

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY STRUCTURE AND DEVELOPMENTS

Print Media is a revolutionary evolution that has buried the gap of communication with the aid of tangible printed assets such as newspapers, magazines, letters etc. among various targeted groups of people so that the hierarchy of information would never break down due to slacking conversation. Print media has the advantage of making a longer impact on the minds of the reader, with more in-depth reporting and analysis. Indian Print Media is continuing to register robust growth compared to other major democracies and accounts for the largest print media and newspaper market in the World. Print Media in India accounts for the 2nd largest share of the Indian Media and Entertainment Industry.

Even with the advent of the Electronic Media, 3708 new publications were registered in the F.Y. 17-18. As per the Annual Report 2017-18 published by the Registrar of Newspapers for India, total number of registered publications was 1,18,239 comprising 17,573 newspapers and 1,00,666 periodicals, as of March 31, 2018. In terms of percentage, the total registered publications have increased by 2.98%.

According to FICCI-KPMG the Indian Print Media grew by 0.7% in CY 2018 to reach INR 305.5 billion and the segment is expected to reach INR 338 billion by CY 2021, growing at a CAGR of 3.4%. As per the data of Audit Bureau of Circulations (ABC), the Newspaper circulation grew around 2% across languages, during the period from January to June 2018 when compared to corresponding period in 2017. India is a home to diverse languages and accordingly, the contribution of Hindi together with vernacular newspapers in newspaper Circulation will be more in comparison to English Newspaper. The contribution of Gujarati Newspaper stood at 7% of total Newspaper Circulation. English newspapers are arguably read by higher socio economic class of urban people, who use smartphones and have access to the internet. The threat of losing such readers to digital media is higher which has been the key reason for slower growth of English newspapers in the past few years.

The Company started its journey in 1923 and it belongs to the Regional Print Media Industry. Late Mr. Chimanbhai S. Patel acquired the entire business from the original promoter in the year 1958, and had put his efforts to strengthen the activities carried out by "SANDESH". The editorial policy of the Company has always been based on basic journalistic values of objectivity and has not been influenced by any external forces. Presently, Mr. Falgunbhai C. Patel, Chairman & Managing Director is running the entire business affairs of the Company, along with his son Mr. Parthiv F. Patel, Managing Director and a professional team of the Executives of the Company. The Company has a strong regional franchise, where it enjoys strong readership loyalty.

Currently, the Company is a publisher of "SANDESH" a premier Gujarati daily newspaper published from Ahmedabad, Vadodara, Surat, Rajkot, Bhuj and Bhavnagar in Gujarat Region and also from Mumbai in Maharashtra Region, to carry on the business of editing, printing and publishing newspapers. The Company had started its printing facilities at Vadodara during 1985-86, at Surat during 1989-90, at Rajkot during 1990-91, at Bhavnagar during 1998-99 and at Bhuj during 2010-11 to cater to the semi urban and rural areas.

Besides the Company publishes "Stree", a magazine and also the periodical "Sandesh Pratyaksha Panchang" which remained popular among the public. A weekly newspaper 'Agro Sandesh', specific to the rural community of the State of Gujarat covering the farming, dairy and co-operative sector was successfully launched and which is contributing positively to the development of the farmers of the State of Gujarat and allied agricultural industries.

During the year under review Sandesh Kite Festival at Surat has been registered in four Prestigious Record Books. The Surat Team made the "Largest Human Depiction of Kite" in which 710 differently-abled children stood together and expressed their will to fly. This was registered as an achievement in the Golden Book of World Records, Limca Book of World Records, India Book of World Records and Indian Achiever Book of Records. The Company revel the marvelous achievement and looks forward for many more such record breaking achievements.

Further, the Company's News TV channel 'Sandesh News' is immensely popular amongst Gujarati Viewers and it has also won several awards. Further, as a part of its out-of-home (OOH) advertising activity, the Company has advertisements sites at the major commercial areas in Ahmedabad.

