

## **Hindustan Media Ventures Ltd.**

### **“Hindustan Media Ventures Limited Q1 FY 2018 Results Conference Call”**

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**Hindustan Media Ventures Ltd.**



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**Moderator:** Ladies and Gentlemen, Good Morning and Welcome to the Q1 FY 2018 Results Call of Hindustan Media Ventures Limited hosted by Emkay Global Financial Services. We have with us today, Mr. Vivek Khanna -- CEO; Mr. Ratul Bhaduri -- CFO; and Mr. Piyush Gupta -- Group CFO, HT Media Limited.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone telephone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Ashish Agrawal of Emkay Global Financial Services. Thank you and over to you, sir!

**Ashish Agrawal:** Good morning, everyone. I would like to welcome the management and thank them for giving us this opportunity. I would now hand over the call to Mr. Khanna for his opening remarks. Over to you, sir!

**Vivek Khanna:** Thanks, Ashish and good morning, ladies and gentlemen. So, we encountered pretty uncertain advertising scenario in quarter one. We had a great start to the quarter in April and then uncertainty on account of GST and legislation such as RERA affected advertising spends especially from categories like real estate and FMCG. As of result of which we ended the first quarter with total revenue increasing by 1% to Rs. 262 crores and advertising revenue remaining largely flat. EBITDA also marginally down compared to same period last year.

Many segments grew during the quarter but as I mentioned some very large segments saw decline on account of the uncertain scenario that we are in right now. Including the education segment which saw pretty flattish trajectory on account of delay in some results.

Along with all this, we have also been focusing on growth in yields and that has also impacted growth in the near-term though in the longer-run it should really help us and that is what our strategy is going forward. We had other income growing by 25% on account of increase in interest income from Rs. 18.6 crores to Rs. 22.9 crores.

On the cost front, various initiatives taken by us towards the end of the last financial year helped us. Raw material costs were maintained despite the fact that we increased our print order very-very significantly in quarter one. We also did a tight control on pagination to ensure that the overall raw material costs were maintained at the level as last year. Employee costs were down on account of the cost restructuring initiative that we have taken. We believe that this uncertain environment may last for probably another month or so and then certainly in the second-half we expect significant increase in advertising in the market. . As the advertising revenues improve, our margins will also improve significantly given the yield focus that we have and the tight control on cost.

So, that is really a summary of what has happened in quarter one and we open the floor now to questions and answers. So, over to you for questions and answers.

**Moderator:** Sure, thank you. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. We take the first question from the line of Giriraj Daga from KM Visaria. Please go ahead.

**Giriraj Daga:** Couple of questions. So, what was the volume growth or yield growth in the quarter one?

**Vivek Khanna:** So, we had yield growth of 6% and volume decline of 6%.

**Giriraj Daga:** Okay, understood. Sir, we see circulation revenue declining by about 2.5% year-on-year. So, would you explain the number of lower copies or the prices we have cut down in certain market or how will you describe that.

**Vivek Khanna:** So, in UP for certain actions on the competitive front because of which cover prices came down of all the companies operating in UP we also had to cut down our cover prices. In UP while we have seen a significant increase in the number of copies we have seen a reduction in RPC and that is the only reason why circulation revenue has come down. The other states have pretty much held on or marginally increased the circulation revenue.

**Giriraj Daga:** so overall what was the growth in the number of copies in U.P?

**Vivek Khanna:** Without getting into absolute numbers it was upwards of 15% of UP copies.

**Giriraj Daga:** And overall?

**Vivek Khanna:** Well, I am sure you can calculate, I do not want to give the break-up of our copies state wise.

**Giriraj Daga:** Okay. Sir, in terms of our cost, what we look at is that employee cost obviously in Q1 will have some impact of HTDSL. So, on a like-to-like basis how much employee cost have we seen reduction?

**Vivek Khanna:** So, as you know that we have moved some costs for HTDSL as part of our scheme. So, that is in the region of about Rs. 10 crores.

