

Hindustan Media Ventures Ltd.

**Hindustan Media Ventures Q3 FY2018
Earnings Conference Call**

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Hindustan Media Ventures Ltd.



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Moderator: Ladies and gentlemen, good day and welcome to the Hindustan Media Ventures Q3 FY2018 Earnings Conference Call hosted by Batlivala & Karani Securities India Private 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. Yogesh Kirve from B&K Securities. Thank you and over to you Sir!

Yogesh Kirve: Thank you Rio. Good afternoon to all the participants and thank you for joining in. We at B&K Securities are pleased to host 3Q FY2018 earnings conference call of Hindustan Media Ventures. To discuss the results and the outlook, we have the senior management of the company on the call. I will now hand over call to Ms. Anna Abraham, Head – Investor Relations and Financial Planning at Hindustan Media Ventures for her opening remarks. Over to you Anna!

Anna Abraham: Thank you Yogesh. Good afternoon ladies and gentlemen and thank you for joining us for the earnings call. I have with me the senior management of the company represented by Mr. Benoy Roychowdhury – Whole-Time Director, Mr. Piyush Gupta – Group CFO and Mr. Sandeep Gulati, who has been appointed today by the board of HMVL as the CFO for HMVL. I would like to now invite Benoy for his opening remarks.

Benoy Roychowdhury: Thank you Anna. Good afternoon ladies and gentlemen. Towards the end of the third quarter, we had a little bit of pickup in the advertising revenue. However, through the quarter the revenue outlook remained quite soft while we as a company improved our margins. Our ad revenue growth has been 5% as some sectors returned to advertising with the stabilization of GST. However, the overhang of demonetisation and RERA continues to impact several other sectors like real estate.

Performance of some of the sectors like FMCG and Retail has been strong during the quarter, especially some of the large FMCG companies who saw some opportunity to advertise with the GST impacting them positively, that has led to increase in advertising volumes. However, some of the interesting sectors like government continue to be subdued. We as a company have improved yields and there has been a marginal growth in ad volumes too. Our circulation revenue saw some softness on account of lower cover price realizations due to heavy competitive actions both in UP and in Bihar. Thankfully, these actions are now reversing and our average cover realization started going up again towards the end of the quarter. Despite the competition, we have maintained market share. However, on the cost side raw material costs have gone up due to higher newsprint consumption and inflation in newsprint prices. Other indirect costs were down over last year on account of the company wise cost rationalization initiatives that we have taken earlier in the year and these have really come good for us in Q3.

We have sold the entire investment in HT Digital Streams to Digicontent Limited, which is a fellow subsidiary company, for a consideration of Rs 76.7 Crores. This transaction resulted in a gain of Rs 15.3 Crores for your company during this quarter. This amount appears in other income. Once advertising revenue improved, we expect strong margin growth given our yield focus and tight control on cost. We remain committed to deliver profitable growth to our shareholders and we look forward to better results in the coming quarters. We can now open up the floor to questions and answers.

Moderator: Sure. Thank you very much. We will now begin with the question and answer session. We have the first question from the line of Mr. Vikash Mantri from ICICI Securities. Please go ahead.

Vikash Mantri: Just wanted to understand what is happening on the advertising front now. Even last year, we have a weak base because of demonetisation and last year was a 7% degrowth. The expectations from advertising should have been much better. So help us understand if this is just a temporary problem or we are seeing structurally lower spends on print being a business case now?

Benoy Roychowdhury: I do not think one can answer your second part of your question, which is whether we have seen a structurally lower spend in print, because it is too early to decide on that because there are two or three major environmental factors which have subdued advertising in the last few quarters. First factor was demonetisation which was followed by GST and RERA. All these have contributed to subdued advertising environment. At least for Hindi, I do not think there is any structural shift. Our advertising in the sectors like FMCG, has started coming back. During the period, we saw improved performance in FMCG, Retail and Banking & Finance. All three categories grew significantly over a year ago. The sectors which did not perform well were Government, which was on a very heavy spend especially in the state of UP last year; Real Estate which continues to be plagued by demand problems; and Durables which again has not picked up as much. In terms of our business, we had a volume growth of 3% and yield growth of 2%. So I do not think we are seeing a structural shift in advertising in Hindi, but hopefully once the economy picks up and the outlook of advertisers is positive for the future, you will see your return in volumes and advertising revenues.