2. OPPORTUNITIES AND THREATS

India is one of the very few countries in the world where the newspaper is delivered to the doorstep everyday. This zero friction availability of newspapers is significant contributor to its continued growth. With the boom in the digitalization few readers may have shifted to digital media, but still majority of the readers prefer a physical copy because they believe that the information provided to them is credible and accurate. In addition several surveys also indicate that newspapers are better able to increase reader loyalty because they are credible. Print allows you to choose a publication that your target audience is most likely to read. This can be a trade magazine that caters to a specific industry or a local newspaper. This is why many say print is better at reaching local audiences.

With every State Government and the Central Government focusing on the educational reforms, a lot more Indians are going through formal education today, than ever before. As this educated workforce comes of age, they will consume more news. Print being the most affordable of all forms and easily accessible, will continue to see its circulation grow over the next few years.

Newspaper circulation in India continues to grow despite its global counterparts in America and Europe struggling for survival. The latest Quarter One data of Indian Readership Survey (IRS), which was released by Media Research Users Council (MRUC), yet again showed an upward trend in Newspaper Readership. According to the said survey, the dailies have added 1.8 Crore additional

readers since IRS 2017. Resurgent Print IRS 2017, which came out after a gap of four years, re-established the power of print. When the survey was out, the print players had added 11.2 Crore readers in four years from 2013, taking the overall print readership to 40.7 Crore. The number has now reached to 42.5 Crore. These numbers defies the prediction of the demise of the print media in the Digital World.

India being a multi-culture and multi-lingual country, there is strong depth in language readership, particularly, Hindi, Marathi, Urdu, Gujarati, Malayalam, Tamil and Telugu among others. Hindi and Regional newspapers over the past few years have created a brand equity and strong customer loyalty and continue to lead the Print Growth Story. As per the IRS Q1 2019 Report, "Sandesh" Newspaper is amongst the Top 20 Dailies Readership and in terms of the Gujarati Readership it holds 2nd Position, considering the Readership during the Q1 of 2019. This clearly shows our readers' trust, confidence and faith in true journalism.

Trends in newspaper readership in India show greater inclination towards regional language newspapers. Indian economy is a rural economy with more than 65% of India's population residing in rural areas. The Company believes that macro factors such as rising literacy and increasing penetration in semi-urban and rural areas are likely to ensure profitable growth for the print media sector. Future growth is largely driven by semi-urban and rural areas on account of increasing commercial activity, higher spending power and rising literacy. With the language print medium dominating in these areas, language newspapers are preferred over English newspapers.

The Company, with its seven editions at different strategic locations, has strongly established its presence across the State of Gujarat and also in Maharashtra. The Company also sees the opportunities in rural and semi-urban areas of Gujarat. The Company is planning to continuously improve the circulation of its newspaper in those areas also and will target higher readership amongst the young, educated and elite mass of the public. The publications of the Company are very popular in the urban areas of the State and it continuously improving the readership in smaller town and villages of the State of Gujarat.

Globally, with a shift to digitalisation, the future prospects of print media continue to be shrouded in an air of uncertainty. There are other factors that differentiate the Indian print media industry from its global peers like local content, a unique distribution model, literacy level, cultural habits, etc. Changing news consumption habits and access to news on mobile has already been assigned the blame for declined growth rates in the English Market. However, regional newspapers are still at early stages to witness any radical impact. As per the FICCI-KPMG Report 2019, compared to global trend of negative growth, Indian Print Media is expected to grow at a CAGR of 3.4%. Also, the fact that readership has grown establishes print's dominance, relevance and growth. This is because there is no competition when it comes to credibility and trust and these are the intrinsic strengths of print media.

FICCI-KPMG Report 2019 reported that Advertising Revenues grew 0.4%, while Circulation grew 1.2% in 2018. Circulation revenues contributed 29% of the total revenues of the print segment. Of this Gujarati newspaper advertising contributed 5% of the advertising volumes. Highest De-growth in advertising volumes was noted in English, where affluent rates could have resulted in migration of readers to digital media.

