneesh Roy: Versus the FY2016?

Vinay Mittal: Full year.

Abneesh Roy: That is all from my side. Thank you.

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

Vikash Mantri: Sir, on your employee cost side, there is sharp decline sequentially and your other expenditure has increased for the quarter, so can you help us with drivers for both of them?

Vinay Mittal: Yes, the employee cost has increased 15% for the full year.

Vikash Mantri: So for this quarter it was much lower?

Vinay Mittal: I know there was some reversal of provisions in the quarter. If normalized, we will have increase of 15% for the full year.

Vikash Mantri: Other expenditure is largely because of radio or other things?

Vinay Mittal: Yes, partly radio, we had one time legal expenses and also because of the large expense of the television commercial in the first quarter.

Vikash Mantri: Okay, what was cumulative ad growth in English for the quarter?

Vinay Mittal: Cumulative ad growth in English for the quarter was close to 3%.

Vikash Mantri: With respect to Koovs, Sir I wanted to understand what is the rational. Is it a barter deal that we are doing and can you help us whether this is first of many or how are we looking at this?

Piyush Gupta: This is a classical barter deal, AFE deal that we are doing. You know I really cannot comment whether this is a first of many, but it is a very interesting opportunity to invest in a listed company in digital e-commerce space at market valuations which are much better than what we see in the private equity space in India. We have been working on this deal for sometime and I think given that they have very handsome aggressive growth plans in this country and in the past they have done such properties in international markets on a listed basis, we thought it to be a good idea. Of course, we are in discussions with a lot of other prospective companies, we could look at those things on merit but no generic comments saying that this is a first of many. This is a very good opportunity at valuation which was very attractive in the public markets and not in the private markets.

Vikash Mantri: Okay, this entire money is for barter?

Piyush Gupta: Yes, it is.

Vikash Mantri: Okay and spread out over how many years?

Piyush Gupta: Spread out over the next three years.

Vikash Mantri: Sir, if I were to look at the financials of Koovs, those do not look good. They have lost 76 Crores on operations in just the first six months and I think they will run out of cash within the next six months or so?

Piyush Gupta: No, I think you have looked at the dated financials because if we just pick up public announcement about a month ago, they have raised 20 million Sterling cash and if you look at the announcement that is as recent as yesterday, they are also contemplating another 10 million Sterling cash in the UK market. So our 3 million goes along with 30 million of cash that they have already tied up, 20 which has already come into the company and the next 8 to 10 which they are currently prospecting, so I think the reason that they have burnt cash is as per the strategic plan. If you analyze their financials, they have historical cash flows of 35 million that they are raised earlier. 70% of it is towards brand building and market related expenses which is part of this strategy. Incidentally we are getting entry at a price which is at discount to the current trading price, so of course they are going as per plan, but they have got very aggressive plans over two to three years, which is story that we bought into.

Vikash Mantri: Thank you.

Moderator: Thank you. The next question is from the line of Anil Kini from Envision Capital. Please go ahead.

Anil Kini: Thank you. Sir, we have not been seeing any kind of operational leverage coming into the company in the standalone as well for last three years. The PBT which was 192 Crores on standalone has come down to 106 Crores, so where do we see this settling down what is growth prospects going forward on a standalone print media, English print media?

Vinay Mittal: See Anil, the standalone piece of it has English and radio advertising, radio has done well. Unfortunately it is the English piece which has grown at a lukewarm rate of about 3% , if the economy does pickup and the monsoon is good, we do expect urban consumption to come through strongly, and therefore the English advertising will pickup and you will see operating leverage coming through. If you see the consolidated financials where Hindi has done well and you consolidate that, you will see a bit of operating leverage coming through because of the benign raw material prices.

Anil Kini: Other expenditure as a percentage of sales is growing up year-on-year, are we not able to contain cost in that side?

Vinay Mittal: I do expect that in the coming years, other expenditure will normalize. We did have some one-offs like the legal expenses, which should not come in next year. And if in second half of the financial year 2017, economy picks up topline will pickup and you will see some operational leverage coming through.

Anil Kini: What are your thoughts on digital now that during FY2016 you have brought down the losses to certain levels? Where do you see this going forward in 2017-2018?