**Giriraj Daga:** Okay. Rs. 10 crores is the total cost, right?

**Vivek Khanna:** Yes.

**Giriraj Daga:** And employee cost how much would be like-to-like, this Rs. 23 crores as compared to what was that in the quarter one like-to-like?

**Vivek Khanna:** In the region of about Rs. 2 crores to Rs. 3 crores.

- Giriraj Daga:** Okay. Rs. 2 crores to Rs. 3 crores. Okay. And in terms of our cost do you believe this current cost in the raw material more or less sustainable?
- Vivek Khanna:** Well, our efforts to make it sustainable and even improve upon it as we go forward.
- Giriraj Daga:** Okay. Sir, my next question related to the market, like you mentioned that one month possibly as we are entering the July we might see this uncertainty continue. But we expect decent demand again coming back. So, what is our let us say second-half expectation in terms of advertising growth and what will percolate our full year number?
- Vivek Khanna:** So, second-half should see very strong advertising growth as the markets tend to settle down post all the uncertainty coupled with the fact that there was a huge disruption last year in the second-half.
- Giriraj Daga:** Correct.
- Vivek Khanna:** In percentage terms, we see very-very strong double-digits growth coming in the second-half.
- Giriraj Daga:** Okay. And we are not witnessing any other like majority of the sector is continuing by education, real estate, FMCG, consumer durable, more or less is there any pluses and minus you mention about RERA real estate, other than any major pluses or minus in terms of sector allocation?
- Vivek Khanna:** So, as I mentioned sectors like real estate and FMCG saw a decline sectors like BFSI and auto saw a growth. So, it has been a pretty mixed bag in this quarter.
- Moderator:** Thank you. We take the next question from the line of Yogesh Kirve from B&K Securities. Please go ahead.
- Yogesh Kirve:** Sir, staying with the circulation revenues given that there has been very quiet a healthy growth in the number of copies at least in UP so the price action which has happened I mean realization it is sort of temporary or we have to live with this realization?
- Vivek Khanna:** No, it should be temporary, it should start going up but it does not go up to original levels in one shot. So, already some first measures have started as we speak in taking up cover prices but it has to be, there is a competitive scenario that we are facing and like I said some pretty interesting decisions on the competitive front taken by other players and therefore, we have had to in some cases follow what is happening, in some cases we have put our own strategy in place because of which competition has reacted. So, UP is going through an interesting time as far as copy growth is concerned. I think, it will pan out for some time but slowly the prices will start increasing.
- Yogesh Kirve:** So, in Bihar the realization and copies trends are stable, right?
- Vivek Khanna:** Yes.

**Yogesh Kirve:** Nothing different there?

**Vivek Khanna:** No.

**Yogesh Kirve:** Right. And sir, in terms of ad revenues, I understand there was some disruption because of GST towards the end of June, how the things have started in July are there any signs of improvement?

**Vivek Khanna:** So, the first ten odd days of the uncertainty continue, I think our companies were grappling with the changing GST laws and little sub points which kept getting added. So, I think the uncertainty has continued into the first 10 days - 12 days of July which we are seeing some signs but still there is stability it is too early to say because there is some uncertainty still continues. Certain sectors seem to be coming back, certain sectors are taking longer and complying with all the GST changes. So, I think it is still not a scenario where everything has stabilized.

**Yogesh Kirve:** Among all these things how are the government ad expense shaping up, I am not sure if you commented on this.

**Vivek Khanna:** with the education around GST coming in June and July and certainly in the first quarter we did not see any decline in overall government advertising, however it is important to note that last year pre-election advertising from UP government did help us in the first couple of quarters. Obviously, that did not come through but central government was far more active. So, there were some positives and some negatives but overall government advertising was in the positive trajectory.