Vikash Mantri: On the advertising front, I remember that readership survey not being available and if I remember right the news was expected sometime early in 2017. We have not heard much about it, can you help us what is the situation on it?

Benoy Roychowdhury: Vikash as you know readership survey is important for national advertisers; it has been in the past and continues to be extremely important. However, local advertisers and government rely either on response in the local markets or at best on the ABC numbers. Both those two metrics continue to be there. The MRUC yesterday has announced that the IRS results will be announced next week. So you can expect to get some information on the new readership data. This will be a consolidated readership

survey for the whole of 2017. Subsequently, from this quarter onwards you will see quarterly reports on readership, which MRUC will be coming out with, and that should be plugged in.

Vikash Mantri: And whoever is the agreed party in this readership survey can he lead to the same issues that happened with the last survey?

Benoy Roychowdhury: I cannot do that much crystal ball gazing, but I think we have tightened up the contracts that advertisers and publications have to sign, which hopefully will avoid too much litigation. Let us hope that it will not see the kind of turmoil that we saw last time. I think it will go down more smoothly. The sample size is significantly larger and there is far more coverage of rural markets. All in all it is pretty robust survey, so let us wait and watch, but honestly I cannot tell you what is going to happen in terms of competitive reactions.

Vikash Mantri: I will try to get commitment from all players before it comes out, so that they do not start questioning the survey and that was my objective. One final question on the circulation revenue. Who has initiated this action and why is that even after so many years of brand building and having a strong readership franchisee the only reaction that players end up doing is cut the cover price?

Benoy Roychowdhury: Vikash, I do not want to get into that because everyone will blame everyone else. It is a competitive market and these kind of things happen. However, with newsprint prices going up, everyone is feeling the pressure and there is overall sensitivity to this and cover prices have started going up now.

Vikash Mantri: Thank you sir and best of luck.

Moderator: Thank you. The next question is from the line of Vaibhav Bharjatiya from H&I Investments. Please go ahead.

Vaibhav Bharjatiya: Thank you for providing this opportunity. I had slightly longer-term question. If we look at the overall advertising yields in state of UP, not just for our company, but across all the companies. It has kind of gone up slowly year-after-year from 2014-15 onwards. So I just want to understand this phenomena as to what has resulted in this uptake in yields in UP for the industry as a whole?

Benoy Roychowdhury: As advertisers gets more and more penetrated into smaller market, yields will go up. Also newer categories like real estate and FMCG these are becoming very important for companies to start investing in UP. Earlier there was more interest in large urban agglomerates like Delhi, Mumbai and Kolkata. Then it went out to the mini metros. Now it has gone down to rural markets and smaller markets and that is why the interest in UP and Bihar for that matter is going up. So that is really why yields in UP are going up and they will continue to do so. Also, the headroom between the kind of yields that companies get in cities like Delhi, Mumbai, Bengaluru and what we get in state like UP is quite large. So there is lot of room to grow in markets like UP as these markets develop and become more and more important in the portfolio of companies.