As per FICCI-KPMG Report 2019, 37% of the ad volumes had incentives, offers or promotions with an intent to drive sales for advertisers. This indicates a clear tilt towards performance advertising through print. Integrating a return path through digital could enable better Return on Investment to advertisers. Instances of advertisements with QR codes or digital coupons increased and we expect to see more digitally integrated ad formats in the years ahead. FMCG and auto were the largest contributors to print revenues, with a contribution of 14% each, followed by education at 10%. While only 4 categories accounted for 75% of television advertising, 13 categories contributed the same percentage to print advertising. This demonstrates that print is less vulnerable to any single category de-growth and regional print stays more resilient to advertising fluctuations.

In an era of digitalisation, issues such as fake and planted news gives a serious and given this scenario, platforms providing curated news have earned increased trust from readers as compared to platforms without content review and control facilities. News brands are stressing these facts to advertisers to try and garner a higher share of their ad revenues, because the paid online news subscription model has not grown significantly in India. The rise of the fake news has impacted digital more than print media.

Print Companies are also focusing on enhancing their digital footprint. Almost all the large print companies have established their news websites and/or apps. While most Indian publishers have created an online presence, digital content monetization is still significantly under penetrated for many players. The Company has also created its online presence through its website – www.sandesh.com and also provides for E-Newspaper indistinguishable to its Physical Newspaper. Digital Media, although it has a much wider reach and allows for greater flexibility, its results do not compare to the quality customer relationships one can gain from using a print media strategy.

The Company has News and Current Affair Television channel 'Sandesh News' which is very popular amongst Gujarati Viewers. The television industry grew to INR 740 billion in 2018 from INR 660 billion in 2017, generating a growth of 12%. Of the INR 740 billion 41% was contributed by Advertisement Revenue. An increase of 14% in the Advertisement revenues was reported in 2018. News Channels garners a disproportionately high share of advertising volumes. Regional advertising outpaced national advertising growth on the back of national brands spending more to grow non-metro markets where GST had created a level playing field between national and regional brands. Further, the News Channels reported viewership of 7%, despite 43% of 885 TV Channels are News Channel. Viewership growth was led by regional languages and a huge spike was witnessed during the elections in the state of Rajasthan, Madhya Pradesh, Chhattisgarh, Telangana and Mizoram. As per the report of the Indian Brand Equity Foundation the Indian Television Industry is reported to grow at 12.60 CAGR during the period from 2018 to 2023. Indian being the world's second highest number of Internet subscribers, growing at the rate of 13% annually, Over-The-Top (OTT) Platforms saw increase in app downloads and subscription numbers in the year 2018. With the increased subscription for OTT Platforms, advertising rates are

already at levels much higher than those charged by Traditional Media. The OTT Platforms seems to pose a threat to the Indian Television Industry and chances are there that the OTT players shall also take across various languages. However, the News Channels are yet to see the radical impact of OTT Platforms.

In 2018 the OOH (Out of Home) media segment grew by 8.8% in 2018 to reach INR 37.3 billion and it is expected to grow at 9.2% CAGR by 2021. Retail, consumer services and real estate were the top contributing sectors to the ad spend in the OOH segment. The rapid development of infrastructure, including upcoming airports, smart city projects, malls, metros, bus shelters, public conveniences, coffee shops, along with increased advertising opportunities in tier-II and tier-III cities are all contributing to the growth of OOH media. With improved performance of out-of-home campaigns and more organizations willing to experiment and incorporate new digital ad experiences, the segment, especially digital OOH is expected to drive growth.