Vinay Mittal: On the digital front, we expect to bring down our losses by at least 50% in 2017. We have made some investment on the content side of digital. We are reducing our losses on Shine where losses compared YoY for the quarter Q4 have come down substantially from levels of 14 Crores to 7 Crores and for the full year we do expect for them to come down from 49 Crores in financial year 2016 to less than 25 Crores for financial year 2017.

Anil Kini: You are talking on the EBITDA level.

Vinay Mittal: Yes, I do expect from what you have seen at segmental level at 64 crores EBIT loss to half them in 2017.

Anil Kini: Do you see this piece getting profitable in 2018?

Vinay Mittal: If not profitable certainly breakeven.

Anil Kini: It should breakeven.

Vinay Mittal: Yes.

Anil Kini: On the radio piece now that the two new stations have been launched in Delhi and Mumbai, can you share the economics post the launch and also when the other radio stations will get launched?

Vinay Mittal: Delhi got launched in March and Mumbai got launched in April. The other stations should get launched over the next three to four months. So we are working with the government to launch them with our temporary antenna, etc., so within next six months you will see all stations becoming operational. Of course, the big ones are Delhi and Mumbai and the uptake of the stations has been really good, the feedback of the listeners have been excellent on the retro music. We are seeing good traction in terms of advertising but I think I will be able to comment on it more in a quarter or two once the traction comes through and I will be able to give you better guidance.

Anil Kini: Are you actually using the Fever sales team to sell this piece as well or we have a separate team with it.

Vinay Mittal: No we are using the sales team of Fever itself, because the idea and reason for the bidding for the license was the savings on the cost base in Delhi and Mumbai especially.

Anil Kini: Just to get an understanding, what would be the ad rate that you would be offering on the new channel versus on Fever that you are offering, just a ballpark figure 100 versus what.

Vinay Mittal: Basically, we want to settle at somewhere between 50% to 60% of what we are selling at Fever but I would not like to comment at the movement on what I am selling in the market, how I am going to ramp it up, etc. that is all part of the strategy.

Anil Kini: Thanks so much, I will get back in the queue.

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

Rohit Dokania: Could you share some light on this one time legal expense?

Vinay Mittal: This was a part of our settlement that had to be done on some historical legal case that was coming along and it has been done. So that is what has taken up our other expenditure base.

Rohit Dokania: So was this entirely in this Q4.

Vinay Mittal: Yes.

Rohit Dokania: Could you just tell us how the entire radio EBITDA on an absolute number would look like in FY17 given the fact that we are launching all these new stations, would there be a significant decline as far as the absolute FY16 EBITDA is concerned for the radio piece.

Vinay Mittal: Well, there could be a slight decline but I would not like to comment on what the number would be at this point of time, because I would like to wait for a quarter or two to see the uptake on the advertising in the new channel as that will go a long way to determine what kind of EBITDA I will be able to turnout for the radio piece. So, Rohit, give me a quarter or two to be able to comment on that.

Rohit Dokania: Sure sir, and there was some reports of Mint being re-launched as a broadsheet. Is that true and if yes would that impact FY17.

Vinay Mittal: We are still figuring it out. As soon as that announcement happens, you will get to know. Other than that I would not like to comment on it at this point of time.

Rohit Dokania: You were talking about the operating leverage playing out but here when there was actually newsprint price deflation. The operating leverage is not quite visible at least on the English piece. So, in FY17, when you actually expect newsprint prices go up by 5% to 8%, do you think that we can expect some part of operating leverage to play out in this year or that would be a FY18 story.

Vinay Mittal: Well it will depend on when the economy picks up. If it is in the second half, then yes it will be 2018 only because I would not be able to get good numbers for the whole year in financial year 2017 but if we take part of the year when the revenue does pickup, I do expect the operational leverage to come in.

Rohit Dokania: Two more questions from my side if I may, one would be about the other income, how should one model that for the next year or two.

Vinay Mittal: Well, on the other income, I do expect that for the year you should be looking in the region of 180 to 200 Crores at the consolidated level in FY17.

Rohit Dokania: Also the tax rate, could you touch upon that as well.