- Vaibhav Bharjatiya:** Sir basically what you are trying to say is that new kind of players are coming into advertising market aggressively. That is why the yields have gone up right?
- Piyush Gupta:** I think what my colleague Benoy was clearly pointing out that the Tier II towns and the Tier III cities are now becoming more important in the scheme of national advertisers. Also because of the attractiveness of those markets the local revenues are also happening here. Therefore that much more need for advertising. This sets on a positive impetus. As the market attractiveness will grow, they are likely to grow in these markets because these have been compared to the bigger agglomerates and as Benoy was saying are under penetrated markets clearly.
- Vaibhav Bharjatiya:** Sir my second question is around pagination. Is our pagination per newspaper, in a general sense, higher than what is a norm in the industry?
- Piyush Gupta:** On pagination I think every newspaper will have its own ethos. Pagination is the culmination of edit and ads. On edit, every newspaper has its own ethos as to what they want to serve to the eventual reader. We follow our own ethos, our competitors follow their own. Of course, everyone tracks everyone. The balance part of the pagination is directly correlated to the amount of advertising coming into the newspaper. As you are aware, the advertising scenario has been weak for some quarters. So that amount of pagination obviously has automatic formula built into it. The balance, as far as the edit pagination is concerned, follows the edit philosophy of newspaper.
- Vaibhav Bharjatiya:** The point I was coming from was that if we compare the margin of our company as compared to some of the other players, it is little on the lower side. But at the same time you have the higher turnover as compared to them. So, is it because of the higher ad inventory per newspaper that is there or it has to do with something else?
- Piyush Gupta:** I think it will be kind of tough to put your finger on a single point. In the big market of UP, we have really started our journey only 5-10 years ago and there are entrenched people there. So we are a competitor to them and that has its own dynamics. So the bang for the buck or the realization per copy will eventually go up. It cannot just jump to the level of the market leader there. So I think that is the reason.
- Vaibhav Bharjatiya:** On our proposed acquisition of education business, from our FY2017 Annual Report it comes out that the education business has around Rs 38 Crores of losses in FY2017 and now that number is quite large as compared to our existing earnings. I just want to understand what is the plan going forward and what can we expect from this business in terms of losses in FY2019?
- Piyush Gupta:** On the business side the historical losses will have no bearing on the losses going forward. But if I may just point you to the last call where we gave you upshot as to why we are doing this thing. We started the higher education business in big city, which was essentially in NCR with the understanding that there will be a big market for this kind of a higher education. But now having

understood that in big cities formal university education is the preferred mode, we are taking it to Hindi Hindustan because in those markets there is still a need of a lot of vocational training which basically culminates into a job. So that is the rationale why we are doing this thing. As far as the losses is concerned, you would agree with me that the loss number which we were incurring in the NCR and would come down very sharply in smaller cities. So that historical loss that you are reading will come down very sharply when it gets integrated with HMVL.

- Vaibhav Bharjatiya:** Fair enough, got it. Thank you I will come back to question queue again.
- Moderator:** Thank you. The next question is from the line of Vikram Ramalingam from Maybank. Please go ahead.
- Vikram Ramalingam:** Congratulations on a good set of numbers sir. I wanted to understand more on the raw material cost. What would be the range we are looking at for the newsprint prices per tonne?
- Piyush Gupta:** As Benoy teed off in the earlier part of the conversation, we have already seen early signs of the raw material prices inching up, specifically newsprint. If you were to look at the last two years, it has been pretty stable newsprint prices scenario, which has now started going up effective last quarter. Range is a matter of conjecture, but I think it will be fair to say anywhere between 5% to 15% can happen. But at best, it as an estimate at this point in time because we have already seen the new purchase orders that everyone including ourselves are placing is at a rate higher than the earlier rate.
- Vikram Ramalingam:** Can you elucidate on the steps taken for cost rationalization. I think this is really working for you guys and it will help if we get to know what exact steps have been taken?
- Piyush Gupta:** Actually, that is a secret sauce! To be very honest, the exercise which we started in July 2016 was after looking at the initial round of revenue softness which we were witnessing even then. And as you would remember this is much before demonetisation or GST got notified. What we really did is we looked at all the cost lines very carefully and the whole idea was to see how can we optimize various processes around people, paper deployment, paper procurement, overheads, marketing, sales promotion, edit cost. So various line items of the cost was scrutinized and it was not just basically in terms of saying that we can do with one what we are doing with two. We gave up a lot of processes, we centralized a lot of processes, we tried to automate a few that we possibly could. In one year, I think we managed to do a pretty decent job which is holding us in good stead even in a scenario where the revenue softness still continues after six quarters.
- Vikram Ramalingam:** Any clarity on GST benefits that we are supposed to get?
- Piyush Gupta:** I think we are getting the GST benefit clearly. I can only say that we were exempt organization and now with the status being changed to taxable organization, we have werewithal to pass the input taxes to the end consumer which is compatible from their perspective. So this has helped the organization

greatly. But we do not count it like that because it is not that my rate went from X to 2X or something like that. We were an exempt status organization and the status got changed. So most of my inputs are taxed at 5%, newsprint is taxed at 5%, various services are oscillating between 12% and 18% slab. And my output, which is the ad revenues, are taxed at 5%. So that is broadly the equation, but we do not classify as our systems are not geared to kind of do this thing. Our systems are geared from a legal GST point of view as we file GST I, II, III return in the format prescribed by the government.

