# Hindustan Media Ventures Limited's

## Q3 FY2015 Earnings Conference Call

## January 20, 2015 at 5.30 p.m. I.S.T.

www.hmvl.in

**Moderator:** Ladies and Gentlemen, good day and welcome to the Hindustan Media Ventures Limited's Q3 FY15 Earnings Conference Call hosted by CIMB Securities India Pvt. Ltd. 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 touch tone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Srinivas Seshadri from CIMB Securities, thank you and over to you sir.

**Srinivas Seshadri**: Thank you Karuna and good evening to everyone on the call. On behalf of CIMB Securities, I welcome you all to this conference call of Hindustan Media Ventures Ltd. We have with us in the management team Mr. Vivek Khanna – the CEO, Mr. Ajay Jain – the CFO, and Mr. Vinay Mittal – Chief Financial Strategist, HT Media. We will start with opening remarks from Mr. Vivek Khanna, followed by the Q&A. I now handover the call to the management.

**Vivek Khanna:** Thank you so much and good evening to everyone on the call. We are pleased to report another quarter of strong revenue growth and good profitability.

The quarter saw the total revenue growing by 12% and advertising revenue growing by 11%. We were able to grow advertising revenue on the back of strong improvement in yields. We have ensured that our yield growth along with lower raw material costs has given us a growth in operating EBITDA of 19% and a PAT growth of 27%. We are confident that with all the initiatives that we are taking in our markets in terms of expansion, growing penetration and getting necessary advertising returns on account of this expansion, we will continue to deliver value to our shareholders in the quarters ahead. So, with that I would like to open this up for questions and answers.

**Moderator:** Thank you very much sir. Ladies and Gentlemen, we will now begin the question and answer session. We have first question from the line of Shobit Khare from Motilal Oswal Securities. Please go ahead.

**Shobit Khare:** What has been the extent of yield improvement and volumes in the advertising growth? Secondly, please elaborate on the tax rate and the 'other income'. Is the tax rate low because of investments in Debt Mutual Funds, etc? And if that is the case, then could you provide any guidance for the same?

**Vivek Khanna:** The advertising revenue growth is almost entirely on account of yield improvement and marginal on account of volume increase. The yield has increased by close to 10% in the quarter.

**Ajay Jain:** The tax rate is lower because the returns which we are getting on the treasury income is taxed as long term capital gain and hence not subject to taxation or is taxed at a concessional rate. Therefore the tax rate is 23.8%.

**Shobit Khare**: Given the regulatory changes in the debt mutual funds, how should we look at this going forward in terms of yield, in terms of the other income which we book and the tax rate?

**Ajay Jain:** If you look at the changes which have been made because of long term capital gains etc, there are various methods of price adjustments and inflation adjustments and therefore the tax rate comes down.

For long term, we will continue to have our investment strategy based on whatever is most efficient for us and we will continue to see that the tax rate is efficiently managed. For example, for this year we are anticipating a tax rate of about 25-26%.

**Vinay Mittal:** In this quarter there was additional mark-to-market other income and that is why we had a tax rate of about 23% else it would have been 25%, like in the last quarter. And the 'other income', would carry on like interest income because most of our mutual funds have been aligned to a 3-year maturity period.

**Shobit Khare:** What is the kind of post-tax yield we are looking at on the investments?

**Vivek Khanna:** It is ranging between about 8-8.5% depending on the term.

**Moderator:** Thank you. We have next question from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

**Dheeresh Pathak:** What was the average circulation for the nine months and the average cover price and the average realized price?

**Vivek Khanna:** In this quarter, we saw our net realization per copy improve from Rs. 2.12 to Rs. 2.15. As-far-as our Print order was concerned, we had a 10% increase in our Print order over the same period last year.

**Dheeresh Pathak**: What is the average circulation?

**Vivek Khanna**: The overall circulation is close to 27 lakhs.

**Dheeresh Pathak**: This means the average for the 9-months would be about 26 lakhs. That is a 10% year-over-year?

**Vivek Khanna**: For quarter 3, it is 10% over the last year.

**Dheeresh Pathak**: For a 9 months also, you would give similar high single digit?

**Vivek Khanna:** For 9 months also, it would be significant, about the same.

**Dheeresh Pathak:** For 9 months, the employee expenses are much higher, almost double, than that of the revenue growth. Is there anything specific this year and what will it be for the longer term? Will it be more, high single digit, low teens growth in employee expenses?