Vinay Mittal: The consolidated tax rate should be in the region of about 26% to 28%.

Rohit Dokania: Thanks a lot and wish you all the best.

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

Ashish Upganlawar: Sir just wanted to understand addition of fixed assets and increase in borrowings and loans and advances. Is it entirely to do with the new radio stuff or is there anything else which is material in that.

Vinay Mittal: That is right. Basically radio licenses in fixed assets as well as in the capital advances.

Ashish Upganlawar: So despite the fact that probably we had a lot of cash in books, the borrowings have gone up substantially.

Vinay Mittal: Yes, because we financed the whole radio piece – the renewal plus the new licenses with borrowing, because there was an arbitrage available. We put the cash in long-term mutual funds with more than three years maturity and borrowings can be done at a much cheaper rate.

Ashish Upganlawar: What would be the cost of this borrowing?

Vinay Mittal: It is about 7.5%.

Ashish Upganlawar: This is overseas financing, right.

Vinay Mittal: Partly overseas, partly domestic.

Ashish Upganlawar: Sir on the business front if you could explain the advertising scenario across the sectors. Would you like to give us a sense of how things are moving especially real-estate and the bigger ones that you have.

Vinay Mittal: With respect to verticals that we have done well in advertising, Banking and finance did well, DAVP, which is government advertising and FMCG, these are the three verticals which have grown vis-à-vis last year and Q4 of last year. Ones which have come down are education and real estate.

Ashish Upganlawar: How does advertising revenue pie stand broadly in FY16.

Vinay Mittal: Government advertising leads the pie at about 15% including tenders at 23%, FMCG is 11%, automobiles is 9%, education is 8%, these are your big sectors.

Ashish Upganlawar: So this is on a consolidated basis - including Hindi, English both.

Vinay Mittal: That is right.

Ashish Upganlawar: So English would be skewed more towards real estate and local basically for you.

Vinay Mittal: To some extent you will have a bigger government pie in the Hindi piece.

Ashish Upganlawar: Thank you.

Moderator: Thank you. The next question is from the line of Falgun Shah from Argonaut Private Equity. Please go ahead.

Falgun Shah: Hi my question has been answered thanks.

Moderator: Thank you. The next question is from the line of Bhautik Chauhan from Span Capital. Please go ahead.

Bhautik Chauhan: Sir what would be our market share in terms of volumes in UP and margins in the same region.

Vinay Mittal: Well in UP we would be at close to 15% EBITDA margins.

Bhautik Chauhan: And market share in terms of volume.

Vinay Mittal: Volume market share in UP would be about 25%- 27%.

Bhautik Chauhan: So when do we see growth picking up from this market? Do we expect 25% to 30% margin in FY17.

Vinay Mittal: No I think 25%- 30% is a matured market margin, which you should probably see over the next two years.

Bhautik Chauhan: Sir what would be ad for equity?

Vinay Mittal: We would be at 370 Crores.

Bhautik Chauhan: Sir we have a healthy cash position of 890 Crores in our books. Can you tell us our capital allocation plan for next 2-3 years?

Vinay Mittal: 890 Crores that you are seeing is the cash spread over two listed entities. Hindi has got 600 Crores which we already spoke about in our Hindi call. There we are basically looking for inorganic expansion and in HTML we have a cash position of about 200 Crores. So HTML has deployed cash majorly into the radio business, so the cash deployment has taken place there. So, in HTML I do not think there is as much liquidity. We continue to nurse the radio business and take the new stations to same profitability as the earlier historical stations running at about 35% EBITDA margin.

Bhautik Chauhan: Sir how do we look to amortize the capital invested in radio licenses.

Vinay Mittal: Well it is a 15-year license so we have to do it as a straight-line amortization.

Bhautik Chauhan: And when do we see breakeven coming.

Vinay Mittal: I would be able to better answer that in Q2 or Q3 although we are looking at a breakeven in next two to three years.

Bhautik Chauhan: Sir my last question pertains to the Capex. What would be our Capex for FY17.

Vinay Mittal: We will be in the region of 70 to 80 Crores.

Bhautik Chauhan: That is all from my side, thank you.

Moderator: Thank you. The next question is from the line of Rishabh Bothra from JHP Securities. Please go ahead.

