

**“Hindustan Media Ventures Limited Q4 FY-16
Earnings Conference of Call”**

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Hindustan Media Ventures Ltd.

 PhillipCapital

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MODERATOR: **MR. MANOJ BEHERA – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Hindustan Media Q4 FY16 Earnings Conference Call hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen-only mode, there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manoj Behera of PhillipCapital. Thank you and over to you sir.

Manoj Behera: Thank you Inba. Good afternoon everybody. We at PhillipCapital are pleased to host the Q4 FY16 earnings call for the Hindustan Media Ventures Limited. From the management we have Mr. Vivek Khanna who is the CEO, Mr. Vinay Mittal who is the Chief Financial Strategist and we have Mr. Ajay Jain who is the CFO. I would like to now invite Mr. Vivek Khanna for his opening remarks followed by which we can have interactive question and answer session. Thank you and over to you sir.

Vivek Khanna: Thank you and good evening ladies and gentlemen. We are very happy to announce that we’ve closed the year on a very strong note with a double-digit topline and earnings growth. Our total revenue for the quarter grew by 13%, led by a growth of 15% in advertising as ad revenue increased from 146.6 crores in Q4 of last year to 168.4 crores this year. Our circulation revenue also went up by 5% for the quarter and 7% for the full year on account of increase in number of copies as well as higher realization per copy. Newsprint prices were soft throughout this year. That as well as an increase in our advertisement revenue has helped us grow EBITDA at a fast rate, 16.4% growth in the quarter and close to 25% for the full-year. Operating EBITDA grew at 15% for the quarter and 31% for the full-year. EBITDA for Quarter 4 was at 70 crores and for the full year was at 278 crores. Our EBITDA margins went up to 28.4% compared to 25.5% last year and operating EBITDA was at 23.7% compared to 20.3% last year. These are full-year figures. So we have expanded our margin by about 300 basis points. PAT was up by 20.5% for the quarter and 28.2% for the full year. We close the full-year with the PAT of about 180.6 crores. We have continued to deliver good performance in Bihar and Jharkhand and are leading the growth with a strong performance in UP and Uttarakhand, something that we have been doing quarter after quarter now. We are confident that we will continue to deliver strong performance for our shareholders in the quarters ahead. That’s a quick summary of Quarter 4 and full year performance. Open to question and answers now.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. Our first question is from the line of Yogesh Kirve of B&K Securities. Please go ahead.

Yogesh Kirve: I would like to understand how has the ad revenue growth shaped up across the three regions of UP, Bihar and Delhi and any expectations regarding FY17?

Vivek Khanna: UP and Uttarakhand continue to grow at 20%, Bihar and Jharkhand growth was in double digits again, so that’s how overall we have closed the year at about 15% growth.

- Yogesh Kirve:** In terms of FY17 what should we expect, especially in Bihar where we are sitting on a very high base in FY16?
- Vivek Khanna:** The expectation would be to grow again this year with growth expected to come from UP and Uttarakhand, the markets that we have been expanding and investing in. Bihar and Jharkhand have been pretty steady and have been giving us growth around 10% to 13% quarter on quarter, of course we had one quarter of disproportionate growth on account of elections this year which was a one off event. So other than that quarter, where there will be some base impact of elections, we expect that Bihar will continue to grow at a reasonable rate.
- Yogesh Kirve:** Second question regarding the employee cost, there is fairly healthy increase of about 29%. So, is there any nonrecurring or exceptional component in that?
- Vivek Khanna:** Yes there is, our recurring employee cost increase for the year is about 13% and we expect that we will be ballpark in the same range going forward. However in this quarter we have a one-off provision for the performance that has happened during the course of this year.
- Yogesh Kirve:** Finally, we announced dividend which is basically flat compared to last year, so any thought process regarding increasing payouts or doing any strategic buyback?
- Vinay Mittal:** Dividend has been maintained, I think the board felt that we should continue to hold cash hoping that we should get an acquisition target over the next one or two years.
- Yogesh Kirve:** Is there any figure regarding the cash balance or the war chest that we want to maintain beyond which we could actually consider more payouts?
- Vivek Khanna:** No, we had mentioned last quarter also that the figure that we did have in mind, we achieved that figure a couple of quarters back. So this is the figure that we are comfortable with now, it's not that there is a bigger figure that we are going for. But as Vinay mentioned, the board felt that there could be some acquisition opportunity and that's why we should keep cash for that.
- Yogesh Kirve:** Regarding the acquisition of brand from HT Media. Would this lead to any sort of savings in terms of expenses that we were earlier paying to HT Media?
- Vivek Khanna:** No, this will actually be pretty much neutral as far as HMVL is concerned. You're talking about the brand transfer. So this is one-off payment that we have done to buy the brand, the Hindustan brand was in HT Media but we bought the brand and now that asset is on our books.
- Vinay Mittal:** There was a brand fee that was being paid but that was very small. But we need to understand Yogesh that as the time goes by and HMVL becomes a bigger company, the brand value will keep increasing. So it was thought best that the brand should be bought out from the parent and it should rest within the operating company.