**Vivek Khanna:** Yes, the employee expenses percentage will come down. As mentioned earlier in the last two calls, because of certain regulatory requirements, it is higher than normal but next year onwards it should come down.

**Dheeresh Pathak:** In terms of the outlook for ad revenues, which markets and categories are seeing strengths and weaknesses?

**Vivek Khanna:** In this quarter, Bihar, Jharkhand and UP saw strong growth. The growth was in the range of 14-15% in traditionally strong markets of Bihar and Jharkhand as well as our growth markets of UP. Delhi's local market was under pressure largely on account of real estate, which has not picked up. Though December was a tough month, we have seen the pickup again happening in January.

**Dheeresh Pathak**: Could you elaborate which categories did well and which did not do well in the quarter?

**Vivek Khanna:** The categories which did well in quarter 3 are Education, Government and Auto. Most other categories did well other than local retail in Delhi, real estate and certain FMCG categories.

**Dheeresh Pathak:** Regarding the investment in debt instrument, when we are booking 'other income', would this be on accrual basis? For example, once you invested in a 3-year debt instrument, would you continue to show the accrued interest every quarter?

Vivek Khanna: Yes, it is on accrual basis as per the accounting standards.

**Moderator:** Thank you, we have next question from the line of Sonaal Kohli from E&R Advisors Pvt. Ltd. Please go ahead.

**Sonaal Kohli:** What is a sustainable level of other income in Q4 or going forward considering you we have made some extraordinary gains because of lower tax rates in this quarter?

What would be the tax rate applicable for 2016 and when do you expect newsprint price decline benefits to come to you? Will they come in Q4, in Q1 of next year or beyond?

And what kind of ad growth rate would you expect considering a 6.5% GDP growth next year?

**Ajay Jain:** We have other income in the range of about Rs. 40-45 crores a year and that will be recurring. Most of the income is coming from the treasury and the tax rate will obviously be lower. Current year tax rate for YTD December is 25% because the income is also high. The tax rate would decrease than the tax rate which is prescribed and settle somewhere between 28-30%.

**Sonaal Kohli:** The other income run-rate is Rs. 40-45 crores. Do you imply that figure after subtracting the interest costs or are you saying from a gross perspective?

**Vivek Khanna:** Yes, gross

**Sonaal Kohli:** The figure is higher than that in the first 9 months. If extrapolated, it will be more than that run rate?

**Vivek Khanna:** For the first 9 months, yes.

**Sonaal Kohli:** Is there any reason, why you would expect your other income run rate to fall or because for 9 months you have already done Rs. 41 crores?

**Vivek Khanna:** Yes. There are investments going on and it is not a high rate interest regime. The market behavior changes.

**Sonaal Kohli:** What are the gross and net cash figures?

**Vivek Khanna:** We have Rs. 488 crores net cash and Rs. 574 crores gross cash.

**Sonaal Kohli:** Is our yield about 8%?

**Management:** It keeps on moving. It is broadly around that.

**Sonaal Kohli**: When do you see the impact of lower newsprint prices on you? What kind of inventory do you normally hold?

What ad growth rate are you expecting? This year has been roughly 13%-or-so for you, the overall revenue growth considering 6.5% kind of GDP growth, would you expect acceleration in your ad growth rate or the base impact is going to lead to a lower growth rate for you?

**Ajay Jain:** The newsprint prices are on decline and in this quarter they have already declined by about 3%. We expect 2-3% decline in the 4th quarter. We see a soft market in the beginning of next financial year. Therefore, the newsprint price pressure would be easing out.

**Vivek Khanna:** Regarding advertising revenue growth, last year we grew by about 14-15%. This year, on that base, we are growing at 13-14%. We believe that with all the initiatives that we have taken, along with the IRS results that we have and with the copy increase that we have done across markets of UP, we should continue to see a double digit growth. Also, with the tailwind of a higher GDP and more advertising, we believe that it is possible.