Vikram Ramalingam: That is all from my side. Thank you so much.

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

Amit Kumar: Sir just one question at my end. There is a focus on growth in raw material cost that we have seen. If you can please help break it down in terms of consumption and pricing?

Anna Abraham: Newsprint price increase is about 3%, the rest is led by volume increase.

Amit Kumar: I am interested in this consumption increase a bit because looking at the last couple of calls you are increasing copy is especially in the core UP market, but consumption does not seem to be growing in line. So is it that pagination is coming down or either in Delhi or Bihar market the number or the circulation is moderating a bit?

Anna Abraham: There is marginal correction in pagination on account of the drop in volume and with lot of growth being yield driven. It is not a major correction . But we have continued to build copies to the extent that we have planned.

Piyush Gupta: See well the simple answer is, as I was explaining to one of the gentlemen earlier, on the pagination there are auto formula which is linked to ad. In a soft ad environment, there is a auto correction of pagination, which is releasing the consumption going towards adding or deepening our presence in UP. As you rightly said, you do not see a stock result because there are plusses and minuses both things happening simultaneously.

Amit Kumar: Sir I was only saying because in the particular quarter your ad volumes have also gone up by about 2%.Can you tell me what is the circulation increase on a Y-o-Y basis in this particular quarter at a broad company level?

Anna Abraham: PO increase is 5%.

Amit Kumar: Understood. That is it from my end. Thank you.

Moderator: Thank you. The next question is from the line of Preeti Mehta from Anand Rathi. Please go ahead.

- Preeti Mehta:** Congratulations on the good set of numbers. My question is related to the accounting query I have. I want to understand why is the other income of standalone lower than the consolidated when all the cash is in the standalone?
- Anna Abraham:** The consolidated profit is higher because we have also in the consolidated result absorbed the losses of the investee company over the period and therefore the income is higher. In the standalone results it is only the difference between the absolute investment that is coming in.
- Preeti Mehta:** Thank you.
- Moderator:** Thank you. The next question is from the line of Lalaram Singh from Vibrant Securities. Please go ahead.
- Lalaram Singh:** I want to just carry on that from that question. In the Consol, I can see your other income is around Rs 21 Crores correct?
- Piyush Gupta:** Yes.
- Lalaram Singh:** So in that we have included the Rs 15 Crores of gain. Am I correct?
- Anna Abraham:** That is right.
- Lalaram Singh:** So the remaining is attributable to the income on the cash and cash equivalent?
- Anna Abraham:** Yes.
- Lalaram Singh:** That is only Rs 5 Crores or Rs 6 Crores?
- Anna Abraham:** Yes.
- Lalaram Singh:** So Rs 6 Crores on a base of Rs 900 Crores of cash. It does not make sense?
- Piyush Gupta:** I think it will just make sense if you track the government 10-year G-Sec. As you know, there has been a very sharp movement so there are mark-to-market losses which have hit this whole thing. It is not on a straight line basis. It is not a FD investment. In most of our mutual fund investment, there has been bumper gain in the last quarter and the quarter before that. But with the G-Sec correcting itself to 7.4 and now currently actually at 7.42, in the quarter there has been sharp mark-to-market losses that have come.
- Lalaram Singh:** Secondly I do not exactly understand the two figures which you have mentioned with respect to the profits on sale of investment in that associate company. In the standalone you mentioned to around Rs

2 Crores and in consolidated you mentioned around Rs 15 Crores. I did not understand that. Can you explain please?

Anna Abraham: During the period of the investment, the losses that have been absorbed on the behalf of that entity is about Rs 13 Crores in the books, which is a difference on a consolidated versus standalone result because in consolidated result these losses would have already got absorbed over the earlier period.

