Conference Call – Quarterly Results – Q4 and full year FY18

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HT Media Limited
&
Hindustan Media Ventures Limited

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Moderator: Good morning, ladies and gentlemen. Welcome to the HT Media Limited and Hindustan Media Ventures Limited (HMVL) Q4 and Full Year FY2018 Earning Conference Call hosted by Centrum Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal 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 from Centrum Broking. Thank you and over to you, sir.

Ankit Kedia: Thank you, Lizann. We at Centrum Broking are pleased to host the Q4 and Full Year FY2018 Results Conference Call for HT Media and HMVL. We have the senior management team of HT Media Group. I would now like to invite Ms. Anna Abraham – Head, Investor Relations and Financial Planning & Strategy to give the opening remarks. Over to you, Anna.

Anna Abraham: Thank you, Ankit. Good morning, ladies and gentlemen. Welcome to our earnings conference call. Joining me today for the call is Mr. Rajiv Verma – Group CEO, Mr. Piyush Gupta - Group CFO, Mr. Rajeev Beotra – CEO, Hindustan Media Ventures Limited and Mr. Sandeep Gulati – CFO, Hindustan Media Ventures Limited.

During the course of the call today, we will go through the highlights of the financial performance for the quarter. Our remarks will be tracking the presentation on webcast, which is also uploaded for your benefit at the Investor Relations section of our website. With this, I handover the call to Mr. Rajiv Verma for his opening remarks. Over to you, Rajiv.

Rajiv Verma: A very good morning all of you who have taken out your precious time this morning to meet with us on this call during which we will share with you your company performance. I know you are all time starved busy people, but it is our pleasure to be with you this morning and share with you how the company has performed financially during the last quarter as well as during the full year. I am sure all of you would have seen the results this morning in the newspaper.

The performance of the company is nothing short of stellar as far as the bottom line is concerned. But I would like to also caution you that behind the great performance that we have put on the bottom line of the company, there is a muted top-line growth. Last year was, as all of you are aware, full of a lot of challenges. We entered the year backed by a softened economy due to the effect of demonetization. During the year, GST was the other blow that our business received because our customers were hurting in order tore-format their business. As all that is stabilizing, we have seen the recovery back during the last one quarter. As we go into new fiscal year, I am optimistic that some of those headwinds that were faced by our category, because of the customers taking a little bit of wait and watch stand, is going to pass.

For any media company as all of you know, it is the audience that makes the difference. The strength of your brand and the trust those brands enjoy makes the difference in terms of how advertisers would back you up with their money. IRS results which came back to the industry after a passage of almost 4 years show that HT Group continues to post very strong performance. Hindustan Times brand in Delhi-NCR as well as in Punjab posted a very strong performance. We were number one in Delhi-NCR and continue to be number one by a very strong gap with the number two player. In Mumbai, HT emerged again as a very strong player where we have closed our gap relative to the market leader by a pretty strong margin. In Chandigarh, which is the key advertising market, we emerged as at number one player. As far as our vernacular paper Hindustan is concerned, we have maintained leadership position in Bihar, Uttarakhand and Jharkhand. UP was a market that we made a foray in some time ago. In UP as well as Delhi, we maintained a very strong number 2 position in spite of a resistance by the number 3 players.

In print, overall advertising continues to be soft. Some categories have started coming back and given the fact that this is an election year, we continue to believe that the advent of advertising will happen strongly. Your own category, that is Banking and finance has started doing relatively well now because companies are feeling confident about doing IPOs as well as advertising their brands to the customers in financial sector. The local advertising is still hurting because of the fact that some of the smaller players are still trying to re-adjust and balance their business into GST impact that they have had. I believe this is the passing phase and you would have all seen GST has started collecting highest ever collections by the government. This shows that stabilization is on the cards. As smaller businesses will start to get stabilized, I believe that advertising, which is a driver of growth for their businesses, will start to see emergence again.

I am sure there would be a concern in everybody's mind about news print cost because we are entering a commodity super cycle. But the thing to keep in mind is that this is a cycle and cycles come and go. It is a cycle that we have handled in the past 30 to 50 years in the company. I am sure this industry will be able to pass through the cycle again and will be able to deploy all the required strategies to let the cycle pass. So, therefore this is not structural but cyclical and we should not be overly concerned about it. There are measures which are in place to take care of this. Structural cost due to expenses that HT used to have been very well navigated in order to boost our profit margins. We had made migration into other businesses like Radio and Digital which continue to outperform the industry. Radio business has witnessed very strong revenue growth while we are waiting for other companies to present thir numbers. Shine, which is our foray into job site, there is structural improvement there. As the job market is coming back, and more and more hiring happen, Shine has started to see improved performance on top-line. We have also gone into a business of providing learning products to audience and customers on our site. That business has got immense potential and we are working on improving the performance of that business. HT's websites continue to attract audience and the page views and unique users are increasing. Users are thronging to the site to acquire quality news and information which is leading to strong top-line growth as far as our websites are concerned. We will be sharing with you the financial performance over the course of this call and will be happy to answer any questions that you may have about the performance of the company.

Major highlights are – last year witnessed tight cost control on discretionary spending as well as structural cost take-out in the company with the help of BCG, who partnered with HT to look at the entire cost structure of the company. You will hear about the good work which is happening in the area of Ad for Equity where a book build of almost 500 Cr has been done. The advertising revenues are increasing as a result of AFE business becoming a strong underlying pillar of the business. As I spoke earlier, GST has been a structural shift in the way business gets done and we believe this is going to be a useful thing for the industry overall. Whatever loss-making business was there in the company, during this year, we have taken a hard look and restructured them. Radio performance has been outstanding. As the economy improves and we are going into an election year, the print advertising revenue should come back with a strong velocity. This will help the newspaper industry.

I am going to handover this call now to my colleague, Piyush Gupta, who will take you through the exact financial performance of the company. and as I said we will be happy to take any questions over the call.

Piyush Gupta: Thank you Rajiv and good morning everyone. With that background there, Rajiv has already laid out that in a very tough revenue environment we have managed to bring out record results and I'd like to take the entire group through some details on the financial performance.

Moving to slide #7. because this is a webcast, you guys can do it on the laptops as well. In this tough environment, we closed the fourth quarter at operating revenue of 561 Cr, which is de-growth of about 4%. Operating EBITDA however, has gone from 73 Cr to 81 Cr, which is a YoY growth of 10%. This is basically linked back to all the cost initiatives which have been done in the company, which Rajiv was alluding towards. As a consequence, operating EBITDA margin for this quarter has gone up from 12% to 14%. And PAT has actually had a substantial increase, because even below EBITDA, there have been various other cost lines that we worked upon. So, as a consequence, PAT goes from 26 Cr to 75 Cr and margins have a threefold increase from 4% to 12% versus the same period last year. EPS in the quarter has got a threefold increase, going to 3.2 per share and net cash increased substantially by 267 Cr going up to 1,424 Cr at end of Q4 FY18.