**Moderator:** Thank you. We take the next question from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

**Vivekanand Subbaraman:** First of all, on the UP market is it so that the competition is promoting the lower priced sub editions that they have in local markets. Is that what is happening or are the cover prices for the flagship brands being cut that is question one. Second is on ad market trends across your key markets, U. P., Uttarakhand, Bihar, Jharkhand, and Delhi. Anything specific to highlight or are they growing at a similar pace? I will stop here and come back for more.

**Vivek Khanna:** So, I will start with the second question., I do not think there was anything significant across the states. So, it was pretty similar other than the UP government revenue which I mentioned. As far as your first question is concerned, there was a combination of two things that are happening in the market in UP. One, there is a second product which is obviously a cheaper product being pushed by all three players including us and second, in certain markets clearly, we had started gaining and, we had competition dropping the cover price of the main book by as much as Rs. 2 in some cases. As a result of this, we had to match those cover prices. So, while in some markets we are seeing a lot of activity around the second book, in some markets we are seeing cover prices dropping of the main book of all three publications.

**Vivekanand Subbaraman:** Right, thanks for this. Just a small follow-up, is the UP market heating primarily because of the imminent IRS survey or is there some other factor and why would this not spill over to the other states if the industry is preparing for IRS?

**Vivek Khanna:** The trigger largely for the activities in UP came from a player who is not present in other markets of ours. Otherwise, it was a pretty stable scenario across markets and I think every player was looking at increasing circulation revenue. Given that there is uncertainty around advertising revenue, it would have been logical to increase circulation revenues and look at healthier margin situation. But I think there are scenarios everyone has their own competitive strategy.

**Vivekanand Subbaraman:** Right. And in terms of moving on to another question that I had, in terms of the thought process that you had highlighted last quarter with respect to the circulation plans, so can you elaborate on that because I guess last quarter you had mentioned that there are a few district launch plans and also opportunities that you see in Bihar and Jharkhand any update on that?

**Vivek Khanna:** Yes, so as I mentioned, we decided to expand into certain districts that we were weak in UP and that is why we added our copies and the result was a drop-in cover prices by competition in many of those districts. So, that is certain aggression on our side led competition to drop their prices. We have also launched our second product in certain markets. We wanted to strengthen certain pockets in UP just to ensure that the kind of leadership that we want in UP continues across the board and it has been part of our strategy for the last six years that we have been following expansion into UP so there was nothing new in that. But I think the reaction that competition or at least one of the competitor started this time was a bit different.

**Vivekanand Subbaraman:** Sure. And can you give us a bit more color on the second product that you have as in what is the positioning there what is the cover price and so on?

**Vivek Khanna:** So, the cover price varies across markets but it obviously come in at a price lower than the main book as it is a product which has lower pagination. It is focusing more on certain areas and not on everything that the main book has. So, I obviously do not want to tell you strategically where the focus is of the product. But the product is well differentiated. We clearly identified two different segments in the market and we decided to go after the second segment where we felt that there could be a leadership increase for us and that is what we have done.

**Moderator:** Thank you. Next question is from the line of Rajiv Berlia from Edelweiss. Please go ahead.

**Abneesh Roy:** Hi, this is Abneesh here. Sir, you have two key states UP and Bihar. And UP Government but then we have seen a lot of new activities for example farm loan waiver is there then abattoir issue. In Bihar, currently the political issue is there. So, is the decision making in Bihar getting impacted by this and so growth and then ad revenues. Similarly, in UP for example, the growth could get impacted because of all this ban on the abattoirs, etc. So, what is your take on this going ahead how much of this impact will come because of these two states?