- Moderator:** Thank you. Our next question is from the line of Viraj Kacharia of Securities Investment Management. Please go ahead.
- Viraj Kacharia:** We are sitting with a significant amount of cash on our balance sheet. Now if we see in FY16 balance sheet, there is a decent amount of increase in our borrowings. If you could provide some color on the rationale behind enhancing borrowing levels when we have a significant amount of liquidity at our disposal?
- Vivek Khanna:** The borrowings are mainly for the buyer's credit that we take for the imported newsprint. As you know the cost of buyers credit is much lower than the return that we get on our own investment by the cash we have. So basically, we get arbitrage borrowing money at a cheaper rate and investing money at the higher rate. The other thing is that our investments are in securities and lot of them qualify as long-term investment and gains, therefore are also tax exempt. So, it makes more sense to take the working capital from wherever it is available and that too at a lower cost.
- Viraj Kacharia:** So we would see something similar continuing going forward as well.
- Vivek Khanna:** These are all working capital requirements or some fixed asset purchases for which the loans are available at lower interest rates.
- Viraj Kacharia:** Continuing with the previous participant's question. The kind of cash we have on the balance sheet as of now, you also indicated a particular comfortable level post which one can also look at other ways and means to reward shareholders. So are we through that threshold level in terms of surplus cash for operations and for acquisitions and therefore incrementally our cash position should result in accrual to shareholders, is that the right understanding?
- Vinay Mittal:** As Vivek indicated, the cash levels at about 500-600 crores benchmark is comfortable. It's just that the board felt that we should hold it for hopefully an acquisition that would come by over the next year or two. I would still leave it up to the board to decide on the distribution policy.
- Viraj Kacharia:** When we talk about acquisition are we following the print media space that's what we primary looking at, right?
- Vinay Mittal:** Yes, very much in the print media space and that too in Hindi/vernacular.
- Viraj Kacharia:** The reason I asked is because if we look at our current market cap as well, it's something around 1900-2000 crores. We already have a cash of something around 600 to 700 crores, in fact slightly in excess of that. We can easily use the current cash level and lever up by one more time and still fund the acquisition in print media. So directionally from here on what we are looking at from a cash distribution perspective?
- Vinay Mittal:** I think the board is aware of that, let's wait another year and see what would the board deem it wise to do.

- Moderator:** Thank you. Our next question is from the line of Sachit Kheda of Smart Equity. Please go ahead.
- Sachit Kheda:** I would like to know more about the growth prospects of the company going forward considering that you guys are having very healthy penetration ratios now across most of your key markets. So do you think going forward most of the growth will come from yield enhancement for advertising revenues or also some other avenues that probably you can explain better?
- Vivek Khanna:** Yield would be one of the key factors for growth. Having said that economic conditions, the monsoon, competitive factors, all contribute to help grow the yield or impact the growth of yields. We've always maintained a balance between volume increase and yield increase. There are some high yield categories which are under pressure which are not advertising as much as they used to earlier, for instance real estate. Equally there are some low yield categories which are increasing their share of advertising in print compared to a few years back like FMCG. So it's a combination of these because of which though sometimes yield which may have actually moved up on a client-by-client basis, as an overall mix it may not appear to be moving up so much. Therefore we always have a combination of volume increase and yield increase contributing to revenue increase. We believe it will continue to be a combination of the two.
- Sachit Kheda:** So you feel that the company has reasonable number of growth levers per se.
- Vivek Khanna:** Yes we believe so. We still have headroom versus the leader in UP and that's been core to our growth strategy. We have been catching up and increasing our revenue in UP compared to where the leader is and we've been growing at (+20%) in that market.
- Sachit Kheda:** What are your margins in UP?
- Vivek Khanna:** Full year margins in UP and Uttarakhand would be upwards of 15%-16%.
- Sachit Kheda:** Your target is 25%, right?
- Vivek Khanna:** So our overall margins are at 28% and led by mature markets. The idea would be to keep moving up the investment in the market of UP also towards the mature markets.
- Sachit Kheda:** So if I were to compare Q-o-Q, are there any one-offs like you said the employee provision was a bit higher. Could you probably quantify that or how is the previous quarter different from this one?
- Vivek Khanna:** Like I said, because the performance was consistently good through the year and there is a reward for a certain performance which we ended up achieving, there is a provision that we kept in this quarter. It is for performance which has happened during the course of this year that's a one-off so that won't come next year.