Just moving on to the next slide, I will give you a full year recap of the performance. Despite the revenue slow down on account of GST and the lingering effect of demonetization, we managed to arrest the fall and keep it to about 4% and ended at operating revenues at 2,346 Cr. Because of our substantial work on the cost side, operating EBITDA jumped to 400 Cr. This is pure operating revenue and there is no other income costed out into it. Margin expansion has gone up substantially by about 5% points from ~12% to ~17% and net cash increased to 1,424 Cr.

Moving on to Slide #9, we have farmed out long term performance from FY13 to now for the benefit of shareholders. In spite of the last 2 years being very tough because of the regulatory action, shifts in the market practices and advent of the digital, we still managed to have our operating revenue growth of 3% . Our margins have continuously increased in 5 years. We have managed to structurally improve our operating EBITDA margin by about 3.2% and the PAT margins up by about 4%. Net cash is about up by 924 Cr.

Moving on to the next chart, I would now like to go into the business unit performance. You can refer to the segment section of the financials. The quarterly and full year results are presented on Chart #12. So, if you look at the print revenues in the quarter, they've been pretty much flat from 499 Cr to 496 Cr which is a change of about 2 Cr on a YoY basis. However, on a full year basis, it was de-growth of about 4%. This actually dovetails back into the comment that Rajiv was making earlier that we are seeing some anaemic recovery happening. If you see Q4 FY18 Vs last year same period; of course, the last year Q4 had suffered a very soft base, but we are seeing a few categories like consumer package goods, consumer discretionary which are doing okay at this point in time. Operating margins on the quarterly basis goes from 15% to 18%. On a full year basis, our margins are at 22% against 15% last year. Bottom of the chart pictorially shows break down the revenue lines into ad revenue and circulation revenue. Our ad revenue on a quarterly basis actually shows a growth of 2% from 407 Cr to 417 Cr in the last quarter of FY18. On a full year basis however, there is a decline of 3%. On circulation revenue, we and the entire industry had a bit of setback in the trailing 12 months for which we are putting some corrective actions now. Hopefully, going forward you will be able to see better ratios and better results coming out here. Historically, if you see our quarterly circulation revenue is down by about 9% where full year is down by about 10%. The basic underlying reasons are a lot of competitive and pricing activity by competition into various markets for which the entire industry has had no other option but to suffer losses on these lines, which we are trying to correct going forward. The elevated newsprint price is also obviously not helping on this count. Therefore, as an industry we are taking corrective actions on that.

Moving forward, I would like to now go a little bit more granular and cover English and Hindi separately. So, if we look at English section, we have got the quarterly ad revenue which has a very handsome growth of about 15%. So, the English revenue jumps from 233 Cr, which of course was a pretty soft pace given the governments regulatory actions sitting in that quarter that year, to 268 Cr. Our quarterly circulation revenue, because of enhanced competitive activity, has been down by about 2%. If you just correlate this number with the number on the earlier chart, you can see most of the circulation losses are coming from Hindi. Though in English also there are losses, but they are not as sharp as they are in Hindi. So, the comments which are in the bottom part of the chart are that the revenue growth on the back of growth in volumes .Categories such as Entertainment, Real Estate, BFSI, and E-commerce are seeing some early growth at this point in time.

Moving forward, we just cover the full year numbers here. On full year basis, English has a 3% de-growth to a 1,033 Cr and circulation revenue has a very sharp decline of about 13% coming at about 72 Cr. The commentary is given there in the chart. If you see the last point in the commentary, softness in circulation revenue due to reduction in unproductive copies and migration of copies from line to subscription is something that as an industry phenomena and we are trying very hard to correct this going forward.

Just moving on, I will cover Hindi. So, if we look at the Financial Summary of Hindi, this is where competition activities are at an all-time high right now. We see on the quarterly basis there is an operating revenue short fall or de-growth versus last year of about 14%. Operating EBITDA has taken a bulk of a hit here by 54%. So, Operating EBITDA for Q4'18 is 26 Cr and the margins have also softened quite a lot. The PAT, however, is reasonably okay at 40 Cr as against 42 Cr and the margins remain flat. EPS as a consequence nearly flat at net cash increases from 846 Cr to 1,061 Cr. The same picture gets repeated out for a full year basis, whereby you can see that operating revenues are soft by 6%, Operating EBITDA is down by about 12%. PAT is down 8% and EPS has also come down from 25.8 to 23.9. So, that is the picture on the full year basis.

Just moving on, if we look at the quarterly performance of both the revenue streams in Hindi, you can see that the ad revenue in the past quarter has been exceedingly soft, you can contrast this spread to English where you saw a double-digit growth. There is a double digital de-growth in Hindi of about 15% with revenues coming at 149 Cr as the quarterly circulation revenues are also down by 11% at 49 Cr. So, there is some commentary at the bottom of the slide including heavy competitive activities in respective markets which I was alluding to earlier. In the ad revenue base of 174 Cr, there is a big number which was due to the election which is sitting there at a very high base of last year which is giving rise to this phenomena. But if you look at it on an underlying basis by carving out, the number is pretty much flat at this point in time which obviously we are trying to push forward as we go ahead.

Just moving on, you can see the full year trend is not so sharp as Q4, as the UP election impact is in the fourth quarter. It is a 4% de-growth on a full year basis and circulation at 9% de-growth. I can easily comment that this 9% de-growth that you see on circulation revenues is going to change very sharply due to the actions that have already been initiated in the market place.

Moving on, now I'll go to the second segment around Radio, which is one of our earlier diversification journeys. We have also participated in licensing auctions just about 3 years ago. This is the segment information, as you can see we got a pretty handsome set of numbers on both the Quarterly Results as well as the Full Year Results. The operating revenues remained pretty much flat and there is a fairly small growth of 2%. This is because there are certain markets between old and new which have done better than the others. So, on overall basis, the revenues have been soft in Radio in the quarter. However, if you look at the full year basis, there is a 12% growth, from 159 Cr the revenues jumped to 178 Cr. When you look at the operating EBITDA, it is a very different story because given the revenue situation across the sectors, we have been instituting a strong cost actions even in Radio, our operating EBITDA for the quarter jumps to about 28 Cr and on a full year basis goes to 70 Cr which is a substantial change of 74% versus last year.

Our EBIT on a quarterly basis goes from 6 Cr to 19 Cr and on a full year basis goes from 10 Cr to 35 Cr giving at the margin of 19%. So, the highlights which are given there that muted top-line growth which you have seen in a few big markets is being fairly compensated by other markets which we hope to see get turned out. Also, there was a small election base sitting in the 4th quarter of last year even in the radio business, due to which actually we don't see a growth in the fourth quarterly number. However, there is a healthy double-digit growth for the full year due to operating leverage which is clearly leading to the margin expansion. As I did point out even in the last quarters, when we had a 41% margin, the 39% to 40% margin is expected but we get a distorted picture sometimes due to base effect. Radio operates at the best industry margin and we hope to keep it like that in times to come.