**Sonaal Kohli:** You may be able to grow at a faster rate than the last year? Would you expect a slowdown if the GDP revives? Because, on one side there is a base impact, benefits of higher circulation and readership numbers which may not be there next year to that extent?

**Vivek Khanna:** No, our circulation continues to grow. You would see a 10% increase in our print order this quarter versus the same period last year. And even if you take a quarter-on-quarter basis, there is an increase of about 5-6% in our print order. Our copies are going up. We are monetizing our copies as well and that is why I am confident that we will be able to register a double digit growth next year as well.

**Sonaal Kohli:** Some of the peers make much higher margins than you do. Do you see the gap bridging over next 2-3 years?

**Vivek Khanna:** Yes, as our expansion gets over and as the operating leverage starts kicking in, we will see margin expansion.

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

**Vikash Mantri:** You expect your print order to grow by 10%?

**Vivek Khanna**: No, I said that in both this quarter as well as in the first 9 months on an average, our print order has increased by about 10%.

**Vikash Mantri**: We have Rs. 480 crores of cash. We had highlighted in the beginning of the year that we will take a call by Q4 of this year or early next year of our plans for a newer market and we talked about Rajasthan at that point of time. Can you help us explain, what is the thesis for growth now, which markets are we looking at and the plan of action for Rajasthan? At the same time, what could be your print order plan for next year?

**Vivek Khanna:** As far as new markets are concerned, for obvious reasons, we can't tell you which market we are going to expand into, but clearly during this period from the beginning of the year till now, we have been studying various markets. We have made our plans and our business case and we should be executing that by the end of this quarter.

As far as our expansion plan of next year is concerned, there are very few empty spaces left now, we have pretty much covered all the empty spaces that were there in our existing geographies. So, there will be some marginal spaces where we will continue to grow our copies but they would be scattered in small pockets. It will not be anything which is concentrated in one market.

**Vikash Mantri**: Your print order growth for next year other than in a new market would be in a range of 4-5% maximum?

**Vivek Khanna:** Yes, about 5-6%

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

**Rohit Dokania:** Is there any positive benefit from the Jharkhand elections, a positive or negative benefit?

**Vivek Khanna:** Very marginal, nothing significant.

**Rohit Dokania:** Given the cash that we have, any thought or strategy in terms of getting into radio or will that be driven through the promoter entity?

**Vinay Mittal:** As far as radio is concerned, the radio piece will continue to be a part of HT Media. HMVL is a dedicated vernacular print company.

**Moderator:** Thank you. Next question is from the line of Huzefa Cutlerywala from JAF Management. Please go ahead.

**Huzefa Cutlerywala:** With Rs. 488 crores on our balance sheet, are we looking at any kind of inorganic growth at this point in time?

**Vivek Khanna:** Yes. But we will do the acquisition if we believe that the price is right.

**Moderator:** Thank you. We have next question from the line of Priyank Singhal from Bajaj Allianz. Please go ahead.

**Priyank Singhal:** What percentage of advertisement revenue has come from Delhi?

**Vivek Khanna**: Roughly about 15%.

**Priyank Singhal:** Was Delhi the only sluggish market?

**Vivek Khanna:** Delhi actually declined.

**Priyank Singhal:** Could you elaborate on rupees per ton of newsprint cost? What were the prices in the last quarter? In context of that, what are the current prices and when are we likely to see the benefit of that? It is still sometime that the newsprint prices actually have been lower coupled with the fact that currency also has been stable on a y-o-y basis and maybe actually have appreciated and so then we were actually expecting the benefit of growth by now?

**Vivek Khanna**: Our newsprint price consumption rate for quarter 3 was Rs. 35,434. We expect this to drop by at least 3-4% in quarter 4 and generally the trajectory is on a downward trend.

**Priyank Singhal:** The 3-4% number that you had mentioned earlier as well was not in the context of the market. It was in the context of our newsprint prices, right?

**Ajay Jain:** We are not isolated from the industry. The market behavior and our behavior is almost the same.

**Priyank Singhal:** This means that the Rs. 35,434 was for the last quarter Q3, market rate is also pretty much the same, is it?

**Ajay Jain:** Yes, it is almost the same depending on who uses it and what type it is.

**Priyank Singhal:** And what was the corresponding number for Q2 sequentially?

**Ajay Jain:** Rs. 36,463.

**Priyank Singhal:** You mentioned that by the end of the quarter, we will finalize strategy regarding where we are expanding next. Does it mean that actually we are expanding, that is a given now, it is just that you are not disclosing which market is it?

**Vivek Khanna**: We have studied the markets and have been putting together a business case and once the business case gets approval from the Board, we will be disclosing it. It is subject to the final approval in terms of our expansion.

**Priyank Singhal:** And therefore, since it is not 100% finalized, would it be premature for you to give the extent of EBITDA losses that can potentially kick in from any expansion next year or are you in a position to throw some light on that?

**Vivek Khanna:** You are right that it would be premature, but it would not be alarming.

**Priyank Singhal:** Alarming in the sense? Despite the hit from the new venture, would we still be able to maintain margins in this year and the next year or so?

**Vivek Khanna:** We have been doing a business case to ensure that we can do a prudent expansion plan and that is why there is a lot of study which has gone behind whatever we intend to do.

**Priyank Singhal:** You are open to opportunities and if radio and other ventures are going to be done in HT, those opportunities necessarily have to be print in nature. Are we looking at only Hindi print or are we open to regional prints?

**Vivek Khanna:** We are looking at vernacular print as well.

**Priyank Singhal:** Jagran has been reasonably active and they have done couple of acquisitions. We have also looked at those acquisitions but have not bought them for reason of size or valuation. What is the multiple that we have in mind while looking at some of these acquisitions or is there any other strategic reason because of which we are not getting the right fit.

**Vivek Khanna:** Some of the acquisitions that Jagran has done, we were also interested in at a group level. But beyond that, why it did not happen and what were the prices quoted etc. is something that I will not comment on right now.

**Priyank Singhal:** There were some regulatory reasons for the employee cost to be higher this year. Could you help me understand what those regulatory reasons were and of the overall 9 month employee expense, what percentage was on account of that?

**Vivek Khanna:** As mentioned in the call in quarter 1, there was a one-time hit that we took in quarter 1 and there was supposed to be an ongoing hit which would have come across in all the 4 quarters. Those were equal - the ongoing and the onetime. Therefore, what we are taking now is an ongoing kind of a hit, which was not there in our base last year, but is there this year.

**Priyank Singhal:** Will this ongoing expense continue for FY2016 as well? Or will there be a subtraction from this quarterly run rate and then a nominal inflation linked growth in employee expenses.

**Vivek Khanna**: No, the onetime hit was only in the first quarter which is not repetitive in nature but the ongoing hit is now structural. Next year the increase will therefore not be so high because that is already there in our base. Last year, it was not there in our base which is why you see the salary cost in percentage terms is significantly higher.

**Priyank Singhal:** Was it the Government that asked us to take a certain increase for certain kind of employees?

**Vivek Khanna:** There is this legislation which impacts all newspaper companies.

**Moderator:** Thank you. We have next question from the line of Rohit Balkrishnan who is an individual investor. Please go ahead.

**Rohit Balkrishnan**: Regarding EBITDA margins, if we exclude the other income, it has gone down over the last year-to-date as well as on a quarter-on-quarter basis. Was it purely because of the employee expense increase as the raw material costs have been declining? What are the EBITDA margins now functioning in Bihar, Jharkhand, and UP?

**Vivek Khanna:** The increase in cost is on account of two things – one is the higher salary cost but the second is also on account of the expansion that we have done and our news print consumption and our print order which has gone up by about 10%-odd and that is the other reason why our overall costs have gone up.

**Rohit Balkrishnan:** I think in last quarter of financial year 2014 or in the first quarter, we have broken even in UP?