Lalaram Singh: And then one question on our positioning in UP. I think currently we stand at number two in our market share there?

Benoy Roychowdhury: Yes, that is right.

Lalaram Singh: And can you just quantify in terms of what would be the yield for us compared to the number one or number three player. From a number three player, are we inching closer to number one or what is the trend there?

Piyush Gupta: I do not think it is measured like this. What I can tell you for a fact is yes we are inching to the number one player. But this is always categorized and broken market-by-market and category-by-category. As a player who is coming from behind, we are obviously inching up our yields across the board. But depending on market and category those are very different numbers in different markets and they cannot be kind of painted with the same brush.

Lalaram Singh: Can you give me a single number in terms of what kind of margins we have reached in UP?

Piyush Gupta: We do not give Delhi, UP results separately. But what we can say is margins in UP are definitely better than what they were in the same period last year.

Lalaram Singh: But is there a scope for it to mature more or the margins to inch up?

Benoy Roychowdhury: Of course, there always is. And when I say we are deepening our presence in UP, that is with the whole idea because we understand UP, which is already a big market and which is growing at a certain velocity. There is a lot of revenue market share to be taken out and that is the reason we are strengthening our presence in UP.

Lalaram Singh: And with respect to selling of the stake, so is it correct now that we do not own any of the digital assets in HMVL now is it correct?

Piyush Gupta: In a manner of speaking, yes. But as I explained on the last call, when we basically announced the scheme, is that HMVL is under no embargo to create different digital assets. The whole piece around digital assets is that digital journey is very volatile. From last year, when we created HTDSL, we have seen the volatility hit HMVL's P&L. We wanted to firewall HMVL and that was the whole idea. As

the world is going digital, HMVL is always in a position to create digital assets as and when necessary.

Lalaram Singh: That is true. But starting again from scratch does not exactly make sense. If we have achieved kind of scale or learning in that entity, it is better to own some part of that instead of creating again in this entity. The rationale does not make sense.

Piyush Gupta: Euphemistically, it looks very nice that there is something which was already half there and why did we let it go for cash, which of course we made a profit on. But if you understand digital space a little bit more intuitively, the monetization engines are not yet discovered. It does not happen that anything which has been there for three years would be at a different evolution access versus something that has to start today. So the reason that we did this whole thing was to create a center of excellence within the group on the digital paradigm. Also we are shielding the HMVL investor from digital volatility because there are enough and more examples, even in India, whereby after decades people have not been able to crack the monetization code. So it is not like HMVL has got a bad deal or something. But if there is something that HMVL wants to do on the digital side, HMVL will absolutely do and those will be the strategic decisions taken within the company.

Lalaram Singh: One last question. In your IP, there is a slide on near-term strategic priorities. In this I fail to see anything around capital allocation. We have built huge cash balance, but unfortunately there is no clarity for the shareholders on how this is going to deploy, so can you please speak something on that?

Piyush Gupta: where did you pick up this thing that there is nothing on the capital allocation. Where are you reading from?

Lalaram Singh: Page #9 in the IP near-term strategic priority.

Piyush Gupta: Fair enough. I think capital allocation is one of the most important thing that any organization is any point in time vested with and so are we. But just because we got a rather big cash balance sitting on the books, we always try to tell ourselves that we should not end up doing anything stupid. Our core business, which is the printing and publication newspaper business whereby we have gained a certain scale, that is something we keep on investing our money. As far as the inorganic opportunities are concerned, they are coming but we do not set ourselves to a timeline whereby we have to basically go out and do something. We are waiting for a right opportunity, be it organic or inorganic, to deploy the balance. But because the business is profitable, the balance keeps on growing. But suffice to say that capital allocation was and will always be a priority, which the board is always vested with.

Moderator: Thank you. The next question is from the line of Vaibhav Bharjatiya from H&I Investments. Please go ahead.

- Vaibhav Bharjatiya:** How much of our printing is outsourced either to third party or the parent company, just in terms of broad percentage?
- Piyush Gupta:** Exact broad percentage, I would not be able to tell you. But mostly our printing is insourced. If you would remember, when we took HMVL public five years ago there were some locations whereby the parent company could give the printing support to HMVL, primarily Delhi-NCR. So that is where the parent support is there. But in most of the printing locations in UP and Bihar, HMVL has its own printing and manufacturing facilities.
- Vaibhav Bharjatiya:** Do we share any other assets also with the parent company?
- Piyush Gupta:** Whatever synergies on the selling processes, circulation processes, ad sale processes are feasible, we try to make the most of those synergistic advantages by sharing infrastructure – be it physical infrastructure, people infrastructure with our parent company.
- Vaibhav Bharjatiya:** Just last question. Over the last 3-4 months, we have seen executive churn in the company. The CEO, CFO, Editor-in-chief have kind of quit the company. So just wanted to have your views on that and how we plan to ensure the continuity in the management going forward?
- Piyush Gupta:** I can tell you the three positions that you listed out, from a leadership perspective that is not even 10%. The CEO who was running HMVL had been with the company for the last 10 years. The CFO was of course someone who came and who left us quite early. But there is not too much of a churn, I think it is by and large a very stable ship. But, yes if you look at in a short span of time over the last one, one-and-a-half years there have been some movement. But I can tell you our management is stable.
- Vaibhav Bharjatiya:** Fair enough. I think that is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Bhavin Wakil from Karvy Limited. Please go ahead.
- Bhavin Wakil:** I just wanted to continue the conversation, which was left by a gentleman earlier, regarding your cash balance in the company, which is quite large. I know that we are looking for opportunities going forward for even inorganic growth. Given that we incurred huge losses and what you mentioned earlier do you think it really makes sense to keep such big amount of cash in the company?
- Piyush Gupta:** To be very honest the simple answer is yes. The reason, which I said earlier and I will repeat again. There are enough and more organic opportunities itself which are staring us in the face. As Benoy was pointing out, there have been certain cover price action because of enhanced competitor activity and I said last time that we are deepening our presence in UP and Bihar both. In Bihar, we are of course are the undisputed leader, in UP we are coming from behind. All these things also require a very decent amount of cash. Now beyond that, we are always interested with various inorganic

opportunities which are presented to the board and this cash is kept for both those ideas. So right now we believe that the cash deployment can be better handled within the businesses by doing activities organic and inorganic which will create a better sustainable long-term shareholder value.

Bhavin Wakil: I believe this has been for quite a long time right now and there is no timeline as such for the deployment, is that correct?

Piyush Gupta: We do not set up any timeline to us. But as I said we do not know when the opportunity will be presented next month or next year. We have been evaluating various opportunities, but we do not want to do anything in a hurry so that we end up destroying shareholders value.

Bhavin Wakil: Just wanted to understand on your educational front. Can you just help me understand on the front wherein we are going for a city not in the NCR region, but smaller towns?

Piyush Gupta: Just to give you a little background, there was a higher education business which we started about six years ago. It was a proposition of a vocational training for mid-career executives, which can help them upskill themselves so that they can have better opportunities in the employment force. We tried and tested that model, but we realized in big cities most of the people are opting for much more formal education as against vocational education which we are bringing from the best in town. So we tied up with Northwest, Kellogg's School in US and University of Phoenix Apollo. But now when we have done our market research and found out that there is indeed a market for vocational schooling in Tier II and Tier III towns, we have decided to merge this business with HMVL. That is the whole idea.

Bhavin Wakil: Got it. Thank you, sir.

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

Rohit Dokania: Just two questions from my side. One is if you can share some outlook on ad growth over the next 4-5 quarters, especially given the context that for the last two years, ad revenue has been more or less flattish. Even some qualitative info will help?

Piyush Gupta: That is a great question Rohit. What I can tell you is we do not give any forward looking guidance. But I can absolutely tell you with our internal discussions in place, the market scenario the way it is panning out, we will have very decent growth going forward from here on. Definitely the fiscal FY2019 will be much better. I would request my colleague Benoy to kind of give his two cents on this one.

Benoy Roychowdhury: I think there are early signs of recoveries. On a quarter-on-quarter basis, there might be some hiccups because of we are traversing election quarter in the next quarter. But overall I think we are seeing

improvement in several sectors like Banking & Finance, FMCG; Auto is also slowly picking up. So I think the outlook is significantly better than what we had last year which was possibly one of the worst years that we have seen in the last 10-15 years. So I think things are looking up a little bit. I would not like to put a number, but market should grow in high single digit. That is my qualitative estimate at this point of time.

Rohit Dokania: The second question was obviously you have done a great job in terms of cost management. I just wanted to know that when do we start seeing inflation in the current cost. The cost in this quarter, i.e., fixed cost other than the newsprint prices, when do we start seeing inflation again and in what range would that inflation be?

Piyush Gupta: I would firstly think that some amount of benign inflation would start coming over into the result in the next couple of quarters itself. As you would understand, starting April in this financial year when the BCG exercise gain started coming in, we have been enjoying a very good margin improvement basis the cost correction. Now once those cost corrections are in the base, so next year on a comparative basis you would not find such a stark reduction. But given the normal inflation on various things, and I am not talking newsprint here, I think a couple of points of inflation would definitely come. But as I was explaining last time, beyond the cost rationalization exercise, there are lot of discretionary clampdowns which are in place right now given the soft revenue scenario. Those are the ones that we will only be able to remove once we see some honest traction coming on our revenue front, both ad revenues and circulation revenues.

Rohit Dokania: Sure that is understandable. Thank you very much for your comments.

Moderator: Thank you. Next we have a followup question from the line of Lalaram Singh from Vibrant Securities. Please go ahead.

Lalaram Singh: I have a question on accounting. Post the HTDSL carve out, we have seen a significant change in the composition of employee cost and other expense. Can we say that the numbers which we have seen from Q2-Q3, that should be the new base now. In Q3 FY2017 versus Q3 FY2018, employee expense has gone from Rs 6 Crores to Rs 23 Crores and other expense has fallen from Rs 97 Crores to Rs 59 Crores. So, it is just a new base can I understand that part please?

Anna Abraham: You can use the Q2 and Q3 of the current financial year as a new base on these cost lines. Vis-à-vis Q3 of last year, of course it is not comparable because of the scheme approval having happened in Q3 of last year and the nine month impact sitting in the base.

Lalaram Singh: That means our EBITDA margins will be around 23% - 25% levels now?

Anna Abraham: Yes. We have slightly higher EBITDA margin at this point of time, but as Piyush explained, some of these are led by discretionary clampdown. So to that extent it may not be sustainable. We are hoping

that it will be higher than 25%, but there is a little bit of dependency of newsprint cost and inflation on newsprint prices in this margin.

Lalaram Singh: I had one final remark on cash. I think we appreciate that we have not been in a hurry to deploy the cash and not do a deal which in hindsight we might have overpaid for an acquisition. So we appreciate that, we have been conservative with respect to that. But at the same time there has to be some intent to share the wealth with shareholders in terms of at least increasing the payout which stands in the last 3-4 years at Rs 1.2 per share I think. Some part of that cash, if you can share with shareholders in the form of buyback or dividend payout, can give a very good signal in terms of the intent of the management to be shareholder friendly?

Piyush Gupta: Lalaram thank you for the question. I will definitely pass on your question to the board. At the end of the day this is a board decision and they will definitely deliberate on this.

Lalaram Singh: Thank you.

Moderator: Thank you very much. That was the last question in the queue. As there are no further questions, I would like to hand the conference back to Mr. Yogesh Kirve for any closing comments.

Yogesh Kirve: Thank you. We would like to thank the management of Hindustan Media Ventures for taking time out for the call. We would again like to thank all the participants for joining in. Anna do you have any closing remarks?

Anna Abraham: Thank you all for joining and for taking the time to attend our call. As discussed, while we have had a decent performance in the current quarter, the markets are still yet to come back to full buoyancy. It may take another quarter or two before volumes fully come back and the expectation is that issues around GST, etc., should recede soon. We hope to come back to you with a better result in the coming quarter. Once again thank you for joining in the call, have a nice day and we look forward to speaking with you in next quarter. Thank you.

Moderator: Thank you very much. On behalf of Batlivala & Karani Securities that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.