Quickly moving to a longer-term performance of Radio, as you can see our Radio is one of the businesses where the group had invested quite heavily, and you can see the results of that. The revenue which had a CAGR of about 14% has gone to 23%. So, there is a strong revenue growth across the years, which is clearly there. Pace of top-line growth has increased as the new licenses acquired in Phase-III auctions were quickly operationalized. We were one of the first companies to operationalize our new licenses. As I have been telling in the earlier calls, the major chunk of investment was in the second licenses in the metros of Delhi and Mumbai and we were one of the first ones to operationalize those licenses and you can see the results on both the top-line and the bottom-line. There was continued improvement in yields over the last 5 years which is giving to a certain margin expansion which we have been tracking for the last many quarters now. And our EBITDA margin has expanded as the new stations have come in to the bottom-line. This is what we have been seeing for the last 2-3 quarters that the new stations are also coming to a breakeven situation reasonably fast.

Moving on, I will come to the last section which is Digital. So, Digital from our legal entity point of view encompasses multiple businesses. News website continues with top-line growth. . though the overall revenue comes down from 39 Cr to 29 Cr, . There are some other discontinued businesses which sitting in the base but not in Q4'18 which basically brings down the quarterly revenue. However, our full year revenue decrease of 19 Cr is mostly contributed by the discontinued businesses, which was made up by the news website business which is showing growth as we move forward.

On the business environment, the way we look at it is that at this point in time, the signs of reeling impact of demonetization and GST are clearly there as you have seen in the fourth quarter performance. Of course, there was a base effect which was sitting in Hindi which has let down the results. Pick up in small and mid-sized businesses which have been reeling under demonetization might get corrected out and there are some early green shoots we see there. There were improvements in the macroeconomic environment which are expected to lead to corporate earnings growth and we will see in this earnings seasons what are the kind of numbers that will pan out. We are integrating a lot of sales efforts in print, radio and digital properties which is a big focus for the company. This is supposed to give a margin upside.

On challenges, as Rajiv did earlier point out, there is a steep increase in news print and we are cycling one of the worst cycles in the recent history. We will see how long the cycle lasts, but it is putting a huge amount of pressure on the bottom-line.

Rupee depreciation that we have seen in the last couple of months is a secular trend that we hope is going to wane out. Political uncertainty in the next general elections is weighing down on the general market sentiments.

With that, we end this section and I will hand it over to Anna for taking it forward.

Anna Abraham: Thank you, Piyush. This brings us to the end of our formal remarks and we now open up for Q&A. I would therefore like to hand over the call to Ankit from Centrum to facilitate that piece. Over to you, Ankit.

Ankit Kedia: Thank you, Anna. Lizzan, can we start the Q&A?

Moderator: Sure, thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.

Giriraj Daga: Couple of questions and data points first. Sir, what was the volume growth in Hindi, English and Radio segment and if you can give the yield for the quarter?

Anna Abraham: All the growth that you see is largely lead by volume and there is hardly any yield growth in for print. For Radio, there is a substantial yield growth as well, but we do not give that break up as such.

Giriraj Daga: Just to a follow up there, we have been talking about the yield increase on the advertising side for the last 2 quarters now. So, I believe some amount of yield increase would have built in from a year-on-year perspective.

Anna Abraham: In Q4, we have not seen yield increase. You are right that the first 9 months we did, but our journey on the yield increases had started towards the end of last year itself. So, in Q4 the revenue growth is largely through volume. It is also linked by the fact that it is English whichhas kind of contributed to the growth, while it was Hindi where substantially yield increased over the past 3 quarters.

Giriraj Daga: In Radio, is there any one-off in the cost because we see a substantially higher margin in the quarter 4.

Piyush Gupta: Yes, Giriraj, as I was alluding last time, at the year end all these regulatory provisions of few crores here and there are the one-offs which have been trued-up at the end of the year. But, it also depends on which station the revenues, etc. are falling. On the matured stations, which was the Phase-II stations, the margin is much higher because the yields there are much higher. It also depends on the mix of stations where it comes to. So, this quarter most of the revenues have come in the legacy core station which has driven a high yield but on the one-off, yes there are a little one-offs but not so much that they will vitiate the picture very substantially. So, I still hold on to outlook that I gave in the third quarter that sustainable margins are anywhere between 30%-35% to 40%-42% .But this quarter it is substantially higher one because of mix and second because of couple of reversal which happened because of truing up of the year end provisions.

Giriraj Daga: And next question into digital. We see that quarter-on-quarter the losses have increased and we were talking about FY2018 losses to be lower than that FY2017, which obviously is no longer the case.

Piyush Gupta: Well, I think you will have to peel the onion a little bit to get to the story because digital segment actually constitutes 2 or 3 different heterogeneous businesses in our scheme. The news business actually improved, and the margins have improved there. The discontinued businesses, as I was alluding, which was contributing revenue in the base but not margin has brought the top-line down by about 19 Cr in that chart which I showed you. Shine business has been soft and continues to elude us and there is a margin erosion and the losses have expanded there. So, in the nut shell Shine has expanded losses whereas the news website businesses had actually improved the margins and improved the revenue. However, the big change that you are seeing is because of the discontinued businesses which were, hitherto classified in the digital segment.

Giriraj Daga: Outlook on that, the losses?

Piyush Gupta: Except for Shine which continues to elude us, I think the margins are expanding but you do not see that separately. But they should keep on expanding in times to come as well.

Giriraj Daga: We believe that losses will be lower next year or it might even increase?

Piyush Gupta: Absolutely, yes.

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

Vaibhav Badjatya: I have couple of questions on both the companies. First on Hindustan Media Ventures, can you share the thoughts around what is the loss on India Education Services Private Limited on annual basis for FY2018 which is basically going to get merge into Hindustan Media Ventures?

Anna Abraham: The merger is yet to be approved. So, the Hindustan Media Ventures Limited result is not impacted by IESPL at all in this quarter or the full year.

Vaibhav Badjatya: But I was talking from a forward-looking perspective, in next year when the merger gets completed.

Anna Abraham: We do not give forward-looking numbers.

Vaibhav Badjatya: No, so for the last year, what was the loss in India Education Service Private Limited?

Piyush Gupta: Beyond the segment information which we disclose generally, we do not go there. But if you remember we had pointed the investor community also in the direction that there is a lot of potential upside from this merger because you want to take this investment platform to the Hindi markets whereby we can capture that upside. I will not be able to give you the number, but they are not huge losses which will have any impact on HMVL profitability.

Vaibhav Badjatya: And will there be any benefit of carry forward tax losses that will be available to HMVL?

Piyush Gupta: We told you last time there will actually be a huge amount of benefit on that. But obviously we cannot quantify that benefit for you. But yes, there will be a benefit.

Vaibhav Badjatya: And just from a broader perspective, has the management or the board has given any thought on the any potential merger between HT Media and HMVL, because at HT Media level there might be some holding company.