- Sachit Kheda:** Could you quantify that possibly?
- Vivek Khanna:** No we wouldn't like to do that. But as I mentioned that our employee cost as a percentage of revenue should remain more or less the same.
- Moderator:** Thank you. Our next question is from the line of Govindlal Gilada, he's an individual investor. Please go ahead.
- Govindlal Gilada:** Last year major benefits in margins have come from newsprint prices, they were soft throughout the year as you also told in opening remarks. Recently newsprint prices are in uptrend, so going forward are you comfortable on the margins?
- Vivek Khanna:** Yes it's true that the lower newsprint prices have helped in improving the margins and also the newsprint prices will harden a little bit as we have seen in first quarter. So yes there will be pressure in terms of the margin because of the newsprint pricing. However, we anticipate the ad growth will be robust and we expect to get operational leverage due to our various activities that have been done in the past. We think all those pressures on the margin can be more than off-set by other factors like operational leverage and cost control measures and a higher advertising growth.
- Govindlal Gilada:** So, can I conclude that in spite of hardening of newsprint prices, going forward our results will be good only.
- Vivek Khanna:** So what we have been saying for the last three years is that every year we expect our margin to expand by a couple of percentage points. This year it's expanded by more than that on account of lower newsprint prices. But the fundamental assumption in the statement of every year we will expand margin is the ad growth. We believe that we will continue to deliver on ad growth and therefore margin expansion will continue to happen. Sure, when the newsprint prices were favoring us, the margin expansion was that much more and when they go against us it may not be as much as it is this year but because of advertising growth, we believe margin will continue to grow .
- Govindlal Gilada:** So you mean to tell that there will be better margins next year to this year?
- Vivek Khanna:** Yes, the objective is to keep increasing our margins. As UP and Uttarakhand continue to grow and deliver better, we have moved from a situation where UP and Uttarakhand used to be negative to a situation where they are upwards of 15% margin. So we believe that there is still headroom for us to increase margins in those geographies and therefore increase our overall margin.
- Moderator:** Thank you. Our next question is from the line of Dheeresh Pathak of Goldman Sachs Asset Management. Please go ahead.
- Dheeresh Pathak:** The annual newsprint consumption if you can give the volumes.

- Vivek Khanna:** The newsprint consumption in 15-16 was 93,307 metric tons.
- Dheeresh Pathak:** The CAPEX number for FY 16 looks on the higher side, if you can just confirm the number and then explain where it went.
- Vivek Khanna:** CAPEX number is higher due to one-off item of brand purchase of 67 crores and balance is about 20 crores on various maintenance CAPEX and Haldwani Project that we did in the last financial year.
- Dheeresh Pathak:** What was the annual payment that you are making for the brand?
- Vivek Khanna:** It is a purchase. So there is no annual payment now. Earlier, we were making a very small payment.
- Dheeresh Pathak:** Can you put a number to that?
- Vivek Khanna:** I wouldn't like to.
- Dheeresh Pathak:** Can you also compare the yields versus your competition in UP now like earlier you used to, like if the top player is at 100 where you are and where the second player is...
- Vivek Khanna:** Depending upon the category between 50% to 70%.
- Dheeresh Pathak:** Is where you are and where is Amar Ujala?
- Vivek Khanna:** In most cases we are ahead of Amar Ujala now. Barring a few advertisers, in most cases we are ahead of them.
- Dheeresh Pathak:** What was this number one year back where you are 50 to 70 right now?
- Vivek Khanna:** Ballpark we are now 60 or 64, we were probably at about 50 a year back. But when I gave you the range of 50 to 70 it's because it varies from advertiser to advertiser.
- Dheeresh Pathak:** The percentage of revenue that would come from government business would be how much in your total revenues?
- Vivek Khanna:** Slightly more than 20%.
- Dheeresh Pathak:** When you say UP and Uttarakhand is more than 15% margins, how much is Bihar in margin terms?
- Vivek Khanna:** Bihar has good margins, upwards of 30%.
- Moderator:** Thank you. Our next question is from the line of Pawan Kumar of Unifi Capital. Please go ahead.

