

Hindustan Media Ventures Ltd.

**“Hindustan Media Ventures Limited Q2FY2018
Results 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 Limited Q2 FY2018 results conference call, hosted by Equirus Securities. As a reminder, all participants' 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 "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Depesh Kashyap from Equirus Securities. Thank you and over to you sir!

Depesh Kashyap: Good afternoon everybody. We at Equirus Securities are pleased to invite you all to the Q2 FY 2018 results conference call of Hindustan Media Ventures Limited. We have the senior management of the Company with us represented by Mr. Vivek Khanna, the CEO; Mr. Benoy Roychowdhury, Whole-time Director; and Mr. Piyush Gupta, Group CFO. I would now like to invite Mr. Benoy for his opening remarks. Over to you Sir!

Benoy Roychowdhury: Thanks. Good afternoon Ladies and gentlemen. Second quarter results carry an imprint of the larger sluggishness in the advertising market across sectors. Revenues showed softness; however, operating margins grew marginally versus last year.

This quarter ad revenues declined by 8%, as advertising spends were muted due to GST implementation, the lingering of demonetisation and very high spend of UP government which appears in our base last year same quarter.

Additionally, RERA continues to impact real estate advertising and while we strengthened our foothold in Auto, Banking, E-commerce and Luxury segments. All other major segments saw a flat to negative growth this quarter. We also postponed a major initiative to Q3 due to the uncertain GST environment and this benefit hopefully we will get in Q3.

Despite decrease in volumes in the advertising markets, we continue to improve yields which should benefit in the long-term once the markets improve. In this quarter, our yields went up about 5% and volumes declined about 12%.

Circulation revenue also saw a decline on account of lower cover price realization due to competitive actions in certain key markets.

Raw material cost reduced despite increase in print orders due to tight control on pagination and aided by lower news print prices. Other direct costs were also down over last year on account of cost rationalisation initiatives.

While improvement in macroeconomic environment and market sentiments would happen, we expect advertising volumes to improve and consequently ad spends to recover. We are also poised to fully utilise the recovery as and when it happens. We continue to focus on yield led revenue growth and to invest behind copies in our core markets.

Once our advertising revenues improve, we expect strong margin growth given our yield focus

and our tight control on costs. We remain committed to deliver profitable growth to our shareholders.

We can now open the floor for any questions and answers that you may have. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. We have the first question from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

Vivekanand S: Thanks for the opportunity. You mentioned that the ad environment is particularly sluggish due to GST and also the high base of UP government's spending last year. In this environment do you think taking yields up is a good strategy given that your rivals may have relented on yields and attracted volumes and chase revenue growth? In terms of your strategy do you think, yield improvements are the way to go in a tough market? That is one. Secondly, anything to call out in UP and the other markets like Bihar and Jharkhand. Any divergence in trends among the various markets that you are present in? Thanks.

Vivek Khanna: I had said in my last call also there is never a very good time to go for a yield increase. There will always be some impact on volumes, but yes you are right the impact got heightened because of GST. Having said that, we saw a very significant increase in national advertising yields by double-digits. So what is a long-term strategy is something we had decided to call out for two quarters, which are Q1 and Q2 of this year. We have pretty much completed what we wanted to do in terms of our yield increase and with volumes coming in this yield increase will help us significantly. So that is the first part of your question. As far as the second part of your question is concerned, because of the base that we had in UP elections obviously this decline, we have seen in the markets of UP. In Bihar and Jharkhand, we have actually grown in Q2.

Vivekanand S: Just a couple of follow ups. So, among the key categories how or what would be the mix of local and national advertising? How big is government advertising and some of the categories that you have listed which did well, Auto, E-commerce and Luxury? How much do they contribute to revenue?

Vivek Khanna: Amongst our top two is the government category that has declined by double-digits again largely on the back of the UP base that we had. We also took a yield initiative in the Medical, Health & Fitness and FMCG category which is again a very, very large category for us, and that has had some of the lowest yield advertising. So we took a call there specifically and that saw a very sharp fall of close to 30% to 35%. On the positive side, Auto and BFSI and Luxury all grew along with E-commerce.

Vivekanand S: Thanks. I will come back with more.

Moderator: Thank you. We have the next question from the line of Gaurav Gupta who is the individual investor. Please go ahead.

Gaurav Gupta: My question is basically related to that we have disclosed a shareholding in HT Digital Media streams would be transferred to the fellow subsidiary which is being owned by HT Media

Limited. If you can just help me out the rationale behind that because I think couple of digital assets are owned by that company?