Piyush Gupta: Well, that is an interesting question. First, this is the first time we hearing it. Second, I will just fall back on the official line that we do not comment on rumours. But we have not given a thought on any such thing at all.

Vaibhav Badjatya: And thirdly, what on a like-to-like basis, could be the percentage of our real estate and education business in advertising revenue, last year and this year?

Anna Abraham: Are you asking for overall or English and Hindi separately?

Vaibhav Badjatya: No, just for the Hindustan Media Ventures.

Anna Abraham: So, Education and Real Estate has grown this quarter, but exact quantum I will not be able to share.

Vaibhav Badjatya: For the whole financial year?

Anna Abraham: For the full financial year, Education is marginally low and Real Estate is substantially low. But for the quarter both have grown. For Hindi, Real Estate is a very small market.

Piyush Gupta: As Anna just pointed out, it is a very small category for Hindi. But given what’s happening in the Real Estate category, and specifically in Hindustan, in those geographies real estate category is not a very big category. We also presume that Real Estate category will not come in a hurry also because there is a huge overhang of regulatory changes and of market force there.

Vaibhav Badjatya: And would you say that excluding the government ad revenue, as compared to the last full financial year and this financial year, or ad revenue largely flat or it has grown for Hindustan Media Ventures again?

Rajeev Beotra: For HMVL, if you exclude the impact of the one-time political advertising which came in last year in this quarter, Hindustan Media Venture also has been by and large flat.

Vaibhav Badjatya: And secondly on HT Media, if I look at the segment results on the print and HT Media. If I compare it to results of Hindustan Media Ventures Limited, what it seems like is that lot of rationalization of expenses happened on our English newspaper front? So, I just want to understand that which are the areas where we have been able to successfully reduce cost in English newspaper business?

Piyush Gupta: So, that is a great question and let me also just recap the question. The difference between HMVL and HT Media, which is basically between the English newspaper and the Hindi, is that in Hindi we are in a very big investment mode whereby we are deepening our market presence in various markets where there is a huge amount of potential and we are seeing secular growth at that market level. So, there is a huge amount of investment which is happening in acquiring readers, acquiring advertisers and improving the product. However, HT Media which is basically the English offering, the big 2 cities are Delhi and Bombay have been reeling under lot of market pressure for the last 2 years. Therefore, there are no investments which are happening. The investments in HMVL actually offset the cost work which has been done there. So, therefore on the face of the P&L, you do not see those benefits passing through HMVL in as accentuated a fashion as they are impacting the bottom line on HTML. Therefore, in HTML there is a huge amount of margin expansion which has happened. But going forward, we expect that with a little bit of market improvement in the Hindi market there will be operating leverage. It will come in because most of the investments at least are done half way and the balance half will be done. If the revenue starts kicking in, the operating leverages starts falling down to the bottom line sooner rather than later because those markets are already showing some level of growth in the Hindi market.

Moderator: Thank you. We will take the next question from the line of Deepan Shankar from Trust Line. Please go ahead.

Deepan Shankar: How do you see the outlook for the ad revenues? And also structurally are we seeing any loss of volume share of print medium to other advertisement mediums? My questions are related to HMVL.

Rajeev Beotra: In HMVL, some of the largest advertising categories are as follows. The largest is the government advertising and at least in the year going ahead we are actually very bullish about government advertising given that it is an election year. The second largest category in the Hindi business is automobiles. And in the automobile category also we are very optimistic given their sterling performance last few quarters. Education has been growing last quarter. There is yet another category which has been growing the fastest in the last few years, which is the FMCG. And given the FMCG results, we are quite optimistic. So, I think from an overall advertising point of view, we are reasonably optimistic about the Hindi advertising. Also, we have had an abeyance of readership last four years. The IRS results have just come out after a gap of 4 years and Hindustan has done exceedingly well in the readership surveys. We are hopeful of seeing a good traction out of that as well.

Deepan Shankar: So, structurally we are not seeing any loss of volume share of print medium to other mediums. So, when can we expect this 20% kind of ad growth in the past what we have seen?

Rajeev Beotra: That I may not be able to comment. But structurally especially from a HMVL point of view, we do not see any erosion of advertising spends in this particular belt. The good thing about this particular category is that it is tremendously dependent on very local advertising as well. You see, unlike English, which is far more heavily dependent on national advertisers which are into digital and television. Hindi belt is hugely dependent on local advertisers also. Now these local advertisers do not have a television option and not so much into digital either. So, we are seeing a good secular growth in the Hindi advertising revenues for a reasonably long period of time which is why as Piyush was mentioning earlier we are continuing to invest as well in this particular business.

Deepan Shankar: When we see this ad growth turning back, so this competitive intensity of lowering cover prices, generally that will slow down, that is what our history says?

Rajeev Beotra: It is already slowing down. So, in a way the one good outcome on account of higher news print pricing is that all players are seriously looking at the cover price. So, our Q4'18 realization per copy has already moved ahead of Q3'18. It is not still showing on the full year average, but quarter-to-quarter there is a sizeable improvement in realization per copy which will continue in Q1 and Q2 of FY'19. I think we will hit our peak realization by end of Q2. So, the other good part of about the Hindi business is that the circulation revenue contributes significantly in the overall revenue and any impact on cover price has a very positive impact on the business performance.

Moderator: Thank you. The next question is from the line of Mahantesh Marilinga from Finquest Securities. Please go ahead.

Mahantesh Marilinga: Just had a few question here. So, just wanted to know the margins hit from the higher raw material cost that you might be seeing or from when it has been affecting your margins in the print side?

Piyush Gupta: See, let me just step back and give you a little bit of trend on the raw material cost which is being playing out. The trend now has been playing out for nearly 4 months, but it has got very steep in the last 2-2.5 months. Just as a perspective, I think from imported raw material cost was being costed or which was made available on CIF basis at about $500 to $520 a metric tonne. In the last 2 months, that number has jumped to about $750 to $770 a metric tonne. As you can see the impact, this cycle already has taken the landed cost up by about 50%, and to top it off the dollar will play out the way it will play out. Raw material cost is typically about 40% to 45% of the entire cost structure. So cost structure of 45%, when it jumps by about 50% is already about 20% impact which can happen. Suffice to say on the mitigating side, we always carrying some safety stock and we had spotted the trend a little bit in advance, so we had pre-stocked as much as we can. But because of this external situation, whereby China has started importing a lot of newsprint because of their own internal pollution regulation, etc., a lot of global news print is now finding its way into China. Therefore there is shortage worldwide under which everyone is reeling, including the India importer. If history is anything to live by, the typical trend on the news print typically last and plays out in the 3 to maximum 4 quarters. So, I would say the next 3 quarters are something that we really need to be worried about. Therefore, we are looking at consumption side actions, cover price side action and wastage very minutely. And therefore, we are trying to do whatever is in the best interest of the industry and the company. But I think like other cycles that have played out, this should also play out in the next 2 to 3 quarters.