Rishabh Bothra: Could you elaborate on the price hikes and volumes, both in subscription and advertising space. When do we take price hike and to what extent?

Vinay Mittal: In advertising, 80% of the growth was volume driven for the year and in subscription, we keep taking price hikes in the Hindi piece and somewhere there are competitive price drops as well but I think on the English piece, we have not taken a price hike in FY15-16.

Rishabh Bothra: So what was volume growth in that particular space on advertising ?

Vinay Mittal: Volume was the main contributor to the growth in advertising. In Q4 total growth in advertising (consolidated) was 8.4%, 80% of that was volume driven.

Rishabh Bothra: And subscription you mentioned that Hindi you have taken some price hike but in English due to competitive pricing there was no price hikes.

Vinay Mittal: Yes.

Rishabh Bothra: Employee cost for the year had increased 15%, was it to an extent because of bonus on account of new bonus act.

Vinay Mittal: No it is a combination of new hiring, increment, part effect of the new act . The Hindi business did very well so you had an extra bonus there and the expansion in it, so therefore it is a combination of all those elements.

Rishabh Bothra: So do you see similar kind of increase going forward as well as we grow.

Vinay Mittal: No I think it should normalize to levels of anywhere between 11% and 13% next year.

Rishabh Bothra: Sir you mentioned on the investment side that since there was arbitrage you had invested but still our other income has come down significantly.

Vinay Mittal: Yes that is because the mark-to-market returns compared to last year were lower as there were multiple interest rate cuts last year leading to higher mark-to-market returns. That is the reason why you are seeing lesser other income this year.

Rishabh Bothra: Sir though we are into advertising space and are a media company, there could be arbitrage on the funds which we receive and the investment which we make but going forward this could reverse and we can have a lower return on investment made and a higher interest expense. Do you not think that we should look at this particular aspect of arbitrage as well and reduce our current investment and repay debt?

Vinay Mittal: What happens is that we lock our investment in mutual funds and you basically take shorter position loans which you can pay down anytime by redeeming the mutual funds. So, you do not have exposure on that side.

Rishabh Bothra: So mutual funds are mostly debt oriented or equity oriented.

Vinay Mittal: Debt totally.

Moderator: Thank you. The next question is from the line of Rakesh Kumar an Individual Investor. Please go ahead.

Rakesh Kumar: I just wanted to learn about growth in HT mobile solutions. What kind of investments you made in the last three years and how is the mobile news market in your sense.

Vinay Mittal: HT mobile is not in news business. In terms of news, the sites are HT.com, livemint.com and livehindustan.com. HT mobile has 3-4 business lines. The major business line is that we look after all the social, digital, internet activity of companies; so much of the business is like agency business in HT mobile.

Rakesh Kumar: So you are capitalizing on the relationship you have with the agencies.

Vinay Mittal: No we capitalize on the relationships that we have with the advertisers. When we go to the advertisers we want to give them a 360-degree solution. So we want that not only should we give them a print platform but we should also be able to give them advertising ideas on the digital platform and on the social media platform.

Rakesh Kumar: And what kind of revenues do we do on HTMSL?

Vinay Mittal: We have revenue of 55 Crores for the full year, 50% Y-on-Y growth and EBITDA in HTMSL was about 10%.

Rakesh Kumar: And when did you launch this

Vinay Mittal: It is about four years now.

Rakesh Kumar: How were the numbers on shine.com and HT campus?

Vinay Mittal: On Shine, we ended the year at about 42 Crores up 30%. On HT campus, we ended the year at 15 Crores of revenue.

Rakesh Kumar: And in the education sector how are the numbers?

Vinay Mittal: Study mate is growing very strongly. It grew by 90% to end the year at 20 Crores of revenue.

Rakesh Kumar: And in your view how the industry is changing? When you come out with new ideas and how does the overall industry react? Is it changing in the print and electronic media in your sense?

Vinay Mittal: The television, advertising has been pretty strong because it is dominated by a lot of FMCG companies whereas in print the FMCG companies form only 10% to 11% of my advertising pie. The two main sectors that we had were education and real estate and they have been laggards partly because of the economy; that has impacted real-estate in a major way. Education in last three-four years has been going under a lot of restructuring with a lot of colleges closing down because of lack of quality. I think now it is just stabilizing and should pick up again so that has affected the growth in print to some extent.