- Pawan Kumar:** I want to understand your strategy, do we have any plans of entering new states going forward or is it like we are exclusively looking at buying some vernacular asset?
- Vivek Khanna:** As I have mentioned in the earlier calls also, we do look at both opportunities. We have done a study of all the markets. There was a time when we had pretty much finalized our entry into another state and actually some of you are aware of that. But then we realized that we still have room to grow and work to do in UP. So, instead of spreading ourselves too thin and looking at multiple battles, we are focusing on the area which we believe still has a lot of potential upside. Therefore, we decided not to enter into a new state which was otherwise planned a couple of quarters back. So to answer your question, we are open to both organic and inorganic expansion. Immediately in the very short term, there is no plan.
- Pawan Kumar:** What would your cash level be on books right now? I meant not only cash but all the liquid investments.
- Ajay Jain:** Net cash is 643 crores and if you want to know various items on the balance sheet, cash and bank equivalents are 816 crores.
- Pawan Kumar:** Would it be around 1000 crores right now?
- Ajay Jain:** Cash is not 1000 crores.
- Pawan Kumar:** Not cash, I am considering all the noncurrent investments and all the other investments that are shown in balance sheet.
- Ajay Jain:** Non-current assets apart from long term investments are fixed assets of about 250 crores.
- Moderator:** Thank you. Our next question is from the line of Jai Gandhi of Motilal Oswal Securities. Please go ahead.
- Jai Gandhi:** Just wanted to know this quarter which were the key performing categories?
- Vivek Khanna:** Most of the categories did well led by government. The only exception was education which was flat.
- Jai Gandhi:** If you could just help me understand the increase in circulated copies vs. 4Q last year and net realization per copy?
- Vivek Khanna:** Our circulated copies from Quarter 4 of last year would have gone up by 3% and the rest would be the increase in realization per copy.
- Jai Gandhi:** Are Bihar and Jharkhand growing at 11%-12%?
- Vivek Khanna:** Yes

- Jai Gandhi:** And UP and Uttarakhand growth was north of 20%.
- Vivek Khanna:** Yes, close to 20%.
- Moderator:** Thank you. Our next question is from the line of Ritwik Rai of Kotak securities.
- Ritwik Rai:** What was the contribution to advertising revenue growth from volumes and from pricing?
- Vivek Khanna:** For this quarter it was led by volume, so it would be 80-20 for the quarter.
- Ritwik Rai:** On IRS now there was an ad in the newspaper that new survey will be coming out, when to expect that and when would fieldwork for that be done?
- Vivek Khanna:** I think the results for that should be expected towards the end of this calendar year or maybe early next year.
- Ritwik Rai:** On advertising yields in UP that you were talking about, Jagran had also brought down its yield. How much of your yields have actually gone up in absolute terms, have they gone up at all or are we settling down at a lower level altogether though we may be progressing with respect to the leader. Is the industry there settling down to a lower level of yields totally?
- Vivek Khanna:** Our yields have gone up in absolute terms. However, it is fair to say that they haven't gone up to the extent they could have, had Jagran not cut its ad rates. Therefore, there is a little bit of headwind in terms of the yield increase. Having said that, we've not been overly aggressive this year in asking for very significant increases, we take it in a planned manner. We identify categories and clients where yields can go up and we identify certain amount which we believe is rightfully due to us given the increase in readership that we've had and the increase in response that we are giving to advertisers. While last year it was relatively speaking easier to get a rate increase, this year it's not been as easy. Having said that we still got a yield increase.
- Ritwik Rai:** You said government advertising is about 20% of the total advertising, is that what you said?
- Vivek Khanna:** Yes roughly right.
- Ritwik Rai:** Also government advertising led the growth this quarter, what was the growth? I'm just trying to understand whether this kind of growth will be sustained this quarter, advertising revenue growth.
- Vivek Khanna:** We normally don't give categories at category growth rates.
- Ritwik Rai:** But if one were to take out government advertising then roughly what would your growth rates have been?