Mahantesh Marilinga: There will some near term pressure on the margin front due to this, right?

Anna Abraham: Yes, there will be near term pressures on.

Piyush Gupta: Yes, of course there will be.

Mahantesh Marilinga: Around 200 basis points on average or can you quantify what is the number?

Piyush Gupta: I would say easily that much, if not more.

Mahantesh Marilinga: Both on the English and Hindi dailies, right?

Piyush Gupta: Yes, because that cost structure is the same for both.

Mahantesh Marilinga: And coming to the radio business, I think you started couple of new channels now. What will be the impact on the financials of the radio business? What time it will take to breakeven and what is your ramp up time you see?

Piyush Gupta: I think, I have been alluding towards this thing. The new investments in Delhi-2 and Bombay-2, they are already operating at break even for quite some time. Of course, there are some quarters whereby, a particular frequency versus another frequency is doing reasonably well. But suffice to say that except for the very small investments in our Hindi station which was not even 10% of the total investment then, which is the slightly far away from breakeven, we have broken even on all our stations and frequencies. That is the reason you see such a stellar performance at the EBITDA level.

Mahantesh Marilinga: So, in the near term, due to the new channels I think there might be some pressure on the margins?

Piyush Gupta: They have.

Anna Abraham: In the initial quarters after operationalization, if you saw the chart also, there was a pressure on margins. But ever since there has been margin expansion quarter-on-quarter purely led by the fact that these stations are getting operationally profitable.

Mahantesh Marilinga: No, I am talking about the near term outlook in the next couple of quarters?

Piyush Gupta: The near-term outlook is that they will remains profitable and they will go from strength-to-strength.

Moderator: Thank you. The next question is from the line of Amit Kumar from Investec. Please go ahead.

Amit Kumar: Just a quick one on news print prices, so internationally you alluded to 50% kind of inflation. How is domestic trending?

Piyush Gupta: Amit, its a great question. Domestic price typically are very tactically priced. They are price with reference to the international prices. So, right now it is not exactly a 50% escalation being built into the domestic market. But it is going in that direction still on an escalated path. It is already up by about 30% to 40% depending on which grade news print and which part of the country that you are sourcing it from. But history tells us that it is tactical pricing it goes and comes down, up and down in sync with the international prices only.

Amit Kumar: Sir, just a quick one on the Hindustan Media Ventures. I mean you sort of alluded to the fact that if we take out election advertising, your revenues will be just about flat. I am looking at the Fourth Quarter FY17 Concall Transcript. The understanding at that point of time at least what was sort of mentioned in the concall was slightly different. At that point of time, it was mentioned that election advertising was there but because your DAVP government advertising sort of goes out, the net-net impact was anywhere between 3% to 5%. In the earlier commentary, you sort of indicated it could have been significantly higher. So, I am not able to reconcile these two positions, if you can just help me with that, please?

Rajeev Beotra: No, actually it is not exactly that. You are right, when the political advertising came in last year in this quarter, there is a code of conduct and the DAVP advertising does go away. And actually when we are mentioning that our overall revenue without the election advertising is flat, that is exactly the case this year quarter. So, last year we were net positive on election revenue net of DAVP, this year we are a little negative on account of that. The election revenue is very highly priced. So DAVP goes out, election comes in and we were net positive last year in this quarter. This year around, we have lost on account of that. Without that we are about breakeven, we are about flat.

Amit Kumar: Sir, I understand you lost on account of that and I am saying that the quantum does not seem to sort of match up. So, last year the view was, at election advertising net of what you lose on the DAVP government side, the benefit was just around 3% to 5%. In fact, if that is out, you would have declined; the commercial side of revenue would have still declined, by around 10%. Is that understanding correct or is the commercial revenue just about flattish?

Anna Abraham: So, what Rajeev Beotra just mentioned is the impact on the current quarter result. Last year's Q4 result was a combination of drop in regular revenue on account of demonetization made up to some extent by DAVP and political revenue where government was also spending a little more than what they typically do, etc. So, these numbers may not be strictly comparable. However, for this quarter, we are removing the net impact and not the gross impact when we say that if we remove it, it is kind of largely flat.

Moderator: Thank you. The next question is from the line of P.V.S. Shrikant from Spark Fund. Please go ahead.

P.V.S. Shrikant: So, I have two questions regarding HMVL. One is, competitive landscape in UP and the other what is the Y-o-Y increase in news print and what is the inventory position that we are holding to offset the price increase?

Anna Abraham: I will first address the news print question and then handover to Rajeev for the question on the other thing. On domestic, we do not hold too much inventory. It's on the imported that we hold more inventory. Domestic is typically the short inventory cycle of 15 days. However, given the pricing advantage that we have enjoyed over the last 2 years, we had been using a fair bit of imported stock even for Hindustan. In this quarter, Hindustan per se saw a rate increase of about 3% overall on the news print line. I will now just hand over to Rajeev Beotra to address the competitive landscape in UP.

Rajeev Beotra: So, yes there are 3 strong players in UP. I mentioned a little while back that recently declared IRS results pegs us at a very strong #2 position in UP. Having said that, I do believe that UP overall is one of the largest destination advertising markets. It is one of the most premium markets and I do believe that there is actually space there for 3 players as well. By and large, the relative potions have been established and all 3 players have been making advertising revenues. We are well-placed. The good thing for HMVL is that we are relatively improving our position compared to others and therefore that should stand as in good stead. But yet it is intensely competitive. There is lot of competition. However, I do believe that by and large all 3 players now have reached a certain level and there is a space for all the 3 players in this very large market.

P.V.S. Shrikant: And sir, similarly if you can give us some colour on Bihar market?

Rajeev Beotra: Bihar is actually where the maximum competitive intensity is being witnessed at this point in time, after the entry of DB Corp. So, what has happened in Bihar is that, yes there is a new entrant in Bihar. The good part in Bihar is that we are very dominant. So, our leadership continues in Bihar and there is some amount of erosion of #2 and #4 players in Bihar. Our personal belief is that, through the entry of this new player, even the Bihar market is also now growing a little bit more. We are witnessing some new retail advertising sort of beginning to happen in Bihar. We are in a good position compared to the others, but yes Bihar is also intensely competitive at this point in time. In fact, little while back we spoke about the cover price actions. Some of the impact on our bottom line was on account of cover price actions in

Bihar post the entry of a new competitor, which is now stabilizing. So, in the recent quarter January-March we have taken up cover prices which is reflecting in our RPC (Realization Per Copy). More actions are being undertaken.

Moderator: Thank you. The next question is from the line of Sumeet Modi from Arete Investment. Please go ahead.

Sumeet Modi: Sir, I note a fact that the net cash on the balance sheet has been only rising for the last 5 last years. At the same time there is also an increase in the debt amount. So, why is that happening and what is the benefit in keeping the balance sheet heavier on either side? And this has been happening for few years now.

Piyush Gupta: I was missing this question. So, let me just try to attempt this question, because this question typically does come up in most calls. Most of the cash that we are generating from operations we are productively investing within our investment framework for a long-term basis. Now, as we were alluding early on the call, we are deepening our presence in UP and Bihar. There is no point falling back on your net cash when it is yielding you very improved yields. So, we do not touch that and we resort back to small working capital financing. The basic bottom-line to access this thing is whatever creates economic value, either we resort to debt or we resort to our own investment, we go in for that action and that is the driving force behind having both cash and debt sitting on the balance sheet at the same time.

Sumeet Modi: Sir, that said if you look at overall over the last 8 years, 5 years, 3 years; there is net cash increase in the balance sheet and to an extent of 1,400 Cr now whereas our market cap is only 2,000 Cr. So, net-net there is no economic value being created. So, directionally is there any thought by the management or the board to create shareholder value, maybe in terms of special dividend or buyback or something. Because there might not be time far away where our net cash gets equivalent to our market cap?

Piyush Gupta: See first of all, for the uses of the net cash which is sitting on our balance sheet, there are competing requirements on the cash which had at any point of time ,being discussed by both the board and the management. As we were alluding that we are deepening our presence in the critical markets of UP and Bihar, that will take away a lot of cash. However, because of the positions that we have, we are in a good zone whereby the business is generating free cash flow every year. But there are vagaries, let us say of the news print prices which has gone up by 50%. In a scenario wherever the revenues are very soft, it cannot be taken as a given that every year we will generate the amount of free cash flow that we have generated this year. So, though on an absolute basis it looks like we are holding a lot of net cash on our books, but when a good business opportunity comes we have always deployed that cash for creating a long-term sustainable business. Three years ago, Radio was once such opportunity where we had the invested 500 Cr which was at that point in time was 40% of our net cash and luckily for us the business did generate so much more free cash that we came back to this position. Right now, we had an investment mode on our Hindi businesses and that will take away some cash. So, besides that there are no other options being discussed by the board. But we are looking at all consolidation opportunities, organic or inorganic in the market place to have a better utilization of that cash wherever we can find one. I hope that answers.

Sumeet Modi: The only idea was to put it across maybe, if there is an adequate use of that cash in some investable avenues, then it is fine. Maybe we will watch it out first.

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

Rohit Dokania: Just wanted your comments on the other income in this quarter that appears to be too high?

Anna Abraham: We have profit on sale of certain investments that we hold in the Ad for Equity business as well as mark-to-market gain on some of our investments, which is kind of featuring in the other income line.

Rohit Dokania: Is it possible to quantify that at least the Ad for Equity part?

Anna Abraham: If you break up the interest income, the rest is largely on account of sales of properties and the Ad for Equity.

Rohit Dokania: I have one more question which is actually sort of in continuation to the capital allocation question which got sort of partially answered. So, I was just wondering if you actually look at the peers they are also sort of sharing more than 50% of profits, they are doing dividends; they are doing buybacks and so on and so forth. But we have always said that the Board every single quarter considers whether they should return cash to the shareholder or not, but they sort of end up deciding probably not to. I just wanted to understand Piyush and Rajiv from both of you what is your personal assessment regarding as far as the sort of cash going back to shareholders if not in entirety but in some form. Your personal comments would be great.

Piyush Gupta: Rohit, my personal comments, and obviously I speak for myself here is that we should deploy the cash wherever it creates the most long-term sustainable value for the shareholders. Of course, on a short-term basis dividend or stock buyback obviously is something which can give a fillip to the stock price and it is a good rationale for doing it. But the thinking within senior management and the board is that for creating long-term sustainable businesses, this cash can easily be required at any given point in time. Why always go back to 3 years ago, because at that point in time, because there was such a rationale, we did deploy 40% of the free cash on particular thing. Of course, it has grown from that point in time to a substantial number. I can tell you and I can confirm that, without getting into the details, at even at this point in time the board is discussing a lot of opportunities whereby this free cash and more might be required for creating long-term sustainable business and also for deepening the presence of our existing business. So, though in absolute numbers the cash might look to be a very large number but those uses are being discussed and at the right time the cash will be deployed. Look, if we just evaluate the radio opportunity. 3 years ago, it was very tough to take that call. Basis the business plan we did, now in 3 years those businesses are breaking even while the license still has got another 12 years left in it. So, if this plan plays out there has been a huge sustainable value creation which will happen. Those are the discussions that the board members are currently having. If there is something, we will definitely let you guys know and the respective communications will be made. But on the short-term impact or returning the cash, it is something that has come up in various calls, but I do not think that we believe in that. We only believe in creating long-term sustainable value-creating businesses.

Rohit Dokania: No, I totally understand that Piyush, in fact, so while I get the long-term part. If you look at the stock price over the last 5 years as well, it is probably sort of remains where it, it has not really moved much. So, we are just wondering, I mean over the past 2-3 years you guys have alluded the fact that there could be some opportunities. So, would not it probably give better if you put a timeline to it saying that, okay if you are not able to do it by X amount of quarters, let us say in the next 4 quarters or 6 quarters, then we would be returning cash. Because this becomes a rolling forward target that we are trying to acquire something, but unfortunately for whatever reason valuation reasons…is there something of this thought that is there?

Piyush Gupta: Rohit, what I will do is, I will definitely discuss with the board once again. But at this point in time, there is no time line that we kind of held ourselves accountable to. But I can tell you, there are so many competing priorities on cash which are being discussed. So, even if half of them materialized, this cash might just vanish one day. So, those discussions are at Board's prerogative. But is there a timetable to it, I do not think so.

Moderator: Thank you. The next question is from the line of Rounak Agarwal from CRISIL Limited. Please go ahead.

Rounak Agarwal: Sir, I wanted to check about this ad spend contribution from Real Estate sector. Since it has not been performing good last fiscal, so what is the outlook next fiscal?

Rajeev Beotra: Actually, the Real Estate performance in the last quarter actually has been quite good, especially in the English business. Lot of what you saw for the English business was driven by the Real Estate business performance as well. So, again the sector has undergone a lot of regulatory challenges I think it has hit an all-time low, but it is a very integral part of the print business and the print business lends itself beautifully well to Real Estate advertising. So, we are hoping that some of the issues facing the industry will settle even faster and therefore a lot of that advertising will come back to us. Some amount of gains we are already witnessing but still I think there is a tremendous amount of scope for further growth there.

Rounak Agarwal: Large impact of that RERA is now over, right?

Rajeev Beotra: Indeed. And you are aware of our ads for equity business, our book size has also become sizeable there. So, we are just hoping that all these challenges will sort of settle down and we will see the Real Estate revenues growing wonderfully. Last few years, we have been taking the brunt of this particular industry.

Rounak Agarwal: So, can you give me some sense or some range of like what is the contribution of real estate sector to overall ad pie in print?

Rajeev Beotra: At this point in time, the contribution has come down to single-digits for the industry. Again it is more in English currently and relatively smaller for Hindi at this point in time. But it used to be the largest category at one point in time. So, therefore it is in low single-digits now and has the potential to double its contribution over the next few years if all goes well with the sector.