**Vivek Khanna:** Correct.

**Rohit Balkrishnan:** Does that still hold?

**Vivek Khanna:** Pretty much. We are making money in UP.

**Ajay Jain:** The EBITDA margin, without other income, though the percentage has gone down but the income has gone up. The reason is because print order has gone up by almost 10% as has the pagination. Therefore, the news print consumption is going up and that is a reason why the cost is going higher than the revenue growth in these three quarters.

**Rohit Balkrishnan:** What are the broad margins that we are looking to achieve in our UP and UT markets over the next couple of years?

**Vinay Mittal**: Around 25% over the next three years.

**Rohit Balkrishnan**: In terms of our competitive position in our key markets – Bihar and Jharkhand, is there any sort of impact by the expansion that DB has done in Patna and continued expansion in Jharkhand?

**Vivek Khanna**: Our growth rates have gone up in Bihar.

**Rohit Balkrishnan:** There is no negative impact?

**Vinay Mittal:** When a new player enters the geography, the leader actually gains in advertising because the market expands.

**Vivek Khanna:** Our growth rates have gone up in Bihar post the entry and our presence has become even more sound in that market. We obviously took some steps before the entry of Dainik Bhaskar and we expanded our Print order and therefore, a part of that is also getting reflected in our overall print order. The majority of the 10% growth is coming from UP but there is a small number which is also coming in Bihar because of the expansion we did in Patna and that has helped us monetize more and grow better in those markets.

**Rohit Balkrishnan:** I was reading somewhere sometime back that actually in some of the micro markets in UP we are almost #1 in terms of position. I just wanted to confirm that.

**Vivek Khanna:** Yes, in some cities we are #1 and in most other cities in UP we are #2 in terms of our Readership position. We have been growing our copies over the last few years and that trend has continued this year as well. This year, we expanded very rapidly in the city of Kanpur and we have also done similar expansion over the last few years in the key cities across UP because of which we are #1 and #2 in most of the large cities.

**Rohit Balkrishnan:** Would it be possible to share the gap in terms of ad rates with Amar Ujala and Dainik Jagran?

**Vivek Khanna:** If we look at UP, Dainik Jagran's rates would be roughly double of our rates. Our Bihar-Jharkhand yields are obviously significantly ahead of Dainik Jagran but in UP, which is a large market, they are double of us.

**Rohit Balkrishnan:** And for Amar Ujala?

**Vivek Khanna**: Amar Ujala is also marginally ahead of us in terms of yields but we should be bridging that soon. The growth rate that we had this quarter is on account of yields and the yield increase is because of the expansion we have done in UP and the increase in readership that we have in UP. We have increased yields in these markets and we will continue to do so.

**Rohit Balkrishnan:** A couple of quarters back Dainik Bhaskar entered the UP market through the digital route. There are two parts to it – what is our digital strategy going forward? You had mentioned that we will come up with our own digital policy sometime in the early FY2015. What is our thought process on that and also your reaction on Dainik Bhaskar's move?

**Vivek Khanna**: Dainik Bhaskar has been pushing its digital offerings for the last couple of years and as far as we are concerned, we did formulate the digital strategy and we identified the ways to grow. We have the necessary set of people to ensure that our strategy is executed well and it is already underway and we are already seeing some traction on that but it is a bit early for me to talk about what exactly our strategy is and what kind of results it will give in terms of revenue but clearly we have moved significantly in the last six months. There is a proper team now which is working on it, executing the strategy, and couple of things will be out on that soon.

**Moderator:** Thank you. We have next question that is a follow-up from the line of Sonaal Kohli from E&R Advisors Pvt. Ltd. Please go ahead.

**Sonaal Kohli:** Regarding the new launch that you are planning to do, would it happen in the first-half of the year itself and shall we start seeing significant losses on account of that in the first-half or it would be a more of a second-half phenomenon because I presume it may take some time to do the ground work? Or is it that the ground work has already been done and we can launch it immediately?

**Vivek Khanna**: No, it will probably be in the second-half.

**Sonaal Kohli:** Would we be profit focused in the sense that our margins are quite low compared to the other players and in the past few years you have been investing behind growth so we have been getting growth but we have not been able to get the kind of profit growth one would have expected. So while doing the new expansion, would you expect your profitability to grow in the years to come or we may reach a phase of revenue growth but declining profits going forward?

**Vivek Khanna**: Our endeavor is to have a prudent expansion strategy which not only delivers top-line growth but also ensures that there is no significant impact on the bottom-line and that is what we have been working on.

**Sonaal Kohli:** Going forward, if we leave apart the new geography, do you see a couple of 100 basis points margin expansion in existing geographies because of the benefits of investments you have done in the past?

**Vivek Khanna:** Yes, on an overall basis we will clearly have margin expansions in our existing geographies.

**Moderator**: Thank you. We have our next question from the line of Ritwik Rai from Kotak Securities. Please go ahead.

**Ritwik Rai:** The ‘other expenses’ are up about over 10% quarter-on-quarter, could you elaborate on that?

**Ajay Jain:** Other expenses comprises of various overheads, etc., which are driven by many heads including the travel cost, telephone, lines, etc. Particularly, there is a provision for doubtful debts which has been made in this quarter and therefore the expense is appearing to be higher in terms of about 10% growth.

**Ritwik Rai:** Could you give an extent of the provisioning for doubtful debts?

**Ajay Jain:** This is about 1.5 crores.

**Ritwik Rai:** But that is somewhat small compared to the kind of growth that we are seeing?

**Ajay Jain:** The growth is about 10%. If you look, 3%-4% is doubtful debt. So, 5%-6% is a normal growth.

**Ritwik Rai:** The reason why I am asking about that is because in your third quarter of the previous year, you might have added some kind of marketing expense related with the entry of Dainik Bhaskar in Patna etc. On that base, it is a fairly significant growth and on this quarter-on-quarter basis also, 10% would be the normal kind of growth rate that we should work within this line item?

**Ajay Jain**: It is very difficult to define whether it will be 10% or 5%. It all depends on the actions which are being taken by the company in various markets.

**Vinay Mittal**: 6% to 10% depending on the timing of the events or the extra marketing that you may undertake and things like that.

**Ajay Jain:** Exactly, may be even 5%, I do not know, that's the way it is.

**Ritwik Rai**: Was there any such event or something in this quarter?

**Ajay Jain:** In this quarter, it was primarily because of the doubtful debts provision.

**Vivek Khanna:** It was predominantly on account of that. It is actually Rs. 1.5 crores to Rs. 2 crores.

**Ritwik Rai:** In which geographies the circulation growth was concentrated in or is it evenly spread across geographies?

**Vivek Khanna**: No, it is predominantly in the markets of Uttar Pradesh and to a lesser extent in Patna, Bihar.

**Ritwik Rai**: The ad growth in Uttar Pradesh, which is 14% to 15% growth, is that all on account of yield growth?

**Vivek Khanna:** Yes. This quarter, our growth is entirely on account of yield increase.

**Ritwik Rai:** The yields were lower than Amar Ujala which you were saying were about 80% of Amar Ujala. But now you are ahead of them. What difficulties are you facing pushing up yields at a higher rate than this?

**Vivek Khanna:** Yield growth is an ongoing process and post the IRS results, I do not think we have had too much difficulty. Yes, initially there was some confusion around the results but as it got resolved we have been able to push up our yields in UP and that is something we will continue to do so and it is an ongoing thing.

**Ritwik Rai:** What was the average realization per copy what number should one work with?

**Vivek Khanna:** Our average net realization per copy in this quarter was Rs.2.15.

**Ritwik Rai**: What kind of growth would be prudent to expect for the next year?

**Vivek Khanna:** We have grown our circulation revenue by about 10%-11% and I think that is something we will continue to do. It is going to be a function of multiple factors. It is going to be a function of the quantity that we increase, where we increase it, the cover price increase that we do, and the competitive activity that may happen. We have considered all these things and that is a reason I am talking about 10%-11% increase in circulation revenue. I do not want to split it between PO increase and cover price increase.

**Ritwik Rai:** For the UP market one would still expect continued growth from you in terms of circulation at the present rate?

**Vivek Khanna:** In terms of circulation revenue or in terms of copies?

**Ritwik Rai:** In terms of copies.

**Vivek Khanna:** No, not at the present rate. It should come down because we have done a lot of expansion this year and going forward we do not need to expand at this pace.

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

**Yogesh Kirve:** The employee cost is set to grow by around 21%-22% in FY2015 but still if we look at the employee cost-to-sales ratio, it is quite low at around 13% compared to our listed peers which are around 15% to 16%. How should we look at the employee cost going into FY2016, can we see an elevated increase even in FY16?

**Vivek Khanna:** No, the reason for this elevated increase this year is statutory compliances which we have already built-in. If no other external factor happens and we do not expect anything to happen, it should be a normal increase next year.

**Yogesh Kirve:** Since your peers have 15% to 16% that is typically the staff cost-to-revenues and overall basis say have an higher EBITDA margin so I want to ask should our staff cost grow at a higher rate even in FY16 just to play catch up with the wage levels that peers are giving?

**Vivek Khanna:** We will check the peer number but as far as we are concerned we do not expect us to have abnormal increase going forward.

**Yogesh Kirve:** Is it fair to assume something like 10% to 12% on an annual basis?

**Vivek Khanna:** Yes, roughly around that.

**Yogesh Kirve:** What was the Capex for the quarter and what do we expect for the full year?

**Ajay Jain:** Capex till quarter 3 is around 7-8 crores. We have some ongoing projects and we would incur another 4-5 crores approx. this year.

**Yogesh Kirve:** Full year should be around?

**Ajay Jain:** It will be Rs. 12-15 crores.

**Yogesh Kirve:** What should we expect for FY2016, not factoring any organic expansion?

**Ajay Jain:** That is still under planning stage.

**Vinay Mittal:** Normal Capex should be around 15 crores.

**Vivek Khanna:** Yes, normal Capex should be about Rs. 20-odd crores not factoring in the expansion.

**Yogesh Kirve**: In the operating revenues, excluding the advertisement and circulation, there seems to be quite a significant dip on y-o-y basis. Is there any particular reason?

**Ajay Jain:** There is some ongoing sale of scrap and some other third party work that is done and that was lower in the quarter.

**Moderator:** Thank you. You may have next question from the line of Nirav Dalal from SBICAP Securities. Please go ahead.

**Nirav Dalal:** What was the pagination?

**Vivek Khanna:** Pagination is roughly running at slightly more than 21 pages.

**Nirav Dalal:** Where else do you see the increase in the POs going forward?

**Vivek Khanna:** As I was mentioning, the big ticket items are pretty much through. There are some scattered spaces that we will be doing over the course of the year ahead. But the big increase that we did in Kanpur where we put in a very large number of copies on 31st March, 2014, that kind of white space is not there. Now it will be scattered and it will be on an ongoing basis.

**Moderator:** Thank you. We have next question from the line of Rohit Dokania from IDFC Securities. Please go ahead.

**Rohit Dokania:** You mentioned that you are evaluating inorganic opportunities and at the same time you are waiting for a Board approval for a Greenfield expansion. Are these two events mutually exclusive or is there absolutely no relation between them?

**Ajay Jain:** No, I was just talking about the process that we follow.

**Rohit Dokania:** Let us say if we go ahead and buy something, will we put our Greenfield expansion on hold or these two are unrelated all together?

**Vivek Khanna:** It depends on the size of the inorganic opportunity if it fructifies and therefore it could be both or it could be one versus the other. There are multiple inorganic opportunities some are small in which case we could do both but if there is a large inorganic opportunity then we may not have to do both.

**Moderator:** Thank you. We have next question from the line of Laxmi Narayanan from Catamaran. Please go ahead.

**Laxmi Narayanan**: How do you increase engagement of your reader in a sense that you have done some kind of a study which says that in the last couple of years, the engagement of your reader has actually increased?

What is an average age of a reader in your key markets such as Bihar and UP and how has it actually trended?

**Vivek Khanna:** We are constantly doing various Reader Engagement Programs. I can give you examples of some that we have done very recently. In Kanpur, about five-six Sundays back, we started something which is equivalent of what you may know as Raahgiri. We have a very large number of people, 20,000-25,000 who come to attend that. We have been doing that for last five or six Sundays. We have also extended that in other markets of UP. Then there are other programs that we have done very recently around elections in Jharkhand. There, we ran a complete campaign on telling people the importance to vote, talking about candidates in each geography and engaging them on ground through things like Nukkad Natak, Chai Sabhas etc. There is a huge calendar of reader engagement programs that happens.

**Laxmi Narayanan**: And if I just translate that to the increased time spent on reading our paper, is that something which you kind of track as last year the average time spent by an average reader is ‘x’ and now it has actually increased. Do you calibrate on a frequent basis and if so, what is a number and how it has moved?

**Vivek Khanna:** We do calibrate that but I do not know how to answer “frequent basis”.

**Laxmi Narayanan**: No, it could be frequent on an annual basis. The reason I am asking this question is because when you compare digital advertising, one of the key reasons while digital advertising, the people who sell the space say that the engagement, the time spent is higher and it is very focused. As against that, when we actually talk to the similar advertiser then you will be talking that- look my newspaper is actually getting more read?

**Vivek Khanna:** I would answer this by saying two or three things. Firstly, the time spent on reading a Hindi newspaper in the market across the Hindi belt is significantly higher than the time spent on reading a newspaper in some of the bigger cities for obvious reasons like traffic, time taken to get to work, etc. Secondly, you asked about the average age of our reader, in new markets like UP. With our positioning on Tarakki, the average age of reader is lower compared to a competitor.

**Laxmi Narayanan:** What is the average age? Is it in the late-20s or it was in mid-30s?

**Vivek Khanna:** I do not have the average age here right now but we have got it across different age brackets the kind of trends that you see over a period of time.

In terms of the average age, it could be roughly in the 20s that you have mentioned in a growing market like UP. But let me come back to you with an exact number on this. Obviously in Bihar and Jharkhand where we are a larger much more established player, we are read across all age groups and there the average age is slightly higher than it is in UP.

**Laxmi Narayanan**: If you just take the entire basket of your advertisers including national advertisers, local advertisers and the Government; the local advertisers and the government advertisers will continue to be always on print, right; they never shift to digital. So broadly what is a set of advertisers in your overall scheme of things who in parallel will also have a sound digital strategy?

**Vivek Khanna**: Yes, there are these different kinds of advertisers and while you only mentioned about local and government, I can tell you globally there are some very-very large consumer product companies, multinationals, very big names that have stopped advertising in digital and there are some which are very aggressive on digital. It is not just a function of whether it is a local or national advertiser; it is also a function of the kind of products that you sell, the geography that you sell to.

While geography is important, if you look at penetration of electricity, the electricity available in a day in a market like Bihar is probably amongst the lowest in the country and therefore things like television viewership etc, is significantly lower than let us say could be in a Delhi or a Mumbai. And that is one of the various factors that increases print readership and time spent on a newspaper in some of these markets. There are multiple factors and I do not think it is a very simplistic argument to say that national advertisers will now start moving to digital. Yes, there is interest in digital because it is becoming a very important and critical medium of consuming news and entertainment but it also differs across geography and the speed of adoption is a function of penetration of not just devices but also of the speed and broadband etc. and multiple factors which are going into it. As far as we are concerned, we are seeing an increase in print advertising even now across all the three categories that you have mentioned.

**Laxmi Narayanan**: And as you have mentioned, you were able to take price increases also in a very meaningful fashion in the last couple of quarters, right?

**Vivek Khanna:** Yes.

**Moderator:** Thank you. As there are no further questions from the participants, I would like to now hand over the floor back to Mr. Srinivas Seshadri for his closing comments. Over to you sir.

**Srinivas Seshadri:** I thank the Management of HMVL as well as all the participants for joining the call today. We would get back in the next quarter. Good day to all of you. Thank you.

**Vivek Khanna:** Thank you so much. Thanks everyone.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of CIMB Securities India Private Limited this concludes this conference call. Thank you for joining us. You may now disconnect your lines.

==========================================================================