- Vivek Khanna:** The growth rate would again have been in double-digit without government advertising also. As I mentioned most of the large categories grew with the exception of education. Therefore overall from a commercial, non-government revenue basis also there has been good growth.
- Moderator:** Thank you. Our next question is from the line of Varun Madan of Metis Capital. Please go ahead.
- Varun Madan:** I wanted you to comment more on the growth in UP on margin side, you had mentioned 15% EBITDA margin which you are looking to ramp up closer to your consol margin of 28%. Can you give color from a yield and volume perspective? How that would factor into your margins?
- Vivek Khanna:** About three years back we were not making money in UP. So in three years roughly we've gone from negative or zero to 15%. For two years it was more yield led and less volume led. Initially what happened with UP as we expanded and our copies were there in most of the market, we started getting lot of local revenue. Local revenue is specific to edition, and therefore one ends up getting higher yield. As it's an edition specific, so when you add up, everything is yield. Therefore it was more yield-led but volume was also coming, the percentage was more yields led. Over a period of time, there is increased volume coming not just from local which started earlier but also from national advertising and therefore it's been a combination of both volume and yield.
- Varun Madan:** Can you put a number on it Vivek so if we were looking at that 15% EBITDA margin roughly what sort of split would you attribute to volume and yield?
- Vivek Khanna:** I'm not sure I understand attributing a volume and a yield number on some margin figure, if you could just explain that please?
- Varun Madan:** I'm saying how later on that breakup translates because I guess you had said UP is growing at 20%, right?
- Vivek Khanna:** That's right.
- Varun Madan:** And Bihar, Jharkhand is 11% to 12% primarily on account of government category. So I just want to understand what's that split because I think you had mentioned 80% was volume, yield was 20%. Where we can expect that going forward and I guess from a margin perspective how that would translate?
- Vivek Khanna:** I think we can look at more a 50-50 kind of number for volume and yield.
- Varun Madan:** What sort of timeframe can we expect on that Vivek?
- Vivek Khanna:** Every year when we grow revenue, I am saying the revenue will come equally between volume and yield is the way we are looking at right now. The margin is a function not just of

the advertising growth but also of all the other costs associated with it and the leverage that we get. How many copies we put in etc. all that will determine how much the margin will go up.

Varun Madan: I think this quarter you had mentioned your employee provisioning cost was slightly higher.

Vivek Khanna: Yes.

Varun Madan: Can you just comment on what exactly were the other revenues that went up this Q versus Quarter 3?

Ajay Jain: Other revenues are primarily three areas; one is the interest income which went up this year. The other is scrap sale what we call as other operational income and then there is some miscellaneous income. So if you see all areas, basically the growth is because of the extra cash and the interest rate return on the cash. The scrap job-related revenue increase was very marginal.

Varun Madan: You had mentioned that basically in UP and Uttarakhand you are about 64% of the leader on yields. Now do you see that gap closing two quarters down the road? What I'm trying to sort of understand is--I'm not really concerned right now on the volume side—I want to know how yield rates typically change in a quarter or two?

Vivek Khanna: Very difficult to say what will happen in just a quarter or two. The yield increase is never a very short term thing. The work keeps going on and you get yield increase over a period of time. You have to be constantly at it and it's not a function of one or two quarters, so I cannot tell you where we will be two quarters from now. But I can tell you that when it is finally settled-- in typically most markets-- it settles at about 75% to 80% of the leader yield. There is always a leadership margin or a premium that the number one player in the market gets.

Varun Madan: You said you had moved ahead of Amar Ujala at this juncture right now.