Rakesh Kumar: So education sector is big for you guys.

Vinay Mittal: Yes, education used to be close to 14% which is now 8% of my revenue but having said that, new sectors have come up. Dot.com companies are advertising in a big way, the e-commerce companies are advertising in a big way, entertainment sector has come up also as a vertical. Retail has come up as a vertical in a big way. So, yes, some of these new sectors have emerged.

Rakesh Kumar: Thanks a lot Sir.

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

Giriraj Daga: Yes Sir I assume in the middle of the call you gave guidance about the digital losses to come down can you just repeat that like what is the EBTIDA loss we are expecting and EBIT you said it will become half?

Vinay Mittal: Yes it should be close to that .We are running at an EBITDA loss of about 50-odd Crores in our digital businesses that should reduce down to about half.

Giriraj Daga: The growth target for the next year, any guidance of our numbers.

Vinay Mittal: Our digital business should do good.

Giriraj Daga: At the print business and overall level as well?

Vinay Mittal: At this point of time everybody is expecting that the monsoon will be nice. Because of the monsoon, when that effect trickles into the economy, I am not sure when, but our expectancy is that the second half of 2017 should be good. So I am hoping that the Diwali will be great, but Giriraj let's wait and see.

Giriraj Daga: Thanks.

Moderator: Thank you. The next question is from the line of Hiren Ghilani from Envision Capital. Please go ahead.

Hiren Ghilani: My question is on the radio side of the business, if you could elaborate more on aspiration of the company over the next three to four years where do we see ourself in terms of the market share and how do you see the industry growing and what sort of ROE which we are targeting since we are allocating so much capital on the radio side of the business also if you could also explain ad mix in terms of the national players and the local players and which are the industry segments which we are targeting on the radio business in terms of the advertisement going forward.

Rajiv Verma: Vinay, this is Rajeev, let me take it. In radio space we had entered around eight, nine year ago, as you would remember in our collaboration with Virgin, who are one of the most successful radio stations in the world. That was a partnership which was eventually supposed to be converted into an equity partnership of 50-50, should the regulations change. Since the regulation did not change, then they decided to exit that relationship but during that relationship while it lasted, we were able to learn this business from world's best people and develop this into a very strong core competency for our company. We had a strategy of entering radio business ten years ago, which was very different from our peer group of companies. We cherry picked the radio stations in main metro cities of Delhi, Mumbai, Bangalore and Calcutta and that strategy paid handsome dividends and by the time the life of those licenses ended, we had notched up revenues of about 100 Crores with the EBITDA of about 40 Corers whereby ratifying our strategy that our entry was correctly strategized and also the fact that we had build a very strong brand in the form of Fever 104. Now the downside of the strategy was that we ran out of inventory in these cities in which we were operating. Luckily government opened fresh round of bidding and made licenses available and we decided to enter the market a second time following similar strategy and this time around we decided to get second licenses in Mumbai and Delhi. In addition to that, we got lucky in picking up an old radio station from the old round of bidding in Chennai as well as Hyderabad was fresh license. So, now we know this business very well and we know how to create a strong brand in this space and that is the strategy being played out. In addition to that we have a very strong presence of our Hindi newspaper in UP and therefore we decided to take a complete pan UP footprint also in order to take advantage of cross media synergy that might exist. So, all this put together we believe we have a robust strategy in radio and do remember that for the next 15 years we will be one of the few companies which will have two stations in key metro cities as well as the complete metro play. We believe it is a unique strategy that defines our company and our ability to be able to create great content in that space is going to make it one of the most successful businesses in the portfolio of business that HT Media have.

Hiren Ghilani: Could you please give some more color on the numbers as to how do we see the industry growing and what sort of market shares we are targeting for example the leader in the industry in the recent calls said their market share is 33% and they expect market to grow at 30% but they would want to grow much higher, what it is in terms of our growth strategy, what sort of numbers you are aspiring.