Moderator: Thank you. The next question is from the line of Priyank Sanghvi from 5Y. Please go ahead.

Priyank Sanghvi: My question is with regards to HMVL. So, the initial plan was that HMVL will have around 40% to 43% stake in HT Digital Streams Limited and later around August 2017, a sale was made. So what was the idea behind the August decision?

Anna Abraham: I think we have addressed this in earlier call, but I will just mention the highlights. The whole point of HT Digital Streams was to kind of try to house all our digital properties in one legal entity as opposed to it sitting in multiple entities, which is why the legal entity got set up in the manner it got setup. Initially, it was felt that it there should be cross-holding between HTML and Hindustan Media Ventures Limited in the shareholding. However, it was felt that for the growth of the digital business, it is important that the business functions independently because the ethos of a digital business is very different from that of traditional print. The cross-holdings were also giving its challenges in terms of funding for the business, etc. So, it was decided that it will be completely spun off and run independently. The access to their capabilities remains for HT Media and Hindustan Media Ventures for their core business. However, the business will operate separately including catering to third-party.

Piyush Gupta: Just to add one point to what Anna said. The format of 43:57 shareholding we did continue for about a year and in spite of our best efforts, we are not able to turn in the profit for the shareholders at that point in time. HMVL incidentally is a pure play Hindi company unlike HTML where there are a lot of businesses at various stages of evolution and incubation. So, we wanted to not subject the HMVL shareholders to the same volatility which we saw in that one-year period that in spite of our best effort, we were not able to turn in a profit. So, we basically sold out at profit and returned that profit back to the shareholders with the whole idea being that to create a center of excellence around digital, which is the future of various categories and sectors including news. The benefit of that can be passed on not through shareholding, but through skills and upgradation of knowledge base to both the shareholders of HT Media and HMVL., HTML and HMVL can also take the benefit of all those skills that we are creating in that center of excellence. Hence the shareholding was spun off and that business I still believe is working beautifully right now. It has just been about a year that we started working on that business with the whole team put in with the new business plan which we are trying to operate. But if that business plan does operate over the next 3-4-5 years, we will be in a good shape to take benefits of all the new advancements and monetization opportunity been created in the digital space.

Priyank Sanghvi: So, how was the sale proceeds handled in the HMVL results?

Anna Abraham: It is sitting in the cash and that is also contributing to the increase in cash in HMVL for this quarter.

Priyank Sanghvi: So, did it come through P&L?

Anna Abraham: There is about 15 Cr of profit sitting in the other income line of HMVL on account of this. But this is in quarter 3, so it is not sitting in quarter 4 but it will form part of your full year results.

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

Bhavesh Jain: Sir, my question is on Shine.com. Despite all our efforts, the losses are expanding and there is a limited traction on revenue also. So what is the way forward for Shine.com?

Piyush Gupta: I think Shine has been one of the areas where in spite of our best efforts, we have not been able to make significant advances on the financial statements. Reasons could be various. Reasons could be execution, reasons could be the market where it operates or reason could be competition. There are a few new things that we are trying right now, which should enable us to kind of pivot the whole business in a more healthy financial stage. But at this point in time suffice to say that the challenges do continue and we are taking that challenges head on. We trying to re-pivot certain segments of that business and which is the challenge that we are still at it right now but at this point in time there are no early answers which I can give you.

Bhavesh Jain: And sir my second question is on margin. Q4 FY2018 gross profit margin on consol level has fallen by 150 bps. So, the newsprint impact has come in this quarter or we expect another 200 basis point impact on margin for next 3 quarters?

Anna Abraham: You are talking English or Hindi?

Bhavesh Jain: No consol.

Anna Abraham: I do not have the exact percentage in front of me right now, but I can tell you that the newsprint rate has impacted the HMVL like I mentioned. There is about a 3% increase in rates. However, in English it has been a muted impact. There is hardly anything.

Piyush Gupta: Can you repeat the question once again for my benefit please?

Bhavesh Jain: The gross profit margin on the consol level for this quarter has fallen by 150 bps

Anna Abraham: We do not disclose gross margins. So, it depends on what lines you are including?

Bhavesh Jain: I have taken revenue from operation minus your cost of material consume and the change in inventories. So I have taken that will be the gross profit divided by revenue from operations.

Anna Abraham: So, that is completely linked to the revenue drop and there is nothing on the cost side because both costs are actually on the positive side.

Moderator: Thank you. We will move on to the next question that is from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: So, given that what you have said about the Hindi advertising. So, are you confident or can you give us comfort that after the anniversary of UP Elections, Hindi advertising would be back on the positive trajectory?

Rajeev Beotra: Yes. So as I mentioned UP advertising impact is over now. In fact if anything, next year we are actually looking at an overall, on both businesses, all markets, positive impact of general elections. If you look back at every five years trend, by the code of conduct comes-in in usually in March and , assuming the same schedule of elections, we are actually anticipating a very positive government advertising revenue for both the businesses.

Yogesh Kirve: And the overall commercial as well, right?

Piyush Gupta: Commercial advertising for the longest time has been reeling under the macroeconomic situation. I think it is as much a guess which I can have as you can have. We only hope that it comes back. We have seen some early green shoots in the fourth quarter which you can see in the numbers that we presented. But category-by-category there are few categories which has started performing well so, we just hope that it rubs on to the other category. We are very hopeful and that is what we are building into our internal plans and going for it.

Rajeev Beotra: Yes, we are quite sort of buoyed by the corporate earnings going up. We are hoping that a lot of it will translate into the A&P spends going up as well and we should be the beneficiaries of that as well.

Moderator: Thank you. The next question is from the line of Manish Poddar from Renaissance Investments. Please go ahead.

Manish Poddar: Could you please help us with the radio revenues, let say old and new channel?

Anna Abraham: We do not give the split but in this quarter the old channels are the ones which have seen higher growth.

Manish Poddar: And that is for this full year, how would the growths be for the 2 roughly?

Anna Abraham: For the full year off course because of the base effect, the new stations will show a higher growth percentage.

Manish Poddar: And would you be able to give any idea on how much was the yield growth for the old stations let say annually?

Piyush Gupta: We do not give it like that, but I can tell you that in this particular quarter the old stations have seen a substantial growth which is coming from volume and yields. This quarter, the newer stations have not been the contributors as much but in the full year because they are already close to a breakeven, so both the Delhi second station and the English second station are doing reasonably well.

Manish Poddar: And any outlook on the yield let say for FY19 for radio as a whole?

Piyush Gupta: Well, I think after the Phase-III radio has also become a very hyper competitive space. So, yield is the factor of the market competition as well as the demand for the particular product. So, though our endeavour has always been to kind of have a yield-led growth which as you already know that we pegged our yield in the second Delhi and second Bombay station already at a premium to our earlier station because the content that we are serving there is the premium content which is Retro Hindi content. But it depends on market forces and the demand for this medium. The demand has been growing secularly for quite some time and so is the competitive activity. Now post-April, because of the regulation change, there will be a lot of consolidation in the market place and that will have a big bearing on the yields going forward.