Vivek Khanna: On an overall basis we have on commercial revenue. I'm not talking about government revenue. I'm talking about commercial revenue.

Varun Madan: I guess my last question Vivek is more on the strategic side. I think you had mentioned your net cash position is now 643 crores. And I think some of the other analysts had also touched on this. In terms of inorganic expansion as well as returning cash to shareholders through dividends, what is the company management thinking on this and how we would probably look at this down the road?

Vivek Khanna: Varun there are two questions that you are alluding to. One is on the dividend front and second is on the acquisition front. So I will talk about acquisition front. We are open to acquisitions of good print media companies in the Hindi and vernacular space. The space that we looked at over the last few years, we evaluated multiple such opportunities that have come our way. And we believe that there could be some more that may come up over the next one-year or so. So

that's really on the acquisition front. On the dividend front Vinay has been talking about it on this call.

Vinay Mittal: Varun I think that's the call that board will take. The cash is close to 640 crores as you said. At this point of time the board feels comfortable in holding onto the cash hoping that we could actually do an inorganic acquisition over the next year or two years.

Varun Madan: I think the street has sort of acknowledged this for some time because I think we have been on a couple of Earnings Calls and the management has obviously given some sort of forward guidance and commentary on looking at an inorganic acquisition in the vernacular space. I mean what has changed in the past few quarters because I think this has been a common thread. But there has been, for a lack of a better word, some sort of hesitation or you are not finding the right target? How should we sort of read into this as street analyst?

Vivek Khanna: In terms of acquisition, I won't say we are not finding the right target. There were one or two interesting opportunities. But I think there was an issue with the price. So that's really what has prevented us from going ahead with an acquisition. There were some interesting opportunities that had come that were evaluated. But we decided not to go ahead because the price expectation was way beyond what we felt was reasonable.

Varun Madan: And what markets are we talking about specifically here?

Vivek Khanna: We are talking about markets in the Hindi belt; we're talking about markets in South India as well and other geographies. So we've looked at opportunities from multiple geographies.

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

Rohit Dokania: Can you talk about the kind of inflation that you are seeing in newsprint price and what should one build in for FY17?

Ajay Jain: The newsprint international prices have beefed up by \$5-\$10. And a little bit of appreciation in dollar itself has taken place. So, it should be between 3%-4% inflation, that's our view as of now. Newsprint is a bit unpredictable because it also depends on the international pricing, bills, closure, availability, demand supply, utilization, etc., but our view is 3% to 4% inflation would definitely be there.

Rohit Dokania: Can you talk about the rough contribution of each of your markets to ad revenue?

Vivek Khanna: I would say roughly 40-40-20.

Rohit Dokania: So is it safe to say that UP and UK combined is now larger than Bihar, Jharkhand?

Vivek Khanna: Similar.

Vinay Mittal: But Rohit you are right that in terms of growth as the year goes by, you will find UP will start becoming bigger than Bihar.

Rohit Dokania: Can you talk about market share in UP, let's say three years back or five years back and how they are right now so that we can get a trend how things have moved over the year?

Vivek Khanna: If I look at a 9-10 year perspective, it's extremely interesting. As percentage of the leader we used to be some 8% to 10% in terms of revenue, we are now about 60%- 65% of revenue of the market leader. And therefore it depends on whether you want to look at the two player share or a three player share. So if you take a three player share we'll probably be at about 26%-27%.

Rohit Dokania: And how was this probably amongst the three players five years back?

Vivek Khanna: Seven years back we would be sub-10.

Moderator: Thank you. Our next question is from the line of Lala Ram of AnalyseWise Investments. Please go ahead.

Lala Ram: I believe that in this quarter we are not seeing employee cost associated with our digital business which was hived off into a separate entity. I just wanted to make it clear that the growth was in spite of higher base

Vivek Khanna: That's incorrect, just to clarify that's not correct.

Vinay Mittal: The note to the accounts is very clear that the cost has not yet been taken out of the company because you need a High Court approval for implementing the scheme. That High Court approval has still not come.