- Vivek Khanna :** Difficult to say how things pan out politically but I can tell you that economically UP is doing extremely well and we expect it to continue to do better. It is a large state. It is a state where there will be huge increase in demand given some of the new changes by the state government will also see revenue increase on account of taxation, etc. The level of economic activity in UP is picking up and bound to pick up more given the number of people that reside in that state and therefore the level of economic activity potential that is there. Every advertiser is looking at UP in a big way and that was the reason why strategically we had decided to focus on UP because it is one of the largest states of the country. So, I see absolutely no reason why there should be anything to slow down the growth in economic activity in UP at this moment. Yes, if there are certain surprises that the government gives us yet again, I am keeping those things out because we had no idea about those., Nobody had idea about demonetization last year. But notwithstanding all those external factors I think UP will continue to do well.
- Abneesh Roy:** You said, FMCG has slowed down in Q1 so that was because of June destocking, was it because Unilever is cutting cost globally and that is why India is following suit ? Is Patanjali now largely the top has happened, they have been advertising heavily anyway, What is the reason and because of Anti-Profiteering Clause, do you expect some recovery because Anti-Profiteering Clause because they would not like to show margins so ad spend could go up?
- Vivek Khanna:** Yes, it is a combination of many of things that you mentioned while some FMCG companies may have seen a cut in their budgets. But I think largely it was to do with the fact that with the new taxation regime kicking-in and a lot of destocking happening, it did not make sense for many FMCG companies to advertise. The first signs of that advertising picking-up are coming through as companies settle down and move to the new billing cycle that they have and I think comments from Chairman of some of the FMCG companies whose results have been declared last day or two also seem to suggest that. So, I think, yes, it was a temporary cycle which should be over soon.
- Abneesh Roy:** And how much is FMCG as a percentage?
- Vivek Khanna:** FMCG is amongst our top three sectors now in terms of advertising amongst display if you look at it. So, it is large contributor.
- Abneesh Roy:** And from radio expansion into smaller cities long-term are you worried because both are local media, print and radio. Do you expect that to really impact you?
- Vivek Khanna:** So, is your question pertaining to our radio, or you are talking about radio in general as a media?
- Abneesh Roy:** Radio in general impacting your print media revenues?
- Vivek Khanna:** No, I do not think that is going to impact anytime soon.
- Abneesh Roy:** It was a not a question of soon I am saying medium-term -- long-term.

- Vivek Khanna:** Well, certainly in the next couple of years I do not see any impact of radio advertising on print. In the very long-term difficult to say because there will be a lot of dynamics in the long-term, digital, radio, how we strengthen our product offering and how relevant we continue to remain, levels of literacy how they continue to increase, etc.
- Abneesh Roy:** Final question in your key markets, Jharkhand and Bihar DB Corp. entered. Any update on how they are doing in both the states?
- Vivek Khanna:** I think, that is a question that you should ask them. As far as we are concerned, we have not seen any impact of their entry other than when they had entered and there was some impact on circulation revenue post that once things stabilized, there has been no impact. Now, they have been in Jharkhand for six or seven years and the first entry into Bihar was in January of 2014. So, it has been 3.5 years now. As far as we are concerned, we have not seen any impact of that. But they are our strong competitor and we are keeping a close watch on anything that they do.
- Moderator:** Thank you. We take the next question from the line of Amit Kumar from Investec. Please go ahead.
- Amit Kumar:** You mentioned almost close to a double-digit circulation growth but when we look at the raw material consumption that seems to be flattish Y-o-Y. So, could you help us with the newsprint trends out there?
- Vivek Khanna:** So, there is an increase in consumption that has happened of newsprint on account of PO increase and I was saying double-digit as far as UP is concerned, as in significant increase is in UP. But overall, see the copy increase is pretty significant but we have cut down on pagination. So, that has helped offset into a certain extent and also part of the copy increase is through the second product which I mentioned at much lower pagination. So, the pagination impact is offsetting the PO increase.
- Amit Kumar:** Okay. So, just to sort reiterate, what is the trend in newsprint pricing that you see on a rupee basis?
- Ratul Bhaduri:** So, on the rupee basis we have been flattish over the last may be 1 quarter - 1.5 quarters and I think, going forward also we would probably be able to take something like a 2% - 3% not more than that.
- Amit Kumar:** All right. And sir, coming to this yield sort of focus strategy when we speak to media agencies, all the news-paper still sort of deliver a great response from consumers that way but there is a sort of consensus out there, it is still even adjusted for that response. Print advertising is becoming slightly expansive now that you have a little bit of I should say flexibility in terms of dollar newsprint pricing and rupee dollar rates are also stable and given the uncertain environment and we have seen this sort of volume declines for a couple of quarters now, would not you want to sort of focus on volume at this point of time just to make sure that you keep the advertisers flock intact rather than focus on yields?