Rajiv Verma: Radio is likely to grow faster than print and other mediums perhaps behind digital but unlike digital their business models are hard to create and successful brands are difficult to achieve in radio. It is another story there are not too many players and among the players if you can become number one, number two you stand to make a lot of money, it could be a very profitable business and as you know in most cities in which we have an offering, we are number one, number two. Delhi, which is the largest market, we are number one; Mumbai we are in our target segment number one and overall number two-number three; in Calcutta we are almost number one, number two; in Bengaluru we are number one in the segment in which we play. So, I think we have to understand that radio could be a very profitable business with very high margins structure if you can rise to the top and we have proven the fact that with Fever, we can rise to the top; something that we hope to replicate in our markets that we are entering now as well as we got second brands in the markets in which we are present giving us the cost synergy benefits.

Hiren Ghilani: And the last question on the mix in terms of the advertisement revenue - local player versus the national player at this point in time for radio business.

Rajiv Verma: We are hyper local radio station. Our mix of local to national typically toggles between 80% to 20%, 80% for local and 20% for national, sometimes even less, unlike other players which have got a national footprint and who tend to rely a lot more on national advertising but we believe FM radio stations are local medium and that's where our strength lies.

Hiren Ghilani: And do you think that eventually over a period of next three to five years there could be some sort of a shift from print to radio and it could actually impact our print growth? We are trying to manage growth though radio because eventually the slowdown could happen in the print in terms of allocation by our clients.

Rajiv Verma: Now it may not only be from print, it could also be from television. More advertising is likely to move from television because both of them happen to be background medium. Print is slightly different in terms of the way it works as advertisement.

Hiren Ghilani: And the last question, which were the pressure points for us in Q4 in terms of the sectors now on the advertising both for the radio and the print?

Rajiv Verma: Well radio did not experience a lot of pressure but the sectors which are now beginning to see a decline are basically e-commerce which saw a lot of hyper growth last year; also real-estate continues to hurt and banking financial sector as well as the IPOs, these are sectors which have still not recovered fully. Therefore financial sector, real-estate as well as now going forward e-commerce, these are sectors that are little bit under pressure.

Moderator: Thank you. We have a follow up question from the line of Rishabh Bothra from JHP Securities. Please go ahead.

Rishabh Bothra: Sir I wanted to ask what are the major businesses in the unallocated segment which can turn as reportable segment in the next two, three years and will we see our un-allocable segment losses come down going forward, because substantial amount of capital has been allocated in that space.

Vinay Mittal: Yes 21 Crores revenue, so that is basically education.

Rishabh Bothra: Just the education part.

Rajiv Verma: Yes.

Rishabh Bothra: So the losses in that are significant and the unallocated capital employed is also quite significant compared to the overall capital allocation.

Piyush Gupta: Rishabh, if you look at the accounting standard the segment revenue is primarily education as Vinay has already articulated for the full year it is about 21Crores which we are looking at compared to a 13.60 crore last year. However, unallocated cash you are looking at apart from the three segments which we have clearly carved out which is printing, publishing, radio and digital, is all other capital clubbed together which is not necessarily only education but whatever is not directly related to these segments goes into unallocated segment as per the accounting standard. So you cannot have a direct correlation with the capital employed to either our EBIT or segment revenue.

Rishabh Bothra: I understood that because the 10% threshold requirement is there for segmental reporting.

Piyush Gupta: Correct.

Rishabh Bothra: But in that capital allocation what could turn to be revenue or profit accretive I want to understand that aspect in the capital allocation?

Piyush Gupta: In the capital employed?

Rishabh Bothra: What portion is education out of the remaining portion?

Piyush Gupta: I can tell you on education we have got two branches - supplementary education called HT Studymate and HT Englishmate and we have got a higher education which is called Bridge School of Management. Our capital employed in both these things is 46 plus 62 it is about 108 Crores all told to date. You obviously have to understand that the higher education segment is a joint venture between us and our offshore partner so half the capital is coming from the offshore partner.

Rishabh Bothra: Right, still we have about 1500 Crores in unallocated as capital employed?

Piyush Gupta: That is the point I am making so there is cash, there are various things there. It is not just education, education is only 100 Crores out of this full number that you are looking at but anything which is not directly allocable to printing, publishing, radio and digital is all put into unallocated sector for the accounting standard.