“Sandesh Spotlight” is the out of home (OOH) division of the Company which has a vision- ‘To make an impact in the OOH market by combining Marketing Strength and Futuristic Approach’. The Company had procured various prestigious tenders from the Statutory Authorities like Ahmedabad Janmarg Limited, Ahmedabad Municipal Corporation (AMC), Vadodara Municipal Corporation (VMC), Gujarat State Road Transport Corporation (GSRTC), Ahmedabad Municipal Transport Service (AMTS), Rajkot Municipal Corporation (RMC), Western Railway Ahmedabad Division, Defence Estates Office (DEO) and Ahmedabad Cantonment Board (ACB). Sandesh Spotlight has properties in the prime locations in the cities of Gujarat covering the most prominent junctions and some of the busiest cross roads and aims at strategically adding more so as to be able to provide its clients with best visibility for their brands; in line with its mission - ‘To work as a team with our clients to ensure better mileage and visibility for their brands’. During the year under review the Company had the advertising rights on 700 Buses of AMTS, 8000 buses of GSRTC which provides a transport facility across the State of Gujarat, 120 Bus Shelters of VMC, 150 Unipoles of AMC, DEO and ACB.

Better planning, focused approach for the implementation of strategy and professionalization of the management will help the Company to have a sustained development of its business.

3. SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The Company did not have any reportable segment other than media under Accounting Standard 17 on Segment Reporting as notified under the Companies Act, 2013. This is the core business of the Company since its inception. The Company had been able to maintain its business volumes despite stiff competition in the regional media industry. The revenue from media segment was ₹ 38336.74 Lacs during the Financial Year under review as against ₹ 36999.58 Lacs in the previous Financial Year.

4. OUTLOOK, RISKS AND CONCERNS

The increase in population, literacy rate and reach has led to increased circulation and readership of the newspapers in India. The Company is steadily increasing its geographical presence, which helps improve its circulation and readership of its publications.

The business outlook for the Print Media Industry and the Company looks good. Both readership and circulation of newspapers, especially for vernacular newspapers, is growing in India. Even with the booming digitalization, Indian Print Media is projected to continue contributing 2nd largest share to the Indian Media and Entertainment Industry in the coming years and therefore, Print Media is expected to remain a popular vehicle for advertisers to reach out to a large consumer base in the country.

Indian Print Segment imports more than 50% of its newsprint consumption, mainly from US, Russia and Canada. Rising newsprint prices and depreciation in the value of the Indian Rupee led to pressure on print sector margins in 2018. Operating margins of print media Companies declined by over 400 basis points during 2018 due to rise in cost of newsprint, which accounts for 35-45% of their total costs. However, Prices seem to have stabilized in 2019 with petroleum prices again falling. The Company keeps close watch on the development on the Newsprint front. The Company uses imported as well as domestic newsprint and by judicious mix of them, tries to mitigate the high cost impact on the business operations. Given that newsprint prices have reduced, while the focus on attaining the cost efficiency is increased by the Company, margins could improve in the 2019.

The print media business is largely dependent on advertising revenues. In May, 2017, the Ministry of Information and Broadcasting had issued an advisory stating that the amended General Financial Rules, 2017 had done away with the need for publishing advertisements in newspapers for procurement of goods and services. Thus, the government no longer must advertise its tenders in print media. Instead the advertisements are placed on e-portal. This led to a sharp fall in tender advertising. However, many industry players believe that tender business will be revived in 2019 as print tenders are more efficient. Further, as per the Pitch Madison Advertising Report 2019, India is perhaps the only major market where Print Advertisement Expenditure is actually growing year on year, although its growth rate is rapidly declining. India again is probably the only country in the world where Print still commands a majestic 31.9% share of Advertisement Expenditure.

However, Real Estate and Education are likely to continue with large spends on Print. New launches in Auto Sector, which have now become a common feature in the crowded Auto Industry, will also contribute to print growth. Additionally, on January 8, 2019 the Ministry of Information and Broadcasting announced a 25% hike in the advertisement rates in print media over and above the existing rate structure by the Bureau of Outreach and Communication (erstwhile Directorate of Advertising and Visual Publicity). This seems to be a positive factor providing fillip to the revenues of the Company for the next Financial Year.