- Vivek Khanna:** See, it is strategy that we decided to focus on given the fact that we have been expanding fairly aggressively in UP. We have also seen growth in our copies in Bihar and Jharkhand and I think it is only fair that we get a return for the kind of investments that we have done. Now, we have not gone across the board and said everybody give us an x percentage increase. It has been a client by client, category by category exercise, we have done a fairly detailed exercise and it is a long-term initiative that we have taken. So, it is not something that you do it in one quarter and get out. It is a planned initiative. Sure, I mean the kind of impact that GST had on the volumes towards in June was a bit unexpected but that does not mean that we change our strategy because of the impact that one month may have had on volumes. The same strategy helped us significantly in the month of April and we have got very good growth in April but sure there was certain factors because of which June got impacted.
- Amit Kumar:** All right. Just one final point at mine in terms of ad yields, where do you stand vis-à-vis the number one and number two players in U. P.?
- Vivek Khanna:** So, we are number two in UP on yields and I have been saying it for some time. In different categories and different advertisers it ranges but we would be between 50% and 70% of the number one player.
- Amit Kumar:** And then this local player which is sort of third player in UP where would they be vis-à-vis your yields?
- Vivek Khanna:** They are slightly lower than us in most national markets.
- Amit Kumar:** Okay. So, you have gone ahead of number three players in terms of yields now I think you were slightly lower last year?
- Vivek Khanna:** No, we went ahead of them sometime back. Of course, there are couple of advertisers where they still may be higher than us but this is on an overall basis I am saying we have gone beyond them.
- Moderator:** Thank you. We take the next question from the line of Srinivas Seshadri from Mirabilis. Please go ahead.
- Srinivas Seshadri:** Just one question. Basically, my question was on HTDSL. I just wanted to understand since the disclosure is more through the equity accounting route, I do not have a clear picture on how the operation is doing I mean both from a user engagement perspective as well as from a revenue metrics. So, if anything you can share just directionally or quantitatively that will be great.
- Piyush Gupta:** Let me take this question. So, broadly the simple answer to your question is it is doing reasonably well. If you remember two calls back when we had a discussion with our investors about the rationale of putting it together the whole rationale was to foray much more aggressively into the digital journey. I am very happy to say I think it is going as per plan. The whole rationale was that in this fast-moving environment where print is increasingly getting -

bolted on to digital or the other way around that we have to hone up our skills in the digital arena, This is the basis on which we did this restructuring and this entity came around. All the desired objectives of retooling our journalist, getting a top of line technology deployed into our journalistic operations, etc., that has already gone as per planning and there are various trainings, etc., which are currently underway. In terms of getting a sustainable value for this investment I think we are there on mark. I think over the mid-term to long-term this investment will yield a lot of fruit from a digital point of view. So, I think in sum and substance it is going on very well.

**Srinivas Seshadri:**

And Piyush, any numbers you would like to share?

**Piyush Gupta:**

Not exactly but as I alluded towards in the last call, I think the way this restructuring was done is most of the revenue which the digital entity gets is the content revenue that it provides to both the printing and publishing operations which is HMVL and HTML, so that is already recorded in our filings, etc., with the regulator you can easily check it up and those are basis transfer pricing norms that we have done with auditor. The cost is pretty much on arms' length pricing that we had put it in the scheme which got approved by the court, etc., So, numbers are going as per plan.

**Srinivas Seshadri:**

Okay. And just to clarify since you mentioned that it is more of a billing to the various publishing companies. So, for instance if say some revenue accrues to the Hindi online media portal, is that booked as advertising revenue HMVL itself is that how the accounting happens or does it go to HTDSL in some way?