Rishabh Bothra: Sir by when can we have the return ratios that we peaked on ROE, ROCE in FY13. By when can we see that kind of numbers consolidated?

Vinay Mittal: ROCE for financial year 2016 is about 11.5% and the ROE is about 8.5%.

Rishabh Bothra: So the peak, which we touched in about two, three years back by when do we see that kind of numbers again?

Piyush Gupta: I think if we have to go to the peak, you have to understand the different charges that are coming in this year. At the consolidated group position, we have grown by about 8% on the top-line, however on the bottom-line there are three or four things like the one Vinay had already earlier articulated as legal charges this year.

Rishabh Bothra: Those were one-off.

Piyush Gupta: Exactly so I am just explaining to you the bit that is dilutive on PAT. Therefore the return ratio to that extent is getting distorted. Second is the new radio licenses the financing and the pre-operative expenses of 30 Crores which are sitting in there in the PAT which is dilutive as well and then of course if you look at the standalone accounts this restructuring on HT campus that we have done whereby we are bringing it from a separate legal entity into print business is creating an exceptional charge of 41 Crores which of course on a consolidated basis is getting negated but is diluting the standalone PAT. So, next year all these charges will not be there of course of the radio charges will be there, that is the ongoing financing but the radios revenue will begin as Vinay was rightly articulating in

March and April we only operationalized the first two licenses. There are another eight licenses that we have to operationalize.

Vinay Mittal: Rishab, basically Piyush has articulated on the expense we have seen some of the exceptional items which are in P&L this year, but what is going to happen is to attain the kind of ROCE and ROE what you spoke about two years ago I think the top-line growth has to come through, that top-line growth can only come through when the economy moves into the higher gear, so again I would like to reiterate let us wait for the good monsoon and in the second half of the year and if it is good, I do believe and the market does believe it will be led by urban consumption then, if that happens you will see an uptick on the English advertising front leading to both these key ratios of ROC and ROE going up dramatically.

Rishabh Bothra: Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Urvil Bhatt from IIFL Capital. Please go ahead.

Urvil Bhatt: What was the ad revenue growth from Mint in 4Q? I believe last quarter it de grew by 10%. So I just wanted an update and also can you provide some comments on the performance of HT Mumbai and Mint in terms of what margins are we making for this publication.

Vinay Mittal: In Mint, in fourth quarter we had a growth of about 15% in revenue.

Urvil Bhatt: And margins.

Vinay Mittal: And in terms of margins we had a negative 15% margin.

Urvil Bhatt: And for margin for HT Mumbai.

Vinay Mittal: HT Mumbai did quite well and we had a good quarter. 4Q the ad revenue growth was close to 8% - 9% and the EBITDA was 7 Crores . On EBITDA growth was 150% .

Urvil Bhatt: And another question on the radio business post the auctions, most of the players in the industry have taken price hike. So can you let us know what kind of price hikes have we taken in FY16 and also if you can update on your inventory utilization rate for the older stations that are present and are you contemplating for the price hikes in FY17.

Vinay Mittal: Urvil, the price hikes were 10% to 15% in radio and depending on the markets and how the economy fairs I am sure they will take the call and it will be market determined price hikes as we go forward.

Urvil Bhatt: And what was the utilization? Are we almost full at almost all the major stations?

Vinay Mittal: The historical stations were already more than full, that is why we bid for the Delhi and Mumbai license. The inventory out there is slowly getting build up now but the stations have just started, Delhi is two months, Mumbai is just a month old.

Urvil Bhatt: Thanks.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for closing comments. Please go ahead.

Vinay Mittal: Thank you for taking out time for our Q4 and full year call. I would like to end the call by reiterating the opening comments. More and more competitive commentators have started speaking about green shoots in the economy. The fourth quarter results have been healthy in a lot of industries and company specific and the monsoon is expected to be good. I think the economy should pick up in the second half of 2017. If that does happen I think all our companies are well positioned to take advantage of that and we should see some operational leverage coming through. Thank you.

Moderator: Thank you. On behalf of IIFL Capital that concludes this conference call. Thank you for joining us. You may now disconnect your lines.