Lala Ram: I think you all know that our company is doing fairly well but overall the markets are not giving us the correct valuations because of the cash which has been there on the balance sheet and every year we are increasing the cash balance. We've been guiding for acquisition and growth and unfortunately we haven't taken a decision as of now. So overall as you said that the key issue what we are facing is the pricing or the right valuation. So just to understand unless there is a listed seller I believe that good assets would always be available at rich price. Do you think that such a situation can arise where we are getting good assets where there is a distressed seller or how do you think about a situation where we can get a good price and a good asset as well?

Vivek Khanna: Firstly we will go after only those assets which we believe are good. There are occasions where on the basis of fair valuation given a strategic benefit where we believe we can get some operational efficiencies that we can bring in, there could be a reasonable amount of premium paid to the price. But the expectation ends up being almost double of what we believe is a fair price then it just doesn't make sense to do an investment.

- Lala Ram:** Will we go for an all out 100% acquisition will it be okay with a majority stake?
- Vinay Mittal:** We will be okay with the majority stake as long as the editorial control also comes to us.
- Moderator:** Thank you. Our next question is from the line of Rupen Masalia, an individual investor. Please go ahead.
- Rupen Masalia:** What would be the impact of a transfer of multimedia content management business because as per the notes approximately 43 crores expenditure has been booked in FY 16 result. Going forward in the transferring company if HMVL is going to hold approximately 44%-45% so to the extent of balance 56% would be with HT Media, could you throw some light on this?
- Vinay Mittal:** Idea is to create a center of excellence where content will be generated, whether its print related, whether its digital related or any other platform. So what is happening is that 42 crores of cost is going out, similarly you will have about 84 crores of cost that will go out from HT Media. HMVL will end up holding 43% and HT Media 57% in this content company. This content company will sell the content that will be bought by HT Media and HMVL for their newspapers. Billing will be done by the content company and the way the transfer pricing has been done is such that the whole effect will be cost neutral. So HMVL is not burdened with any extra cost.
- Rupen Masalia:** Would it be fair to presume that going forward this particular business will be incurring losses. So to that extent 57% should be with the holding company?
- Vinay Mittal:** This business is not incurring losses. It will be cost neutral / profitable as the company bills to the third-party including to both HT Media and HMVL by selling content. What is happening is that the cost of the people who are generating content for the newspaper is partly moving to this new company. The idea is this new company will become a center of excellence for content and it can sell content to third-parties apart from HMVL and HTML.
- Moderator:** Thank you. Our next question is from the line of Krishna Kumar S, an individual investor. Please go ahead.
- Krishna Kumar S:** What is our operating cash flow for this quarter and for full year?
- Ajay Jain:** For the full-year is 111, for the quarter is (-21), so that is because of the brand purchase that we have done.
- Krishna Kumar S:** Can you throw some more light on our online model, sometime ago you've stated that we will be moving into Stage-II of our online model, so how are we doing there and what have we done so far?
- Vivek Khanna:** What we have done so far is that we have launched our app both android as well as iOS. We have seen a significant increase in page views. However, Stage-II is really to have

technological compatibility between print and online and that's when page views and unique visitors can really start moving up and we will be able to do activity around digital that we expect to start in the next couple of months. That required a certain technology upgrade which is almost complete now.

Krishna Kumar S: I think probably a year ago when we met, you've stated back in the year which just concluded, we will be completing our stage II of this whole thing

Vivek Khanna: So it got delayed by about two months.

Krishna Kumar S: So by end of this month we will be completing that whole thing now?

Vivek Khanna: Yes pretty much.

Krishna Kumar S: Can you just throw some light on what amount of investment in terms of crores has gone into this part?

Vivek Khanna: It is not a very significant number which is why you don't see investments on the CAPEX front. It is a small amount that has been invested to ensure that there is compatibility between print and digital. So the strategy that we are following, I will not reveal too much of it but it is different from what some of our competitors have followed. It goes with our stated ambition of growing but growing profitably and that's what we intend doing as far as digital is also concerned.

Krishna Kumar S: We are still some time away from realizing any benefits from this platform yet?