**Piyush Gupta:**

As far as the legal reporting is concerned that is sitting in the digital segment of HTML if were to analyze those results, those revenues will go there. This is basically a content creation company which basically is the platform agnostic and we will be supplying content to the printing publishing companies which is our own companies and to third party printers and publishers that is the stated objective.

**Srinivas Seshadri:**

Okay, fine. So, if I got it right all the digital revenues will be sitting in HTML parent digital segment.

**Piyush Gupta:**

Absolutely, in the digital segment.

**Moderator:**

Thank you. We take the next question from the line of Deepesh Kashyap from Equirus Securities. Please go ahead.

**Deepesh Kashyap:**

Just one question from my side, in the strategic focus slide you have mentioned that one of your focus area is expansion of presence in digital landscape, can you please throw more light on this? What do you mean by this exactly?

**Piyush Gupta:**

See, basically Deepesh as I think you heard on various calls digital is a trend which has been there for quite some time and gaining currency, we are not oblivious to this trend also. So, what we are doing is we have invested a lot behind the digital thing in the media space. What

we did with this restructuring is we are basically putting a sharper focus on all our digital offerings which is basically, content in a manner that it is platform agnostic. So this content can be for News Paper, digital properties, mobile, etc., we can serve it on, not just for the group companies but also for the third-party operations. So, that is the stated objective which we had alluded to last time as well and that is what the object clause of this entity is. This is exactly what we are trying to attain here by doing this whole restructuring, bring a digital focus and a digital first approach to our journalistic efforts across.

**Deepesh Kashyap:**

Okay. So, as far as I know like HMVL per se like has one digital property livehindustan.com, so is there a plan to expand it further?

**Piyush Gupta:**

Deepesh, just to come again as I said this is platform agnostic, just think of it as a content creation company which can basically be platform agnostic, so it already serves HMVL but it can create new properties in HMVL and then it can serve other clients also but nothing stops HMVL from accelerating the digital journalistic effort which is a stated objective that we are trying to do.

**Moderator:**

Thank you. We take the next question from the line of Ankit Kedia from Centrum Broking. Please go ahead.

**Ankit Kedia:**

I just wanted to know how is the positioning of the second product in terms of branding given that the master head would be different so in the IRS it would be under separate heading or it will be clubbed under Hindustan. Also, is it in competition to compact of Amar Ujala and Inext of Jagran which has changed the format for Inext?

**Vivek Khanna:**

So, in some way yes, it is competing with these two products. However, the content of each of these products is quite different. You must understand in UP Jagran is the player which has been there for a long time, so they have a positioning of heritage player. And therefore, Inext suits them well in terms of a youthful imagery and a second product which is well-differentiated from their first product. Since we are the newest entrant into U. P., our imagery is obviously quite different from that of Jagran's imagery in UP or indeed our own imagery in Bihar. So, therefore we have kept a product which is well-differentiated from Hindustan there and like I said for competitive reason I would not like to tell you the positioning that we are trying to adopt in terms of our content but clearly it has to be differentiated because that is the only way we can grow both the products.

**Ankit Kedia:**

And sir, what will be the name of the product?

**Vivek Khanna:**

So, the name of the product is Hindustan Smart.

**Ankit Kedia:**

Sure. And the price point would be Rs. 1?

**Vivek Khanna:**

No, it is Rs. 1.15 in some markets, Rs. 2 in some markets.

**Moderator:** Thank you. Well, that was the last question. I now hand the floor over to the management for their closing comments.

**Vivek Khanna:** Yes, thank you very much. And thanks for all those questions. So, as I mentioned, the external environment over the last couple of quarters has been throwing up certain headwinds as far as the advertising scenario is concerned. But our expectation is that these will even out over the next couple of months and we should see growth coming back on track as things settle down. So, thank you very much for joining and have a nice day.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining. You may now disconnect your lines.