Piyush Gupta:

Gaurav, as I had explained earlier and I am going to repeat it again. The whole idea of the entire group right now is to sharpen our digital strategy and we have been at it for the longest time now. In line of this we had also announced a scheme which was ratification of HTDSL which was co-owned by the two companies, you know, the parent company as well as HMVL. Now the current scheme actually is sequentially in line of that scheme. What we are now trying to fine tune through this scheme is create a digital qualities in a much simpler fashion and keep HMVL as a pure play print media company. Now this does not mean that HMVL will not get the benefit of all the digital initiatives that the group is taking. There is already an agreement between HMVL to source all the content from this particular new undertaking which is HTDSL and you know because digital is the future and digital is something that we as an organization and indeed all the major media organizations are targeting towards it at this point in time. This is our chosen strategy where we would like to incubate all our digital qualities within our company. So I believe times will tell how this strategy will pan out but I think for a shareholder of HMVL, it is a win-win. So they will have unhindered access to all the content, which this company will create in terms of their investment. They are being cashed out. So, all the shareholders will receive their cash back with a profit of about Rs 3.5 Crores in a period less than one year. So this is basically the rationale behind the scheme.

Gaurav Gupta:

So, I appreciate that, but the way you explained the entire scheme that we have entered into, so the amount that we have one year back and other than that what we have on our books as the cash component how the growth strategy we are planning for HMVL, because I am more concerned about the company in which I am invested as a shareholder from this scheme what we have a top cap of 67 Crores or 70 Crores odd whatever we are going to get as a consideration for this and we are losing this entire top what we can get from the digital sales or digital opportunity that is going to happen in India in the next three, five or 10 years down the line, so how are we planning for the growth in terms of topline as well as bottom line for the HMVL specifically, not for the entire group?

Piyush Gupta:

Absolutely I totally get your point and that is a great question Gaurav. So let me try to answer that because you are dovetailing this particular scheme into a larger question of how we are going to handle the cash, which is sitting on the balance sheet. So let me basically make two points here. You know as far as the larger question of capital allocation is concerned, the board of your company is perpetually looking at various opportunities whereby this cash can be utilised best for the shareholder value creation, sustainable value creation. That question has been there for the longest time now. As you have seen the cash on the balance sheet has constantly grown over the last four to five years. However, this particular scheme does not dither HMVL from participating in the digital journey because the basic assumption that you are making is by participating in HTDSL itself there is a huge amount of value creation which will happen, but as you would very well appreciate that even in this country except for a handful of enterprises we manage to basically create money on the back of digital thing, the journey has been actually very, very contentious. HMVL from a pure play Hindi print media company has been doing exceedingly

well both in their financial results as well as on the cash thing, which is sitting on the balance sheet, so cash is something that given the first opportunity both organic and inorganic that we will get we will deploy the cash and try to create more value. As you would see today our board has already approved certain capex which will enhance and keep our journey both in UP and Bihar so we are perpetually looking at deploying those cash in the most optimum manner for total shareholder wealth creation perspective, but the digital thing will not side track HMVL because HMVL will participate in digital thing. So if there will be more opportunities which will come to HMVL we will do this thing, but irrespective you know the digital content which will be created HMVL will have unhindered access on a transfer pricing mechanism to that content itself should make the shareholders very happy about it.

Gaurav Gupta: Last one question, just a very small one. What is the current yield we are getting on the cash sitting on our books?

Piyush Gupta: Last year full year audited yield was north of 11% post tax. So you can very well appreciate on our debt capital market where your company deployed this cash in a riskless environment, risk free environment, we managed a north of 11% and even in this year, we are close to about 9% to 9.5% as far as our yields are concerned, This quarter of course it is slightly lower, but first quarter was higher.

Gaurav Gupta: Thanks a lot. That is all from my side. Thanks.

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

Rohit Dokania: Good afternoon. Thank you for the opportunity. I have two to three questions, a follow up from the previous participant. Could you please enlighten us who is the promoter of HT Digital Ventures?

Piyush Gupta: HT Digital Venture will be held by HT Media Limited, which is the parent company of HMVL as well, I mean 74% of HMVL is held by HT Media Limited.

Rohit Dokania: Which means HTDSL will become a 100% sort of a sub of HT Media indirectly through HT Digital Ventures?

Piyush Gupta: Not a 100% subsidiary. I mean the minority shareholders will also actually get a swap ratio the mirror equity for HTDSL and eventually it will go through an auto listing route and it will become a parallel entity to HT Media Limited and not a 100% subsidiary.

Rohit Dokania: Thank you for the sort of explanation on the digital part. I just had one sort of basic question. Please correct me if I am wrong. So, livehindustan.com rests with HTDSL. Is that the correct understanding?

Piyush Gupta: That is absolutely correct.

Rohit Dokania: So tomorrow if let us say HMVL wants to launch a Hindi website, can it do that or is there a non-compete or you just cannot sort of launch your own website because all digital properties would be in the group handled by HTDSL?

Piyush Gupta: No they can launch , there is no non-compete, which is sitting in the scheme, but as I said the whole idea that we have thought through is that it should be beneficial to the shareholders of HT Media as much as to HTDSL so there is no non-compete but if there are new ideas ,we would rather create them there and give and pass on the benefit to HMVL to content sourcing of various, with the monetization opportunity that comes with that website, but the simple answer to your question is there is no non-compete.

Rohit Dokania: Sure Sir just one follow-up on this, if you look at the sort of global print players they have both sort of physical paper and also the online sort of format or firm in the same company and that is how here they and all sort of looked at a quasi-internet and a quasi-newspaper company. As much as I understand what you are doing with this scheme is probably the entire internet piece will sit somewhere else and we will become a pure play sort of a newspaper company whereas if you look at our Indian players as well, the listed players as well they will also have the sort of digital opportunity whenever if and when sort of it plays out. So from that perspective are we sort of not curtailing the value creation that digital could have done for us by owning it in our sort of books rather than so far earlier we were owning 43% through an associate, now as much as I understand probably we will not be owning anything and we will just be sort of, so it is like anybody else creating content we can buy content from them on a transfer pricing basis, which honestly does not help too much.

Piyush Gupta: Let me tell you a simple answer on this thing. The entire strategy is predicated on value creation and not on legal entity. I mean even the global majors that you are alluding to and I really cannot comment because I am not in the know, where their online businesses house workers where their physical newspaper businesses are housed. The whole idea here is if we can drive a digital strategy with a single-minded focus there are chances that you will end up creating more value for the shareholders in that approach and once the value is created then there are various ways in which that value can be shared with all the stakeholders. Nothing takes away the fact that digital is the focus, digital will always be the focus but I would basically say we are not trying to keep the shareholders of HMVL away from digital value creation because the simple point of fact is the risk and rewards always go together. The value creation as and when will happen till such time there is a lot of cash burn which will happen. Right now HMVL being a pure play company is devoid of all these kind of risky ventures and it is only in HT Media that we have got these kinds of ventures so we would rather keep HMVL still pristine and a pure play .That was also one of the guiding factors not the only guiding factor.

Moderator: Sorry to interrupt to you Mr. Dokania, but may we request you to come back in the queue, there are several participants waiting, you may press “*” “1” to return to the queue.

Rohit Dokania: Thanks.

- Moderator:** Thank you. The next question is from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.
- Vivekanand S:** Thanks for the follow up. Couple of questions; one is on the HTDSL getting transfer to HT Media subsidiary. Did I understand correctly that this HT Digital Ventures Limited will that get listed separately is that a correct assessment?
- Piyush Gupta:** Yes that is absolutely the correct assessment. If you read through the scheme document ,It will go through the auto-listing route because there is an enterprise of a listed company, which is getting separately transferred into a legal entity and the shares in a certain swap ratio will get allocated and it will be automatically listed.
- Vivekanand S:** HT Media and HMVL shareholders both will get shares of HT Digital Ventures Limited is it?
- Piyush Gupta:** No, so if you read the scheme correctly, HMVL shareholders have been cash settled thereby. Their investment would be purchased by HT Media Limited at an amount of Rs.70 - Rs.71 Crores and it is only the shareholders of HT Media Limited who will get share for HTDSL in a certain swap ratio.
- Vivekanand S:** The second question pertains to the investment in copies that you mentioned and circulation realisations falling, so which are the markets that we are investing in? Are we setting up new printing presses, new additions, Any colour on that will be appreciated and secondly where is the cover price falling right now among the key markets .Is it like Bihar or is it UP also can you elaborate? Thanks.
- Vivek Khanna:** The copy increase that we are doing is largely in the state of Uttar Pradesh and it is across various units. It is not that we will set up a new unit. I had explained in the last call that while we have gone ahead with a certain width over the last couple of years and gone across the state of UP there are certain geographies where we were still underpenetrated and that is where we are putting in that copies. As far as the cover price action is concerned, the larger impact of the cover price action has come from Bihar as Benoy had mentioned in his opening remarks due to some competitive action we have also dropped our cover price and that has had an impact on the bottom line.
- Vivekanand S:** Just one follow-up. You mentioned capex will be directed in UP and Bihar. Any details on that capex which you can provide?
- Vivek Khanna:** No largely across certain key geographies is what we are doing.
- Vivekanand S:** Sir what would be the guidance for capex for FY2018?
- Piyush Gupta:** See we do not give a forward looking guidance but I can tell you whatever capex is required for deepening our presence in our chosen geographies of UP and Bihar, we should be doing it. That is all I can say at this point.

- Vivekanand S:** Thanks and best wishes.
- Moderator:** Thank you. The next question is from the line of Rohit Balakrishnan from Vrddhi Capital. Actually Rohit Balakrishnan has just dropped out, we will move to the next question the next question is from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.
- Giriraj Daga:** Just an outlook on our advertising going forward, so what is like in that beginning the quarter. What kind of order book we have seen in this festive season so far. Because of the higher yield will we still see high single-digit kind of a decline in ad revenue or we are to say some reversal kind there?
- Benoy Roychowdhury:** Well, the festival season has started off well and with both GST and demonetization impact settling down. I think the outlook on advertising revenue should be positive now. Currently our volume and our order books are looking pretty positive.
- Giriraj Daga:** Okay so if you compare with the 15 days prior to that similar period you are saying there is a positive volume kind of attraction?
- Benoy Roychowdhury:** Yes there is positive.
- Giriraj Daga:** Secondly just a follow-up .Will take small data point what is the cash on the books we are sitting as of September 30, 2017. Net cash?
- Piyush Gupta:** Close to about 900 Crores at this point in time, 868 Crores to be precise.
- Giriraj Daga:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ankit Kedia from Centrum Broking. Please go ahead.
- Ankit Kedia:** Sir just wanted to know the rationale of the education business demerger into HMVL given that twice you have alluded we want this to be a pure print company and not even have digital assets in the company?
- Piyush Gupta:** I think education is one thing that we as a group have been there for the last seven years now. What we have realized in multiple formats of education that opportunity is huge in Tier II and Tier III kind of cases, which incidentally coincides very well with our Hindustan Newspaper ,with that we want to co-create synergies with HMVL where it sits beautifully so that is the reason we plan to kind of merge that with HMVL.
- Ankit Kedia:** Sir, but in the press release clearly mentioned we were not able to scale up the B2C business in the existing venture and hence we are moving it here and I think the digital business could have more synergies with this company than the education business, which we are planning to rollout separately so why was in the education business listed separately by like this?

- Piyush Gupta:** I think that is a good point. As I said we have been into this space for nearly last six years. It has been big city focus, primarily NCR. Now, having realized that the big opportunity actually does not lie in NCR, but in a smaller Tier II, Tier III towns and cities. That is the reason now we are kind of pivoting that with HMVL, so right now whatever work we have done on the education side was in big town where HTML has got a deeper presence than HMVL. Right now with HMVL will give us access to smaller towns the HMVL has got a very deep presence.
- Ankit Kedia:** Sir but even HT Media could have done the same thing right?
- Piyush Gupta:** I think that is the duplication, it could not have been done right because in UP and Bihar HT is not present, because those towns and those cities are primarily Hindi or vernacular market and not English market. So, for HT to do that all over again would have been duplication.
- Ankit Kedia:** Sir what was the valuation at which this was done?
- Piyush Gupta:** I do not have the exact number but I think it is about 8 or 9 Crores something in the ballpark.
- Ankit Kedia:** Sir what will be the capex going forward in this business given that the bulk of the cash is in HMVL which we might use for further growth in education sector?
- Piyush Gupta:** In education the good news in education is if you look at our study mate model and IESPL, both are quasi technologically driven model and they are not very real estate heavy model. So in education if you are not doing a very real estate heavy model, we do not need huge amount of capex , so I do not think this is going to be utilizing a lot of capex from HMVL because this will have a lot of bolting on our technology which will be done in the virtual classroom model as well.
- Ankit Kedia:** Sir my last question is regarding the 77 Crores, which we got in view of the HTDSL . Even after one and a half years the valuation of that company remains the same .Is it not that we should have valued the digital assets much higher given the future growth from the digital business we plan to get from that?
- Piyush Gupta:** I think it is a very subjective thought that with just a passage of time everything would go ahead. That would have been the case I think that it would have been easy. If you just look at the financial numbers of the operating businesses, which was sitting in HTDSL, there has hardly been any growth and that is one of the reasons as I was alluding towards earlier that we e wanted to kind of keep HMVL away from those volatile businesses of digital because there has hardly been any growth in these businesses and valuation I think is a nominal 3, 4 Crores higher but the businesses if you look at them closely have not done as well as we would have like them to do.
- Ankit Kedia:** Sir because they are linked to the ad revenue and circulation revenue of HT and HMVL together so 8% of revenues of HMVL would be the revenue for HTDSL and 11% from HT and given that both these companies have not performed well that is why the revenue growth in HTDSL was not great right?

Piyush Gupta: That is a transfer pricing mechanism or a arm's length mechanism, which was linked into it, because think about it what you are saying is at the end of the day, there has to be real monetization capability in a digital company for its valuation to go up and it has to be profitable to make it go up rather sharply. Now both the print businesses, which our sales team are trying to sell the digital proposition also to various customers, call it because of external reasons, call it because of the evolution of digital at a certain stage at this point in time we have not been able to create a huge amount of value there. So I see no reason why the valuation should have gone up at this point in time in a period of nine ten months. The businesses have actually struggled right now because we have not been able to sell the products that those businesses are putting out in the marketplace given the market condition and given various things, so I think valuation will always follow once the operations goes up . So I do not think we should put the cart ahead of the horse once the operation goes up the valuation could always follow.

Ankit Kedia: Sir my last question is regarding the other expenditure, we have seen a steep fall sequentially and year-on-year in the other expenditure, do you think this run rate of 55 odd Crores would continue going forward?

Piyush Gupta: So other expenses if I look at Q2 2017 versus Q2 2018 it has come down by about 3 Crores there are multiple reasons but one of the big reasons that we have to understand is the notification of GST, which has happened. Now as you understand that your company was earlier in the exempt category where there were no indirect taxes on the output and hence therefore all the indirect taxes on the input were actually P&L debit now. We have the capability of passing that on to our end consumers so therefore to that extent that is good news. But however also there are some expenses given the tough revenue conditions that we clamped down on our discretionary expenses this point in time once the market start gearing properly we will loosen them up for business growth going forward, so some of these are sustainable, some of these are non-sustainable.

Ankit Kedia: Sir could you give the quantum of the GST set off which we got in the quarter?

Piyush Gupta: I cannot because as you know the GST that is basically notified on our output is 5% on ad rates and circulations kept out of listing and the inputs are both goods and services which suffer various rates between 5%, 12% and 18%. So I think anything that I say at best the hypothetical cases in conjecture. So I would not be able to quantify that for you but obviously one thing is clear that from an earlier exempt regime we are into a taxable regime now.

Moderator: Thank you. We take the next question from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: Thanks for the opportunity. Sir you said in the Uttar Pradesh the ad revenue growth was actually negative because of the high base of government. So if you keep aside the government part, what has been the growth in the advertisement revenue in UP market? Was there any growth?

- Vivek Khanna:** We saw a decline in the UP market. In fact this was one of the largest factors for decline in the UP market but there are two other factors, one is the whole slowdown in advertising, which we have seen across the board. Thanks to GST and RERA, that also has a role to play and third there was a pretty important initiative that we have had to postpone because of the uncertainty around GST into Q3 so there are these two other factors also which have led to decline in UP but the largest factor is the UP government base.
- Yogesh Kirve:** Sir could you talk about what has been the growth or what has been the advertisement revenue trend excluding government?
- Vivek Khanna:** Like I mentioned the overall decline in UP is double-digit and the overall impact of DAVP on our advertising revenue is also double-digit so it is pretty significant but I do not want to get into the specifics of those double-digit maybe offline I can tell you.
- Yogesh Kirve:** Sir secondly a bit of discussion on the other expenses and you talked about Y-o-Y decline from 58 Crores to 55 Crores but really I guess the Y-o-Y numbers may not be so comparable because HTDSL transaction happened ended quarter last year, if you just focus on quarter-on-quarter so it was 69 Crores in 1Q. So it has fallen to 55 Crores so could you talk about what has been the driver of this saving from Q-o-Q basis?
- Piyush Gupta:** The first quarter was ending June and the second quarter is ending September. So one thing is obviously GST, as you understand has been notified from July so that is definitely a sustainable saving that we will get going forward. The second thing, as you are aware that we had done rather large cost project across all our businesses, so whatever cost rationalization that we managed to attain is something that will also be sustainable going forward. Apart from that there is certain discretionary cost takeout which we have done, which is not sustainable clearly. The reason for taking discretionary costs out, at this point in time is a very soft revenue situation that we are facing as we are already aware of that is some certain clamp down that we have done on whatever costs we can but this is something, which will come back the moment the ad revenue environment improves.
- Yogesh Kirve:** Sir finally if you look at livehindustan.com, I understand the content for this would be coming largely from HMVL?
- Piyush Gupta:** Content cost in livehindustan?
- Yogesh Kirve:** Yes so I am saying the content creation for livehindustan would be largely happening out of HMVL or the HTDSL will be having that own team for that?
- Piyush Gupta:** No as I said currently, as all these content are getting created in HTDSL which was the early organization on which the 43% was held by HMVL which has now been cashed out by HMVL, so all the content creation costs was actually sitting in HTDSL and not in HMVL.
- Yogesh Kirve:** What I wanted to ask Sir, is there any content, which is supplied by HMVL to the HTDSL, does that happen as well?

- Piyush Gupta:** It is the other way round. HMVL does not create content for HTDSL. HTDSL creates content for HMVL.
- Yogesh Kirve:** That is all from me. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Rohit Balakrishnan from Vrddhi Capital. Please go ahead.
- Rohit Balakrishnan:** Sorry I got dropped off earlier. Can you just explain the rationale behind merging the education arm? I could not hear it, sorry if I am repeating this question?
- Piyush Gupta:** Basically, Rohit the whole idea of merging education was that in the last five, seven years that we have been in the business of education, we have understood that the larger opportunity is not sitting in big cities of Delhi, Mumbai where most of our education play was. It is sitting in Tier II and Tier III towns, where HMVL got a much deeper penetration. So that is the reason we are now kind of taking the advantage of synergies and taking the journey along with HMVL.
- Rohit Balakrishnan:** Sir as a shareholder it seems that the actions do not see very minority shareholder friendly. You are merging something, which is not related to our business. You are taking out something, which could have been synergistic to our business. Cash keeps piling on our balance sheet. So I am just, as I have been a shareholder for last three plus years now, so just trying to share this feedback with you maybe you can communicate with the board it does not seem very minority friendly?
- Piyush Gupta:** I will definitely communicate with the board and pass on your concern to the board but from my perspective I can tell you from a long-term point of view whatever we are doing given the fact that at a majority level. we have the same objective of having a long-term sustainable value creation should actually synchronize with minority shareholders also given the fact that digital journey whatever we have understood in the last ten years can yo-yo very sharply after taking the leap and getting HMVL exposed to it, we have kind of fire walled HMVL and taken it out. I think that is a minority friendly decision, understanding in the last five, seven years that education has a bigger play in Tier II towns exposing HMVL to education play. Of course all these things will get played out over the long-term. Now how long are various shareholders willing to look at it is something that depends on all the shareholders but I can tell you your management is not doing anything which will hurt any of the shareholders, be it minority or majority.
- Rohit Balakrishnan:** Sir any views on utilizing the cash on the balance sheet?
- Piyush Gupta:** I cannot give you anything because that is something that the board of directors is always contemplating. This can be utilised organically in deepening our presence in a chosen geographies of Bihar and UP or it can be used inorganically to look at good acquisition candidates provided it answers the stated agenda of enhancing the business within our strategic

imperatives. So right now, I have no answer but I can tell you wherever the opportunity organically or inorganically will emerge the board will that executions.

Rohit Balakrishnan: But Sir if you look at the overall space there are not many players that you can really look at acquiring except that in the vernacular space, and if you restrict your vernacular space, you logged in Hindi then even that space brings further so we have been trying for last four years?

Piyush Gupta: See the good news is we have been trying for last four years but as you already know a couple of our competitors who have done that over the last four years have gone horrendously wrong also. So we would rather be slightly slow than foolish on this thing. I know there is a lot of cash, which is piling up but what is heartening to know is that cash is currently yielding a pretty decent post tax return, which is close to double-digit but of course we would like to kind of look at good opportunities, which will emerge and not rush into those opportunities just because we want to deploy that cash.

Rohit Balakrishnan: Sir but if you look at your ex-cash return on capital, the business wants much more. So don't you think given the kind of cash flows that the business itself is earning and given we are going from strength-to-strength in almost all our markets as per the commentary that we have been hearing from the management in last many quarters. Do you not think given that we will continue to have such strong cash flows it would be better to at least slightly increase the dividend payout?

Piyush Gupta: Well really, dividend payout is something that the board can take a call on but on the strong cash flows I will just basically ask you to analyze the balance sheet for the last two years. Now, whenever a soft period comes actually the strong cash flows shutdown very quickly, which we are seeing for the last five quarters now but all those cash flows have been in good days piled up rather sharply. So what I am only saying is if you look at the size of the business there is about a 400 to 500 Crores newsprint and about a couple of 100 Crores of people cost bill. So if you basically look at a cover of 1x or 2x of that you would see that the cash flows are pretty much well sufficient to cover that. Given the volatile market that we are seeing now for the last five quarters and we do not know how quickly they will improve. At the time of demonetization, we thought that will go away in a couple of months and suddenly came GST and now it has been five quarters that we have been seeing that trend not going away. So I will say we are conservative for sure but on a long-term these areas will definitely lead to a shareholder value creation.

Rohit Balakrishnan: Thank you.

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

Vikash Mantri: Good afternoon Sir. Thank you for the opportunity. Just to understand the ad growth and more from UP, have we seen more of a 20% plus decline in our UP markets and also can you help us what could the growth rate approximately would be if we were to adjust for the political advertising gains that we might have had last year?

- Vivek Khanna:** It would not be close to 20%. Adjusting for political obviously as I mentioned it is the single largest contributor, so it would have been a lot healthier.
- Vikash Mantri:** So what would be our overall growth if we were to not have UP in our base?
- Vivek Khanna:** It would be low single digit decline in UP, had the election base been taken out.
- Vikash Mantri:** Low single digit. Fair enough Sir.
- Moderator:** Thank you. The next question is from the line of Neeta Khilnani from B&K Securities. Please go ahead.
- Neeta Khilnani:** Thank you for the opportunity. Sir, we have been talking about an initiative that we have deferred to the third quarter so is this again yield driven or anything something specific that you would want to comment on?
- Vivek Khanna:** No, this is one of the large initiatives that we do in all our markets, which stimulate some revenue for us .So because of the uncertainty around GST we decided to do in quarter Q3 this time while last year it was in Q2. So, it is from an overall year perspective it would not make any difference, but from a quarter perspectives it makes some marginal difference.
- Neeta Khilnani:** Sir your yield driven strategy for the first half what was the yield that increase taken overall?
- Vivek Khanna:** In this quarter we have seen a yield increase of about 5%. We have had a similar of likely more increase in Q1 in terms of yield and this yield increase is largely coming from some of the national markets.
- Neeta Khilnani:** Are we done with this or would be still look to?
- Vivek Khanna:** For the moment, we are done; however, yield increase continues to remain a focus for us because now we are in the midst of the festival season and there is GST period etc., which is stabilizing. So once things stabilize a bit, we will focus on yield increase again. So on an overall basis we are looking at growth coming largely from yields but we had taken certain calls in Q1 and Q2 for the moment, we are not doing that. We may start it again but at the moment we are not doing.
- Neeta Khilnani:** So for the second half the growth could be more volume driven?
- Vivek Khanna:** The growth would be a combination of yield and volume because the yield increase that we have done in Q1 and Q2 is something that will give us benefit in Q3, Q4 also. Certainly the yield increase will give up revenue growth if volumes bounce back. See, the festival season has been good. We have to see what happens post the season being over. If the volumes bounce back it will benefit us two-fold, so there is going to be an advantage.
- Neeta Khilnani:** Sir lastly would be able to ascribe a certain proportion of the discretionary spends in your other expenditure, which would rather not be sustainable like we have discussed before?

- Piyush Gupta:** I guess discretionary expense will be around various things to do with market activities. As you know there is a lot of discretionary marketing ATL and BTL at any given point of time in the market space there are a lot of reader facing activities also that we do at any given point in time. In a soft revenue scenario, those are the things that in the best wisdom we clamped down on. Now if we see that there is a certain level of buoyancy, which is coming back, although the activities will basically open up the first things on.
- Neeta Khilnani:** Is there any proportion that we can ascribe this to.
- Piyush Gupta:** I cannot. I think the proportion if you just analyze the last year's P&L whatever is the proportion of marketing and sales promotion to the total SG&A bucket that proportion you can just extrapolate because we have not done math like this but I think that is a proportion, which kind of will hold true even still.
- Neeta Khilnani:** Thank you Sir.
- Moderator:** Thank you. Next question is from the line of Naveen Jain from Florintree Advisors. Please go ahead.
- Naveen Jain:** Good afternoon Sir. Sir just a little of clarity on HTDSL so that the entire content creation for the entire growth both digital as well as print is now house and this entity HTDSL?
- Piyush Gupta:** That is correct.
- Naveen Jain:** So does that basically mean that for us HMVL the cost for content creation, which was earlier, reflected in let us say employee cost mainly will now reflect as a payment to HTDSL?
- Piyush Gupta:** That cost, which was all these employees who were creating content for HMVL that cost has gone out of the P&L of HMVL and to that extent the P&L of HMVL has become that much more cost frugal.
- Naveen Jain:** But in parallel, you would also start making some payment to HTDSL right because that combined quantity?
- Piyush Gupta:** Absolutely. So which is what I explained to a gentleman earlier on, which is link to the transfer pricing mechanism, which was cleared last year and we got into scheme, which is linked to the revenue side. . So there are certain payments, which have to be made for that content and that content has to be monetized in HMVL in various delivery mechanism that HMVL has through their newspaper presence.
- Naveen Jain:** This cost will reflect under what head?
- Piyush Gupta:** The payment will be made under the overheads head basically and the costs takeout will happen in three heads, which is people cost, overheads cost and news sourcing cost.

Naveen Jain: Since HTDSL is going to be listed separately so it will obviously have its own corporate agenda because it will add to the minority shareholders and stuff. So fair to assume that it will have certain margin on whatever content it supplies to HMVL to that extent effectively or HMVLs content creation cost goes out right, is that a fair way to understand?

Piyush Gupta: No. Absolutely, I think whenever you are putting a transfer pricing mechanism, you have to compute the margin but it has to be fair to both the counterparties so as you would see from last one year since this happened HTDSL is actually in the loss because whatever cost that it is putting to create that content, it is not able to garner enough revenue to defray its cost, so in a good year they might have profit but right now they are in a loss which effectively means your entity, HMVL is therefore in a profit to that extent and that was the point I was making earlier. So it is a double edge, it is a second edge of our same sword which can cut either ways.

Naveen Jain: Thank you.

Moderator: Thank you. We will be able to take one last question. The last question is from the line of Depesh Kashyap from Equirus Securities. Please go ahead.

Depesh Kashyap: Sir just wanted to know your thoughts on the Bihar market. So we are hearing that the Dainik Bhaskar is getting very aggressive in this year in the Bihar market so are we going to see any drop in cover prices there as well or what else can we do to hold on into our leadership there?

Vivek Khanna: We have seen a drop in cover prices in Bihar due to the Dainik Jagran dropped its cover price and we also dropped our cover price subsequently. So, the drop that we have to see has already happened. Dainik Bhaskar is trying to expand, but from whatever we have been able to pick up, there is no threat to our dominant position in Bihar because of Dainik Bhaskar's expansion. Some of the weaker players are likely to suffer a lot more. Bhaskar has been around for over three years now in the market of Bihar. Our copies strength, our revenue has only gone up in that during this time and the number three-player had actually slipped and become number four-player or will become a number four player there, so we have not got impacted by Bhaskar's presence. We also believe that the expansion that Bhaskar is planning to do right now will not have any serious impact on us going forward; however, in the short run because of a cover price drop yes it has impacted our bottom line. However, the trend of taking up cover prices has just started and hopefully we will get back to normalcy over the next two to three quarters.

Deepesh Kashyap: Thank you Sir.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back to the management for any closing comments.

Vivek Khanna: As we mentioned that we have been going on a yield growth strategy along with that we have obviously had an impact of significant drop in volumes in Q1 and Q2 due to some external conditions. Going forward; however, given the current festival season, we are seeing volume coming back. I think it is important to wait and watch and see what happens post the festival

season but we believe that our yield led strategy will benefit us once the volumes come back and we will be able to deliver value for the shareholder.

Piyush Gupta:

A couple of last comments on capital allocation and HTDSL is I believe and the board also believe that from a long-term sustainable value creation point of view to the shareholders are, these schemes and these arrangements will auger very well. And the education part, which has a very big play in the hinterland, that HMVL has got a very deep presence will also create a lot of value for the shareholder. That is about it. Thank you ladies and gentlemen. Thanks for taking out time. We really appreciate it and we look forward to speaking to you in one quarter's time.

Moderator:

Thank you very much. On behalf of Equirus Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.