India's print market is highly fragmented. There is stiff competition between publication houses for circulation, readership and advertising and this industry is very competitive. The Company is well established and it has better financial resources and it always strives hard to generate higher revenues every year and hence, the Company is able to quickly respond to market changes and consumer sentiments. The Company has competed successfully in the year under review and it believes to continuously compete effectively. The Company is continuously strengthening its market positions, reinforcing its relationships with Agents, Advertisers

and providing high quality contents to its readers. The Company's website i.e. "www.sandesh.com" is a very popular website for the Gujarati community.

As internet access expands, the digital media poses a highest threat to the newspaper industry. Digital Media allows for relatively more flexibility and control over exactly who sees them, than print media, so marketers can more easily target them toward specific demographics. However, print media are better able to increase reader loyalty because they are credible. Many people subscribe to newspapers because they understand and believe that the information provided to them is credible and accurate. Publishing an article in print takes a lot more effort than publishing something online. This is because you only have one chance to get every word and image right before it gets published. With digital media, you can go back in to change or tweak your article and send it back out. Since there is this pressure on accuracy and credibility media, readers are more likely to trust the print media platform. This works to the advantage by generating leads and sales much easier. As an added benefit, this trustworthiness leads to better reader loyalty.

5. INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

The Company's internal control systems are adequate considering size and nature of operations of the Company, to meet regulatory and statutory requirements, assure recording of all transactions and report reliable and timely financial information. The Company has defined risk management framework and it is implemented as an integral part of business processes. The Company has installed Enterprise Resource Planning System (SAP) for accounting purposes. To counter the adverse fluctuation in the newsprint prices, the Company vigorously keeps watch on its price trends and accordingly plans the purchase of newsprint to ensure efficient operations and better profitability. The Company applies effective mitigation techniques to manage potential risks. Risk management system includes recording, monitoring and controlling internal enterprise business risks and addressing them through informed and objective strategies. Further, the Board of Directors of the Company has adopted a Risk Management Policy and it has identified various risks and also has mitigation plans for each risk identified. Its comprehensive risk management system ensures that all risks are timely defined and mitigated in accordance with the Risk Management Policy. The Audit Committee of the Board of Directors of the Company periodically reviews the internal control system and also internal audit reports issued by the Internal Auditors of the Company.

The Company has formulated a robust whistleblower policy for receiving and redressing complaints of employees. No employee has been denied access to the Audit Committee or its Chairman during the year under review.

6. DEVELOPMENTS ON HUMAN RESOURCE / INDUSTRIAL RELATIONS FRONT

A Company's assets fall in two categories Tangible Assets and Intangible Assets. At first glance it would seem that the employees are Tangible assets but in-fact they are the Intangible assets of the Company. The skill sets of the Company's employees are an asset to the organization and since abilities can't be touched, the employees are therefore intangible assets of any Company. The Company treats its employees as most valuable assets as it knows that without good employees the best of the business plans and ideas will fail. In today's dynamic and continuously changing business world, it is the human assets and not the fixed or tangible assets that differentiate an organization from its competitors. Improving employee efficiency and performance has always been the top most priority for the Company. The Company also aims to align human resource practices with its business goals. The performance management system enables a holistic approach to the issue of managing performance and does not limit to only an appraisal. The total number of permanent employees on the rolls of the Company is 493 on March 31, 2019. The Company takes pride of its highly motivated and committed team of its employees. The employees performed to their full potential and contributed to the growth and development of the Company. Further, the Company has adopted various safety measures to ensure safe working environment for the employees of the Company. During the Financial Year, the industrial relations between the employees and management were calm and composed.

Further, the Company has complied with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company has formed Internal Complaints Committee and also formulated a policy. No complaint was reported during the financial year 2018-19.