Vivek Khanna: The digital advertising revenue is very small at the moment for all players in the Hindi belt. The significant number of unique visitors and page views that some of our competitors get comes at a loss which you know, it's all in public domain. Now that's a certain strategy they have followed. However, most of that comes from metros. The penetration of digital, the penetration of smart phones in our markets which is UP, Bihar, Jharkhand, etc., is very small even now. However we realize that we are at a stage where this is likely to go up. Therefore, we started work on it almost 7-8 months back. This is the market that we intend to capture, so we want to retain our core reader base. Having said that we are also keen to capture the large user base that exists in metros. In the online space it is easily possible because there is very high level of promiscuity as far as online is concerned. The strategy that we will follow, however, will be slightly different from what our competition has followed and beyond that I don't want to get into what strategy we are following because that's competitively sensitive.

Moderator: Thank you. Our next question is from the line of Ankit Kanoria, an individual investor. Please go ahead.

Ankit Kanoria: When I see your strategy, if I got it right you say that you basically try to make inroads in UP first and then look for other states. And when I look at some other competitors in this field,

they are basically trying to diversify and move into newer and newer territories. I just wanted to know what are the merits and limitations of these strategies as an outsider. Which strategy works where, which strategy does not work that is what I want to know?

Vivek Khanna: The reason we followed our strategy is because we believe this works better. Equally our competition is highly respected and they have had a lot of success, so they would like to believe that the strategy that they have followed is better. You can see the results over the last few years and judge for yourself because both the companies that you're talking about are listed.

Ankit Kanoria: Over the last couple of years I have been attending the con calls and I've been listening to all the questions of analysts and they seem to lose patience over this cash overhang and the no dividend. My question to you is that is the company facing any pressure either to declare dividend or maybe hurry up in the acquisition process or they continue to be long-term oriented and would still like to wait for the right acquisition at the right price than hurrying up this process of capital allocation?

Vivek Khanna: We believe that there are opportunities and there certainly were a lot of opportunities that we have seen in the last 2 to 3 years which have come. But as we had mentioned almost 2 years back that there was a certain target that we wanted to have in terms of cash reserves, we achieved that target. We were then open to acquisition, we evaluated 3 or maybe 4 companies in the vernacular space. We were keen on two of them but the ask was too high, we didn't believe that was fair. So that's why those deals didn't happen.

Ankit Kanoria: So you continue to be waiting for the right asset at the right price than hurrying for the process and the risk...

Vivek Khanna: From an operational point of view, yes we are looking at any acquisition opportunity that may come which is a good company, number one or number two in its geography and available at the right price.

Ankit Kanoria: I just wanted to know in case you are unable to get any acquisition in a year's time are you thinking of distributing dividend or would you continue to wait for the right acquisition maybe a couple of years down the line?

Vinay Mittal: I think that will be for the board to decide really, difficult for me to answer that question.

Moderator: Thank you. Our next question is from the line of Dheeresh Pathak of Goldman Sachs. Please go ahead.

Dheeresh Pathak: On an annual basis how much do you spend on the cost on digital initiative?

- Vivek Khanna:** The expenditure will really start happening now; so far we have predominantly spent on upgrading some technical issues that we were having. Beyond that there has not been any significant expenditure but that will start happening going forward.
- Dheeresh Pathak:** We've been listening to this explanation on cash used from a lot of quarters now and we talked about the criteria that you have for acquisition which is number one and number two in the market, you having editorial control and at a fair price, right. Now if you look at your own company, you are number one, number two, you yourself have editorial control and you are getting HMVL stock in less than 10x cash flow multiples. So why won't you just buy your own shares and think of it as buying any other print company?
- Vinay Mittal:** But it's difficult for me to buy my own shares because I'm only at about 25% public shareholding.
- Dheeresh Pathak:** But if we do proportionate buyback than the shareholding would remain the same, right?
- Vinay Mittal:** That's right. Then we will have to do proportionate buyback and then we will have to basically take a call between liquidity of the stock and that proportionate buyback. I'm sure the board will take into consideration that over the next one year if we don't do an acquisition.
- Dheeresh Pathak:** I'm just saying that instead of looking for a print company at a fair price just think of your stock as buying another print company at a very cheap price, maybe that will help in decision-making.
- Vinay Mittal:** I'm sure the board will take that into consideration.
- Moderator:** Thank you. That was the last question, I now hand the floor back to Mr. Manoj Behera for closing comments. Over to you sir.
- Manoj Behera:** Thank you. I would like to thank the management of HMVL for taking time out and discussing the Q4 results.
- Vivek Khanna:** Thank you very much.
- Moderator:** Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.