Manish Poddar: And would be keen to take out any inorganic opportunities let say in radio?

Piyush Gupta: A good opportunity across our chosen places which is print, radio, information and entertainment sectors, we are always open for evaluation.

Manish Poddar: Just one final one if I may. So, at whatever price you bought the earlier radio stations and you would have taken an IRR. Where are we right now trending versus that IRR?

Piyush Gupta: We are tracking actually marginally better than that IRR. We have already beaten our going in business case.

Manish Poddar: And how much was the IRR?

Piyush Gupta: That we do not disclose.

Moderator: Thank you. The next question is from the line of Gaurav Aggarwal from E&R Advisors. Please go ahead.

Gaurav Aggarwal: Sir, you mentioned you are taking some initiatives and investments in the HMVL and you said you are halfway through that. So, what kind of investments have we done? what is our end goal? Where are we in that stage? How much further investments do we intent to do?

Rajeev Beotra: Even as we speak, we have just launched a new printing location in Bihar, on the 24th of April. So, we are looking at some of those investments. We have identified another location as well in the Hindi belt where we have already purchased the land as well. So, those are the kind of investments we are making as part of our commitment to the Hindi business.

Gaurav Aggarwal: Sir, how much investments will it entail and over what time period? Is it a two year call, three year call or what kind of time period are you looking at to complete these investments?

Anna Abraham: No, we have actually not kept an outer limit on completion, because Hindi is an area where we continue to invest. So, it is not like we will be investing this year and then we are done for, because the opportunities in these markets we see it to be quite extensive. It is the combination of both Capex and Opex investments and we will continue to invest behind Hindi.

Gaurav Aggarwal: Can you give government and DAVP-related revenues for Q4 and Q4 this year?

Anna Abraham: No, we cannot disclose that.

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

Vaibhav Badjatya: So, just continuing my last question. Without trying to be judged the impact on HMVL or HT Media, my straight question was that if you look at the financials it seems like a lot of expenditure has been rationalized in English print media business. I just want to know that in which heads or in which areas we have rationalized those expenses in English print media business?

Anna Abraham: So, we have addressed these questions in the past also. When we did the r restructuring exercise, it was a pan print exercise touching all cost lines from procurement, distribution, logistics, news print, marketing, ATL, BTL, overheads and people. All lines have seen the impact of the cost restructuring.

Vaibhav Badjatya: And second question is more relevant for HMVL and less so for HT Media. On the government revenue, we have two sources like DAVP and the election-related revenue. So, can you provide a sense on the profitability on these line items whether the yields are higher or lower than as compared to other parts of the business?

Rajeev Beotra: Look, the election revenue is the most profitable business, but it comes only periodically. The DAVP revenue is our largest contributor and there is the methodology which government uses to ascribe DAVP rates which is largely circulation led. It is the lowest yield advertising for all newspapers, that is for sure and the margins therefore are lower compared to commercial advertising or compared to election advertising. But it is the largest revenue contributor to our business.

Moderator: Thank you. The next question is from the line of Mahantesh Marilinga from Finquest Securities. Please go ahead.

Mahantesh Marilinga: Sir, you just mentioned that there was some loss-making business that you sold off in the digital segment. Which were the loss-making businesses?

Anna Abraham: We have not sold off. We have restructured. We had mobile marketing business under the brand name of Digital Quotient and the HT Campus business. We have restructured these businesses.

Mahantesh Marilinga: These expenses will not be there going ahead due to restructuring effect?

Anna Abraham: No.

Mahantesh Marilinga: So, the profitability might improve?

Anna Abraham: These businesses, profitability will definitely improve. As Piyush mentioned earlier, it is the Shine business which have kind of had challenges and in some of the other digital properties that we are continuing, we would possibly invest a little further. But in the restructured business definitely the expenses have already significantly corrected.

Mahantesh Marilinga: But what is the timeline Madam for the Shine business that still not doing some good numbers, top-line and bottom-line?

Piyush Gupta: We are trying something new. We cannot give you a timeline because we do not have any. Suffice to say that the expenses will come down sharply for this.

Mahantesh Marilinga: Going ahead?

Piyush Gupta: Yes.

Moderator: Thank you. The next question is from the line of P.V.S. Shrikant from Spark Fund. Please go ahead.

P.V.S. Shrikant: Sir, the investments that you are making in UP and Bihar. Can we just quantify it in terms of what is the Capex and what is the Opex that you guys have envisaged?

Anna Abraham: I would not want to quantify the same as it has competitive aspect to it. But it is a substantial number that we are looking at just on the Capex, and opex is over and above that.

P.V.S. Shrikant: And will the investments be from the HMVL cash only?

Anna Abraham: Of course**.**

P.V.S. Shrikant: One more question. So, regarding this gross margin, so how do you see it in the subsequent quarters, the next quarter and the quarter after that?

Anna Abraham: Given the newsprint sensitivity, as mentioned earlier in the call, there is going to be a fair bit of pressure on the margins. There are some corrective actions being worked out. So, I will not be able to give you an exact number but there will be pressure on the margin.

PVS Shrikant: So you expect the margins to go further down?

Anna Abraham: Of course. Piyush talked about a 50% increase in the pricing that we are seeing on the newsprint front. Domestic is little lower than the international, but it tends to be in similar trends. Therefore, there will be pressure on the margins.

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

Dipesh Kashyap: Can you please breakup the decline of 11% in circulation revenues of HMVL into drop in copies and the drop in cover prices please?

Anna Abraham: I cannot give you exact number but majority of the impact is on account of pricing only.

Dipesh Kashyap: So, did the number of copies increased or they actually fell this quarter?

Anna Abraham: We are continuing to increase our copies. So, there will be seasonal impact on copies some quarter-to-quarter. On the overall circulation revenue, the impact is largely on pricing.

Dipesh Kashyap: So, is it possible to give the average number of copes in Hindi?

Anna Abraham: No. We cannot share this information please.

Dipesh Kashyap: Last question, just did you say in the opening remarks that your growth of 2% in Radio is better than the industry growth in this quarter?

Anna Abraham: No. We said for the last three quarters we have outperformed the competition. This quarter, how we are relative to competition we will only know in some time because the results are not yet out.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

Anna Abraham: Thank you, ladies and gentlemen, for joining the call. We have had 3-4 quarters of good profitable results although revenue has eluded us. Hopefully, with the economic growth coming back and business results improving, the ad revenue growth which has been eluding us for the last one year should come back and we hope to bring you better results in the next quarter. Thank you and have a good day.

Moderator: Thank you. Ladies and gentlemen, on behalf of HT Media Limited and Hindustan Media Ventures Limited, that concludes today's conference. Thank you for joining us and you may now disconnect your lines. Thank you.