7. DISCUSSIONS ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

SUMMARY FINANCIAL INFORMATION:

Particulars	2018-19		2017-18		% Increase / (Decrease)
	₹ In Lacs	% to Revenues	₹ In Lacs	% to Revenues	
Revenue from Operations	41687.95	95.48	37480.07	96.46	11.23
Other Income	1975.37	4.52	1377.44	3.54	43.41
Total Revenue	43663.32	100.00	38857.51	100.00	(12.37)
Expenditure	32922.61	75.56	25699.58	66.14	28.37
EBIDTA	10670.71	24.44	13157.93	33.86	18.90
Finance Cost	41.36	0.09	40.25	0.10	2.75
Depreciation & Amortisation	885.50	2.03	850.50	2.19	4.12
Total Expenditure	33919.47	77.68	26590.33	68.43	27.56
Exceptional Item	-18.86	-0.04	29.71	0.08	--
Profit Before Tax	9724.99	22.27	12296.89	31.65	(20.91%)
Provision for Current Tax, Deferred Tax & Other Tax Expenses	3413.64	7.82	4324.78	11.13	(21.06%)
Profit After Tax	6311.35	14.45	7972.11	20.52	(20.83%)

Revenue from Operations

Revenue from operations has increased by 11.23% from ₹ 37480.07 Lacs in F.Y. 2017-18 to ₹ 41687.95 Lacs in F.Y. 2018-19.

EBIDTA

EBIDTA during the year stood at 24.44% of Total Revenues as compared to 33.86% in the previous year. This was primarily because of increase in cost of newsprint.

Depreciation and Amortization

Depreciation and amortization charge during the F.Y. 2018-19 was ₹ 885.50 Lacs as compared with ₹ 850.50 Lacs during the previous F.Y. 2017-18.

Finance Cost

Finance Cost amounted to ₹ 41.36 Lacs compared to ₹ 40.25 Lacs during the previous financial year. The increase in Finance Cost is due to better utilization of funds. Average borrowing during the financial year ended March 31, 2019 stood at ₹ 37.09 Lacs as compared to ₹ 37.32 Lacs during the previous F.Y. 2017-18.

Income Tax

The income tax charge for the F.Y. 2018-19 stood at ₹ 3413.64 Lacs compared to ₹ 4324.78 Lacs in the previous F.Y. 2017-18.

Profit after Tax

The profit after taxes for the F.Y. 2018-19 was ₹ 6311.35 Lacs compared to ₹ 7972.11 Lacs in the previous F.Y. 2017-18.

Fixed Assets

The investment in the fixed assets at the end of the F.Y. 2018-19 was ₹ 7970.59 Lacs as compared to ₹ 8502.46 Lacs as at the end of previous F.Y. 2017-18.

The Company, as planned, is gradually moving upwards in its core business and also strives hard to improvise its strengths to keep its dominance in the existing business and also explore opportunities available in new sectors.

FINANCIAL RATIOS

Particular	2018-19	2017-18	% Change	Reasons for Change
Debtors Turnover	5.33	5.44	-2.08%	-
Inventory Turnover	7.96	4.75	67.66%	During the F.Y. 2018-19, the prices of the News Print were increasing and the Company has been maintaining minimum inventory and the closing inventory has substantially gone down as compared to previous F.Y. 2017-18.
Interest Coverage Ratio	236.17	306.48	-22.94%	-
Current Ratio	7.16	4.64	54.31%	Effective use of the fund management has led to the improvement of the current ratio.
Debt Equity Ratio	0.10	0.13	-26.88%	Better creditors management.
Operating Profit Margin %	18.73%	29.16%	-35.76%	Because of increase in input cost, the profitability has gone down.
Net Profit Margin %	23.33%	32.81%	-28.90%	Because of increase in input cost, the profitability has gone down.
Return on Networth	8.72%	11.99%	-27.26%	Because of increase in input cost, the profitability has gone down.

8. CAUTIONARY STATEMENT

Readers are cautioned that this discussion and analysis contains forward-looking statements that involve risks and uncertainties. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. The details and information used in this report have been taken from publicly available sources. Any discrepancies in the details or information are incidental and unintentional. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of date. The above discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto.