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Earnings Webinar – Quarterly Results – Q4 FY'20

Transcript of earnings webinar on Q4 FY'20 results of

HT Media Limited

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Hindustan Media Ventures Limited

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Note: This transcript has been edited to improve readability

Amit Madaan: Good Afternoon, everyone! I am Amit Madaan from Investor Relations Team, HT Media Group. I would like to welcome you all to Q4 and full year 2019-20 earnings webinar. Kindly note that all participant lines will be in 'listen-only' mode and there will be an opportunity for all to ask questions once the presentation concludes. I now invite Ms. Anna Abraham – Head, Investor Relations to take forward the webinar. Thank you, and over to you, Anna.

Anna Abraham: Thank you, Amit. Hello everyone. Good afternoon and thank you for joining this webinar to discuss the results for the fourth quarter and full year ended 31st March, 2020. May I request everybody else to go on mute. I hope that you and your families are safe and healthy in these difficult and challenging times. This is the first time that we are doing an earnings conference on Zoom. So, do bear with us for any glitches that may come up during the course of the webinar. Joining me in the webinar today is Mr. Piyush Gupta, our Group CFO; Sandeep Gulati, CFO of Hindustan Media Ventures Ltd. and Pervez Bajan, our Group Controller. Our remarks today will track with the presentation on webinar, which is also available on the Investor Relations section of our websites. We will now be starting with the presentation.

Moving on, I would like to draw your attention to the disclaimer regarding forward-looking statements, which is included in slide 2 of the presentation. Kindly keep this in mind as we move along.

The next slide gives the Chairperson's comments, where she talks about the impact of slowing macroeconomic growth on the business. India's GDP growth rate has sequentially declined over last 4 quarters, from 5.7% in Q4 FY19 to 3.1% in Q4 FY20. Also, the COVID-19 induced lockdown has affected businesses across sectors. A combination of these factors has impacted advertising spends, which has put pressure on the revenue of our Print and Radio businesses. Despite this, we showcased a robust EBITDA performance for both HT Media and Hindustan Media Ventures in FY 19-20. These are challenging times with businesses being impacted by the pandemic. However, we are hopeful of a recovery in advertising, which is correlated with the recovery of the Indian economy and businesses at large.

Moving on to the next slide, we will start the presentation with an update by Piyush on the consolidated financials of the Group, followed by the performance of Print and Radio businesses in detail. After the remarks, the call will be open for Q&A. During the Q&A session, you may use the 'Raise your hand' option on your screen to ask a question. With that, over to you, Piyush.

Piyush Gupta: Thank you very much, Anna, and good afternoon, friends. Welcome to the FY20 investors call for HT Media Group. I appreciate that you all managed to take out time in these difficult times. You know, as one can imagine in these times, most of us are sheltering in home and working from home. So therefore, we have no other option but to conduct a call on zoom, which gives us a tremendous opportunity to engage with all our investors. With this, I would like to take you through the small presentation that we put together to showcase our results. So, as Anna has already highlighted, we will be covering the consolidated performance, business unit performance of both Print Hindi and English, Radio and then, we will be going to the Q&A.

So moving forward to the consolidated performance. As you can see on the left hand side, we have put down the fourth quarter results. Total revenue actually declined by 15%, which came in at Rs. 526 crores, as against Rs. 621 crores in the same quarter last year. But if you see on a full year basis, the decline is much less at 4%. So clearly, you can imagine most of the impact which has happened is actually in the second fortnight of March onwards, where the disease was classified as a pandemic and the lockdown was put in place. EBITDA for the fourth quarter came in at 88 crores, which is a substantial improvement from last year. As you are all aware, one of the things which was bringing down the performance of the consolidated business was the heightened newsprint prices. Since then, the newspaper prices have corrected. Also, huge cost control measures have been put in place and for a full year basis, EBITDA has come at a very healthy 377 crores, which is a change of 157 crores and an increase of 71%. EBITDA margin on a quarterly basis comes at 17% and for full year is at 16%. PAT, if you look at full year number, it is a negative 217 crores. The reason for that is the impairment of our Radio One acquisition cost, which has impacted our consolidated PAT. For net cash, we are in excess of 1000 crores as of 31st March. So there is a brief summary of highlights, which is given in the chart below.

With that, I would like to move to the next chart. So, if we quickly look at the print performance, the print business in the fourth quarter declined by 24% at 298 crores. Circulation revenue remained flat at 61 crores. Operating revenues came at 403 crores, which is a decline of 15% and operating EBITDA came at 49 crores. On a full year basis, there was an ad revenue decline of 207 crores, which is a 13% decline. Circulation revenue, which came at 261 crores, which is 12 crores lower than that of the same period last year. Operating revenue was at 1790 crores and operating EBITDA came at 234 crores. So as you can see, there's a significant margin expansion which has happened on the back of cost control. I would just like to highlight that from, the beginning of this fiscal, we have been instituting a lot of course control measures within the company. Of course, this had nothing to do with COVID. But we were already cycling a very tough revenue environment. We got lucky with the newsprint prices also, which started softening down. However, the cost control measures have held us in good stead. And, as you can see, the operating EBITDA is at 234 crores in print business. Our copy realisations have actually been flat to increasing, for most of the circulation. Drops that you see are the volume drops, which happened in the last fortnight as a consequence of shut down. Most of the copies were not reaching the reader and hence, there was a volume drop which happened, which is an industry-wide phenomenon.

Moving on from there into the English print business, if you see the ad revenues, in the fourth quarter there is a decline of 26%, whereas on a full year basis, the decline is about 16% and revenue at 799 crores. Circulation revenue, in the fourth quarter, there is a sharper number because of the last fortnight of March, which is a 14% decline at 13 crores. On full year basis, there was rationalization of copies across various print locations that we have. Revenue came in at about 61 crores. So as I was articulating earlier, softness in ad volumes during the year and steeper decline in fourth quarter. The impact of national ad volumes is higher than local. During the quarter, most categories declined. Key categories like Auto, Real estate, Entertainment and Travel & Tourism were particularly vulnerable categories which took a big knock. Hence, their ad spends were pretty tepid.

Moving forward, if we look at our Hindi numbers for the fourth quarter, ad revenues came at 126 crores, which was 22% decline and the same number was 9% decline on a full year basis at 582 crores. Similarly, our circulation revenues, are actually flat in the fourth quarter and, there was a small decline of 3% on a full year basis. Some of the revenue drivers are mentioned below. Muted ad revenue during the quarter and curtailed spends across various key categories, which I highlighted on the earlier page also. So, the English explanation pretty much holds true here. Circulation revenue growth during the quarter was driven by improvement in per copy realization. Medical, Health and Fitness category witnessed growth and there has been improvement in market share in key geographies.

Moving on to radio, as we can see, the financial performance of radio is being tracked. So on the left side of column, we can see in the fourth quarter, revenue came at 42 crores as against 47 crores last year, which was an 11% decline. Operating EBITDA came at -4 crores as against 16 crores. There was a very sharp decline in operating EBITDA in fourth quarter. On a full year basis, there is a revenue growth of 15%, but that's slightly misleading because of the Radio One impact, which was not there in the base. We started consolidating only from April 2020 and operating EBITDA came in at 39 crores, which was a decline of 41%. On account of inorganic expansion, cost base was high. Although significant actions were planned out as a going-in assumption for the Radio One acquisition which we carried out. A lot of cost synergy programs, which are supposed to be kicked off, have already been kicked off. Now those numbers are flowing into radio P&L, but of course the revenues came down very sharply in the fourth quarter and we, therefore, saw very sharp decline. With that, we come to the end of the presentation. I hand it over to moderators for the Q&A.

Moderator: Thank you Piyush, we will now begin the Q&A session. Participants may use the 'Raise Hand' option if you wish to ask a question. Before asking question, please introduce yourself with your name along with the name of the organization. Please restrict to two questions, so that we may able to address questions of all participants. We will wait for a couple of seconds while the participants use the 'Raise Hand' option and the question queue assembles. We have the first question from Sidhant Mattha. Siddhant, your line is open. You can unmute yourself.

Sidhant Mattha: Hi, Good Afternoon. I just wanted to know two things. First of all, what is the radio diversification of Next MediaWorks and the radio of HT Media.

Piyush Gupta: What do you mean by diversification? Sorry, I missed that.

Sidhant Mattha: Yeah, so, as you told that you have done an acquisition. So, in your FY20 numbers, you have Next MediaWorks also included in the revenues?

Piyush Gupta: That's correct.

Sidhant Mattha: So what is the amount for that? Just wanted to know that.

Piyush Gupta: Okay, I can give you the exact numbers, but on a top line basis, revenue of about Rs.50-55 crores is on account of Next MediaWorks.

Sidhant Mattha: Okay, for the full year?

Piyush Gupta: For the full year. Yes, please.

Sidhant Mattha: And secondly, how are things panning out in June post lockdown as the economy is opening up. So how are the things standing out, how is the demand for advertisements and is your circulation revenue back to normal levels?

Piyush Gupta: Yeah, that is a great question. And I think that pretty much encompasses the whole business. The good news is that by every passing month, we are slightly better than the month gone by. So, I can tell you that in May, our copies, circulation levels are slightly better than April, and April was slightly better than March, but not substantially. And similarly, the ad revenues growth from the commercial sector and the government sector are slightly better. We are also tracking cash collections, because in this these trying times, cash really becomes king. But, to be perfectly honest, the copies are nowhere close to pre COVID levels. We believe that it will take one more quarter for the copies to build up to that level. Ad revenues, as and when the sectors are coming in demand, we being a derivative demand business, so whichever sector comes up first. We can see some ray of hope happening in FMCG now very clearly. So, all those sectors which will have good performance, the pent up demand will start coming back. But right now, we are not seeing a big spurt. So, just to give you a number, the second fortnight of March, which was 90% down is now looking something like 70-75% down versus the same period last year.

Sidhant Mattha: Thank you so much.

Piyush Gupta: Welcome.

Moderator: Thank you, Piyush. The next question is from line of Suman Jain. You can unmute yourself and ask your question.

Suman Jain: Hi, good afternoon. My first question is that are management incentives linked to the operating profits excluding treasury income, as there is accumulated profit for prior years for which incentives have been paid. Right?

Piyush Gupta: Yes. All the incentives are linked to various remuneration policies which are cleared by the Remuneration Committee of the Board. Having said that, treasury profits are run by the treasury department, whereas most of the incentives of other operating managers are linked to operating performance. So, the print managers are linked to the print performance. Similarly, the radio team is linked to the radio performance. Treasury is a corporate function and treasury incentives are not linked to other people's performance, but that's the decision of the board. I think that was your first question, right.

Suman Jain: Yeah, second question is, will rental income paid to the holding company drop in FY21 in line with overall trend?

Piyush Gupta: For holding Company, we have got separate rental contract. We have got separate rental contracts with everyone. With the holding company also, like we are renegotiating our rental contracts with all other landlords, similarly we are also negotiating a contract with the holding company and that benefit will flow in FY21 financials from holding company also.

Suman Jain: Please can you explain to whom inter-corporate deposits have been made by HT Media and HMVL? Also, why is there a write-off?

Anna Abraham: Suman, we have various businesses which we are incubating. So, this write-off is on our deposit which was given to one of our subsidiary companies for the education business actually. We have another ICD, which is currently there, which is given to our radio business.

Suman Jain: Yeah. Thank you.

Moderator: Thank you, Suman. The next question is from Pawan Nahar. Your line is open. Please unmute yourself and ask your question.

Anna Abraham: Pawan, we have received your list of questions. There were several of them. So we will be responding to you on all of them by email. But you can ask specific question which you want to get addressed on call.

Pawan Nahar: Okay. What I have done is I have looked at the consolidated EBITDA minus HT media standalone minus HMVL. It gives me a negative number of 70 crores. Okay. This is excluding other income. So there is loss sitting in some of the subsidiaries. Could you please elaborate?

Piyush Gupta: Okay, so I can give you a high level answer, but I have taken a note and the team will email this thing, because if you have taken away the HT Media standalone and if you've taken the HMVL, all of the subsidiaries, which will be HT Overseas, the Chennai station sitting in HT Music and Entertainment, HT digital company, which is a holding company of HT music etc, those P&L's are still sitting in the consolidated number and that will really be driving this whole stuff. But if you want the exact number, we could do that reconciliation and send it across to you. Anna, you want to say something?

Anna Abraham: Pawan, we have already showed that radio for this year has been a problem, and we have shown the profitability.

Pawan Nahar: I looked at Next Media's reported numbers...

Anna Abraham: Next Media is only one of the entities. Radio stations sit within HTML standalone also.

Pawan Nahar: Yes. So that's why I said what I have done, Anna, is consolidated reported EBITDA minus HT Media standalone minus HMVL, which pretty much should take care of most of your businesses. There is a gap of negative 70 crores. In fact, it was a negative number, even last year, 40 crores. To my mind, it should not be such a big number because none of the other subsidiaries made loss.

Anna Abraham: Education business was in loss.

Piyush Gupta: Yeah, just do the math later and send it to Pawan. As you know, we have taken an impairment charge on shutting down our education business. I believe the cost of 30-35 crores of that number might be sitting in the 70 crores. But we will get the reconciliation.

Pawan Nahar: Okay, so hopefully, you all will write back to me. Second thing I want to ask is, Piyush, I have raised this question earlier and in these difficult times, it is not heartening to see that we keep investing money into the Singapore subsidiary, right? And I just cannot understand why we are having to invest out there.

Piyush Gupta: Look, when you make the statement that the investment is in Singapore subsidiary, it looks like there is one homogeneous activity which is happening there. So let me just give you the sense of what all happens in Singapore entity. A lot of new digital first businesses that we are incubating are held by the Singapore subsidiary for reasons that they lend themselves to a fundraising in offshore market much better than onshore market. Then there are other activities of mid-Asia, the weekly newspaper that we run in Singapore and Malaysia. There is staff strength of exactly three people that we have there for doing international newsprint procurement operations and ad-sales operation in Southeast Asian markets, etc. And then if there are any other strategic investments, exactly for the same reasons that through India those strategic investments might not be preferable, we go to that subsidiary. So right now, whatever investments in future-facing digital businesses that we are doing, one of the businesses is offshore radio that we are trying to start with. We are participating in some auction and seeing if we can do some offshore radio on a digital platform and use our FM radio assets to pipe that music in the diaspora, which is based in Southeast Asian market. So really, there is no amount which we are trying to take based on the Singapore subsidiary, but these are all future-looking businesses that we are trying to incubate and hence, the investment. There are only three people who are housed there and it is a very small office of 2000 square feet just to give you a perspective.

Anna Abraham: And the Q4 numbers that you might be referring to in the standalone results was just a part of corporate restructuring, wherein part of the holding in HT overseas was by a subsidiary. We wanted to make it a 100% subsidiary given some restructuring schemes which are underway. So, it's actually within the consolidated entities itself. Just that on a standalone number, you're seeing a certain investment coming in. There is no further investment happening actually.

Pawan Nahar: We may have put in about Rs. 30 crores till now in total in the Singapore subsidiary if my memory serves me right?

Anna Abraham: Right now it is the operating losses of the subsidiary that we are supporting. The one-off strategic initiatives, which Piyush referred to, were all in the past and the current quarter numbers just reflect the restructuring that we have done on the holding. On a consolidated level, it doesn’t make a difference.

Piyush Gupta: Yeah, so in this financial year, six and a half and four and a half, about 11 crores is a sale of investment that we have done consequent to restructuring that we are trying to sell down the investments to India domiciled company and hence it looks like investment, but there is none.

Pawan Nahar: Thanks for that. Then there are few more questions. One is HMVL has set up a subsidiary to buy a property…

Anna Abraham: Can I just ask you to come back in queue? We will anyway send response if anything gets missed out.

Pawan Nahar: Just this question, please. I have more so I will come back in the queue. So are there like any plans to…

Piyush Gupta: Yes, so the whole point is, on that property books, these are real commercial assets that we had acquired in our AFE business and these assets we want to now house in a separate vehicle because if we can make up a separate property book without deploying cash, as you understand the AFE book is a cashless book, whereby we take access to properties in lieu of advertising revenue. And if we can access the grey day assets, tomorrow, these assets can be used as underlying security for future fundraising and that's the rationale for this new investment vehicle under HMVL.

Pawan Nahar: Happy to hear that. But can you please just say like...

Moderator: Request you to go to the participants queue Pawan. There are other participants waiting for their turn. The next question is from Dharmesh Sangoi. Your line is open. You can unmute yourself and ask your question.

Dharmesh Sangoi: Sorry, this is Dharmesh from DS Associates. Just one question to you, Piyush. We are seeing on your printing business, there is a very big other operating income that has started in this year. In Q4, it is increase of Rs. 27 crores and yearly basis it is Rs. 93 crores. So, what is this new stream that has started in your print business?

Piyush Gupta: Okay. It not a new stream. what you're referring to is that in our AFE business, there are various contracts that we have. As per the contract, they have to use certain level of advertising in certain periods. If they don't use, they forfeit their right to advertise. So that will be the forfeiture income, which will come as and when the contract gets lapsed. Those amounts are forfeited back into the P&L. So, I believe you're referring to that.

Dharmesh Sangoi: Okay. So these are not actual cash income? These are just against the equity which you would have taken or the property is where you are now writing it off?

Piyush Gupta: No, we're not writing it off. The counter party who had given us our equity, they were forfeiting their right to take future advertising because they've not been able to take their advertising in a defined period of time. As you understand these agreements are time bound, and if they don't utilize that advertising in a certain period of time, they forfeit their right to advertise and hence, it's called the forfeiture income. So it's a positive. Write off is a negative, this is a positive.

Dharmesh Sangoi: Okay, got it. Thank you.

Piyush Gupta: Thank you.

Moderator: Thank you Piyush. Thanks, Dharmesh. Just a reminder to all the participants who wish to ask a question, they can use raise hand button on their screen. The next question is from Aditya Khaitan. Your line is open. You can unmute yourself and ask your question. Aditya, your line is on mute, you can please unmute yourself and ask your question. We'll move on to the next question. The next question is from Pawan Nahar. Your line is open. You can unmute yourself and ask your question.

Pawan Nahar: Thank you again. You spoke about the HMVL subsidiary housing commercial real estate assets, which is a good thing. Now in HT Media also, we have lots of property of Rs. 450 crores. I understand some of those are incomplete, residential, it will be a mix. But what is the overall plan and you have so much of cash sitting in HMVL. So that's why I'm trying to ask, are we going to move away from mutual fund assets and *(inaudible)* commercial real estate asset?

Piyush Gupta: So first of all, welcome back Pawan. You actually asked two questions and I'm just struggling how to correlate one with the other. One is on real estate and the second is on cash. I really don't know how to connect the dots. But let me try to give you my sense of it.

Pawan Nahar: I'll explain it. HT Media has got about Rs 450 crores of property, which again relates to AFE. HMVL has got lots of cash and it has created a subsidiary wherein you're saying that, you know, some of these properties which belong to HMVL are being housed there. Are we planning to build a commercial real estate portfolio? And I would be happy to hear that. I mean, versus investment in mutual fund.

Piyush Gupta: Yes, so I think the simple answer to that is yes. We are absolutely open to build an A-Grade commercial real estate portfolio. First of all, it is a very effective way to get access to commercial real estate and secondly, putting it in a separate vehicle is a very tax efficient manner of going about it. Now, as far as understanding what do we do with cash, most of these assets that you see are coming in HMVL, which are getting housed here, are on AFE. They are not utilizing cash at this point in time. However, even if we have to utilize cash in the mix, we do but not as hundred percent. We are not going out and deploying cash to buy real estate, that is definitely not the intent. But through the AFE business, if we can get good assets and if we have to also put a certain mix of that as cash, we are not shying away to create a good commercial real estate portfolio. Absolutely, the answer is yes.

Pawan Nahar: And what about the HT media property book of about Rs. 450 crores?

Piyush Gupta: Look HT Media property book is primarily between residential and commercial, but these are not huge commercial properties like the one that HMVL is venturing into. So, our investment thesis on the HTML property book is that we would take tactical decision and keep on liquidating the portfolio as and when opportunities present themselves, but if there are some marquee properties which can either give us a decent annuity yield income or which can be put into a separate vehicle, we will evaluate that as well. But right now, we are building the HMVL portfolio for the purpose I told you and we always tactically keep on evaluating the HTML's portfolio.

Pawan Nahar: It's not very big, it is 10 crores…

Moderator: Sorry to interrupt you, Pawan. Could we ask you to move to queue please? There are other participants waiting.

Pawan Nahar: Okay

Moderator: The next question is from Ayaz Motiwala. Your line is open. Please unmute yourself to ask your question.

Ayaz Motiwala: Yes. Hi, good afternoon. Thank you for taking my questions. I would want to know from you. You were just mentioning to the earlier question that HT media properties would not be bought by HMVL.

Piyush Gupta: No, I never mentioned that. Pawan's question was, there is a separate book in HTML. And there's a separate book in HMVL.

Ayaz Motiwala: Yeah, I understood the entire answer. I want to hear from you because that's what he was kind of leaning to. Are you saying that you are not going to buy them because of fear that we have or you might potentially buy them?

Piyush Gupta: Might potentially buy the HT Media properties?

Ayaz Motiwala: Yes.

Piyush Gupta: Look, HT media properties do not meet the criteria. It has to be Grade-A property with big floor plate which has a certain rental yield. As I was explaining to Pawan earlier, most of those properties are residential properties. Some of them have already been put on rent and other commercial properties are 5000 square feet or 10,000 square feet. The properties that you're talking about right now are 150,000 square feet. So they are not comparable. So, I think your fear is unfounded.

Ayaz Motiwala: Fine. Point well taken and well explained. Appreciate that. The next question relate again to the investment side of it. And we have been, on various calls, asking for an increase in dividend payout, etc. But what sounds right now from property investment as an avenue, linking it to your newsprint and media business, are you, as a company and as a management team, indicating that there are are not many attractive M&A opportunities which are coming up in these COVID times in your core business and thus, you choose to be in, probably you know, 6 to 7 or 8 percent yielding real estate office rental properties?

Piyush Gupta: Look, I would not be in as much as haste to draw that conclusion, whether there are good opportunities coming in this post COVID times or not, because the reality is, at this point in time, except for a very few businesses which have had a positive, let's call it an uptick, because of COVID times, most businesses have been in dire straits. So this whole thesis that most businesses are undervalued and if someone is sitting on cash, you should just go out and buy that asset, I don't think it is the right way of looking at it. Maybe it is for some large companies which are doing 11 or 12 different fundraising at this point in time. But for smaller companies like us in a media business, which has got severely impacted at this point in time, we are always perpetually looking for opportunities. So I would basically say, I am not saying that one is happening at the cost of other. Our core still is our printing and publishing business. We have been trying to develop radio on the side and right now, we're putting a disproportionate push behind digital. We are perpetually looking for opportunities on the M&A side, but at this point in time, our focus is more on digital given that the huge disruption that you've seen in print and radio space. But this has nothing to do with the real estate sector because in the real estate sector, a media company like ours is fairly poised to take advantage of a product like AFE and create a good, healthy robust portfolio and drive a separate return. That 8-9% returns that you are see is not coming at the cost of the other thing, because as I said it is extending the life of a newspaper, whereby you are doing a long term deal with a potential advertiser. In lieu of cash, you're taking property on which you can start rental income. Maybe it is 7, 8 or 9 percent yield, but it is not coming at the cost of printing and publishing business at all.

Ayaz Motiwala: Right, okay. And lastly, if I can ask you quickly one more question on the business. You have made high level comments on both the English and the Hindi newspaper business. Can you spend some time on your market shares in the core markets of UP, Bihar, Jharkhand and probably even Delhi on the language as in the Hindi newspaper side? What was your market share? What is the competition? And how are things looking there in relative terms as well.

Piyush Gupta: Right, so, you know, the IRS results just came out. I don't remember them exactly. As far as the Hindi newspaper is concerned, for Delhi, I believe the Volume market share is about 35% which is a growth of 5% on a YoY basis. Of course, Navbharat remains the single biggest title in Hindi language as far as the market of Delhi is concerned. Patna, we are clearly the market leaders and if my memory serves me right, we have a market share of about 60% plus, and it's a gain of 3% that we have. If we talk about other big markets such as Lucknow, I think there are still those that have early 30% share. So, I think our share has basically increased in Delhi and Patna by five points and three points respectively and in the other markets, they remained flat. Please also appreciate the fact that despite other entrenched competition, which is Dainik Jagran and Amar Ujala, which have been in the market, for many more years and many decades, we still are holding 30% share in the UP market pretty aggressively.

Anna Abraham: Yeah, and on the revenue side, we are fine. We have been holding share, or are slightly better. Q4 results for all participants are just out, and even the current trends indicate the same to us.

Ayaz Motiwala: Okay, thank you. I will come back for more questions.

Piyush Gupta: Thank you.

Moderator: Thank you Ayaz. Thanks Piyush, Anna. Next question is from Puneet Jain. Your line is open. You can unmute yourself and ask your question.

Puneet Jain: Hi this is Puneet from FairValue capital. Thanks for the opportunity. I wanted to know about the circulation volumes that we are currently having in Hindi and English newspaper as well as what kind of trend we are seeing on local, government and national advertising in both categories separately. Some more bifurcation and details.

Anna Abraham: Yeah, the government revenues are still firing at this point of time. So we are getting government revenue. For the full year, there was a decline in both the government revenue and the commercial revenue from a volume perspective as well as from a revenue perspective. Currently, like Piyush mentioned, there is an improvement. Larger portion has come from government over the last couple of months in terms of revenue, but we are seeing a consistent improvement in commercial revenue also.

Piyush Gupta: On the print order, can I request Sandeep Gulati to fill-in on the print orders, if you are there on the call?

Sandeep Gulati: Yeah Piyush, so on the print orders again, there are two aspects of it. Where did we end the year with the whole COVID impact coming in and the lockdown happening. So only point I would just like to make here is from an overall print orders standpoint, yes, it has come down quantitatively. From overall share in most of our key markets we have been improving, especially in the last quarter. And even in the current phase when this whole situation is continuously evolving, we are continuously seeing marginal improvement in our print orders shares, as we keep comparing on day-to-day basis. And when I say that, I say that across markets, whether we think about Bihar and Jharkhand where we already have the leadership shares and even in UP we have marginally gained in last 90-100 days.

Puneet Jain: Thank you, that’s it from my side.

Moderator: Thank you, Puneet. Thank you, Sandeep. The next question is from Sidhant Mattha. Your line is open. You can unmute yourself and ask your question.

Sidhant Mattha: I have follow up question. How is the digital business doing during the lockdown because there were circulation issues. So have you seen attraction to your digital apps?

Piyush Gupta: Yes. So yeah, great question. So the simple answer is yes, the digital businesses have been on an upswing post lockdown because the physical circulation as you already know got disrupted for the industry and because the digital circulation or the apps and e-copies were happening much more sharply, . We've seen the daily active traffic and the monthly traffic go up very sharply and therefore, the advertising also followed. Though we don't give forward numbers for next year, but I can tell you that the growth is reasonably substantial in our digital business, which is not tracked in HT Media Group as you understand the Digicontent Limited is a separate sister concern, but there is good growth, which is coming there.

Sidhant Mattha: Are we able to monetize it? Is it an advertisement platform?

Piyush Gupta: Both. So there is advertisement revenue which is coming in and as you're aware, you know, we have taken Mint behind the paywall about four months back and we have tied-up with the Wall Street Journal. So, there is subscription revenue which is happening and then there is an ad platform, which is giving rise to ad revenues also, both programmatic and direct selling.

Sidhant Mattha: My last question. If you compare HTML, the English thing and the Hindi newspaper, which is HMVL, there is a significant drop in advertisement revenue and circulation revenue in the English business, but in HMVL, there is a marginal drop. So how do you interpret this? So basically, are we losing share in the English market size or are the readers more preferring Hindi?

Piyush Gupta: The latter. Because the biggest disrupted market because of COVID has been the big metro cities of Delhi, Mumbai and Bangalore.

Sidhant Mattha: Not in the fourth Quarter. So, for the whole year also, we have seen that there is 16% decline in advertisement revenue for the English business but there's a single digit decline in the Hindi business. So how do you compare Hindi and English because Hindi is becoming more and more profitable compared to the English business?

Piyush Gupta: Which is true for the industry. So, let me give a high level and then I would like to defray it to my colleague Sandeep Gulati. What you are saying is a trend that I think all the people who are watching the industry are observing for some time now. It has been about two and a half or three years that the English market, which is primarily Delhi, Bombay and Bangalore, have been seeing a decline. Whereas the Hindi markets or call it the language markets, have not seen either that level of a decline or seen an upswing. But I request Sandeep Gulati to give you some details and some perspective on Hindi versus English. Sandeep, if you're there, can you please answer the question?

Sandeep Gulati: Sure. So, I think you are right, your observation is right. So you're seeing that in HMVL, decline is on the lower side while on the English side, you can see a little on a higher side. Both are following a slightly different phenomenon from a language perspective. On the Hindi business over the last few years, we have consciously made choices to continuously grow our revenue by taking the cover pricing in the right direction. And that is not just only us, overall industry also has moved in that direction. That has played to our advantage, and I think especially in this period. And even when the copies drop toward the end of the fiscal with this whole COVID implication, at least it has still kept us in a good stead. So that’s Hindi.

On the English side of course, we continuously try to drive our subscription and to grow our readership. As we do that, English business follows both subscription as well as a paid copy model. So, there is a constant shift happening. And that's what is continuously keeping it at a lower side. But, overall circulation revenues on the English business are very small. So overall between Hindi and English put together, we are making good progress on revenues. The quantities which have been dropped because of the lockdown and the non-useful copies that we have kind of cleaned up as we are fixing up our overall business model. That is the small decline on the Hindi side. Hope it gave you enough understanding.

Sandeep Mattha: Thank you so much.

Moderator: Thank you. The next question is from Nath Balakrishnan. Your line is open. Please unmute yourself and ask your question.

Nath Balakrishnan: All my questions pertaining to HMVL. My question was on raw material cost. What are your average raw material prices for FY20?

Anna Abraham: FY20 average will be about 34,000 for HMVL.

Nath Balakrishnan: Okay. What would have been the exit?

Anna Abraham: Exit would be closer to 33,000.

Nath Balakrishnan: Would it be fair to assume that given the trends that we are seeing in circulation, I'm assuming they will fall off at least over the first two quarters. Would it be fair to assume that you will have enough raw material inventory for a few quarters?

Anna Abraham: So, for domestic, strictly speaking, we don't hold so many days of an inventory. Having said that, we have enough arrangements in place for you to take the assumption that there will not be any fluctuation in the newsprint cost.

Nath Balakrishnan: That is for the first two quarters at least?

Anna Abraham: Yeah.

Nath Balakrishnan: My second question is essentially centred on your people cost. That number has moved up 15% YoY. I notice it has gone up at a fairly aggressive rate vis-a vis the decline that we are seeing in revenue. How do you reconcile the two?

Anna Abraham: So, couple of things. From a business point of view, Hindi has been the business that we are investing behind, apart from Radio. All the growth initiatives have been on the print side. On a full year basis, there are some one-time reversals which are sitting in the base, which happened in the first quarter. So, that has an impact. And we went through some significant leadership changes, etc. during the year. So, it's a combination of all these three factors. Of course, COVID was not kind of factored in at all.

Nath Balakrishnan: My second question is that our exit number is 35 crores on people cost..

Piyush Gupta: You know, can I come here, Nath. Look, so two or three things, because you are only talking HMVL. Between both the print businesses of English and Hindi, HMVL is where we are investing from a future growth. As the earlier participant had asked the question, where do we see growth is really the Hindi Business. So, there's some investment in people increments, etc. Having said that, what you're not seeing is a major cost initiative that we have kick-started in the company for which the benefits will flow in the next two quarters, because those actions have already been initiated. But, because we are seeing the FY20 results, the effect of that has not flown into the P&L. That positive effect of people cost coming down will flow across the group and also in HMVL, is the point I am making.

Nath Balakrishnan: Okay, thanks. I have just one more question to you. I did hear you respond to one of the earlier participants about real estate portfolio of HMVL. You mentioned that it is essentially a derivative of your AFE business and it is not something that will be out of place. My question, therefore, is that, you know. I'm assuming that your gross cash number at the end of a FY20 would be about 1300 crores. Is that correct?

Anna Abraham: It is about 1100 crores.

Nath Balakrishnan: Is that gross or net?

Anna Abraham: That's a gross number. HMVL hardly has any debt. So the net number will be around 1000 crores.

Nath Balakrishnan: Fair enough. Piyush you did allude to there not being too many opportunities to pursue for inorganic growth in the current environment. I just wanted to be doubly sure that given that you have an interest now in real estate. Not by design, but by default. Will it be fair to assume that you would like to deploy some of the cash in the balance sheet into buying commercial asset which you were deploying in Mutual Funds?

Piyush Gupta: Yes and no. Look, as this earlier gentleman was saying that, it's a 7 to 9% steady state rental yield. First of all, I don't know how the leasing market today is, because after the serious disruption a lot of people have been initiating or invoking force majeure, not paying rentals and so on and so forth. But having said that, a 7 to 9 percent in today's interest rate scenario is that much better because the policy rates have been slashed by the Reserve Bank to a historical low. But, it is just one perspective. Second thing I'd like to mention is this whole program of AFE has twin objectives, as you would be aware of. One, it helps us extend the life of Print because we are doing a long term arrangement with potential advertisers who have their marketing message and they would like to come on our print platforms, digital platforms and radio platforms. What we are doing is, we are taking charge of their either equity or real estate. So therefore, to that extent, it becomes a cashless transaction, whereby we're taking the risk and reward in the asset in lieu of giving them advertising. However, what that earlier gentleman was asking is, would you be amenable to also put some cash, to which the answer was that though right now we have not done too much of that. But if there is some amount of mix of cash that we are to deploy, we are not averse to it. Of course, we have to do the business case for this. So, if I have to say from competing priorities of cash, if I can drive a much enhanced yield through a real estate portfolio, I would like to do a 10 to 15% treasury allocation. But we will have to then also have a good fix as to the Treasury returns we are expecting. However, on M&A opportunities, I would like to just clarify a little bit. I did not say that there are no good opportunities. I said, the whole media sector and, indeed, I'm talking even about digital. I mean, you talk about Facebook and Google, you've seen the results. You know the entire media sector has been disrupted very sharply and we are saying that at this point in time, just taking a reckless decision, because how the recovery would be, will it be V-shape or a U-shape is anyone's guess. So, what I am saying is that we will wait and watch. But we did one acquisition last year. Our thesis did not pan out on the revenue side. On the cost side, we've taken the actions. But at this point in time, if there are good opportunities, mostly on the digital side, we would be definitely open to looking at that bet. But the real estate portfolio is definitely on the side. But it would be a classical yield maximization program, more than anything else.

Nath Balakrishnan: Okay. Understood. If you can permit me to make one more comment, if I can squeeze that in. This is possibly the 10th conference call of which I am part of, of HT Media. I think operationally, the numbers in FY20 have better than FY19. And I look at the broad numbers, the stock trades at 3 to 3.5 times earnings. I think very clearly the market appears to be concerned about what is the deployment strategy for cash. It is something that has been repeatedly asked of you. And you have repeatedly mentioned that the Board is seized of the matter. But it reflects they do not prefer to take concrete action. Because neither are acquisitions being made but nor is cash is being distributed and the cash is piling in your Balance Sheet and as a consequence, value is being significantly eroded. Is there any thinking at all about how to bolster your equity value for both the promoter and minority?

Piyush Gupta: You know, one correction I'd like to make. We did make an acquisition last year in Radio One. So it's not like we're not making any acquisition.

Nath Balakrishnan: I am only referring to HMVL. I don’t refer to any other part of HT Media.

Piyush Gupta: Look on HMVL, you are absolutely right. We're have not deployed the cash in any M&A opportunities. But one of the things that we are now planning to do and I can just give you a quick heads-up, is we are investing in incubating our digital-first program in HMVL, in which we are trying to have some digital-first products. It's still an organic program. It's not like M&A, but we are trying to do some digital. The global internet is still very English and not so much Hindi. However, as and when we are getting a sense that there are opportunities in playing in a Hindi and English zone within HMVL, and harnessing the power of HMVL, we are trying to do digital-first program. Just bear with us. In a quarter or two, you will hear more about it. We are still putting it together. And, we basically bought a couple of specialists to kind of get some digital-first products in HMVL and we will be inaugurating them in the next couple of quarters.

Nath Balakrishnan: I appreciate all the initiatives that you are taking. But the fact remains that I am sure that what you are going to be spending on this initiative is minuscule in the context of the cash you’re sitting on.

Piyush Gupta: That is true.

Nath Balakrishnan: So, if I were to say, turn around and just make a request. If you were to bump dividends to five rupees per share, it is not going to break the bank. It may take 300 crores. It would move to 10% dividend yield and then, the stock acquires a different yield altogether. So, that is the point I am highlighting.

Piyush Gupta: You know, look, I think that's a fair point. And this discussion, you are attending for the 10th year, I am attending for the 12th. And I know this conversation is something that kind of loves me, and I love this conversation. So, we are like buddies on this one. But look, how we pan out really is beyond me to say, but I can, with all honesty, tell you that this conversation does indeed take place with other stakeholders and shareholders as well. But do we have, in proportion to the kind of treasury that is sitting in HMVL, a concrete plan to do either a bigger acquisition or some big initiative which can prop-up the equity value. Right now, I have nothing to report unfortunately. There are small initiatives which I spoke about. There are probably, in the future, some more initiatives. But right now, there is no big bang initiative, to be perfectly honest.

Nath Balakrishnan: Thanks. Thanks for taking my question.

Piyush Gupta: We appreciate you and stay safe please.

Moderator: Thank you. That was last question for today's call. With this, we come to the end of Q&A session. If you have any further questions, you can write to us on the contact details given in our investor presentation and also available on the website. I now hand over to Piyush for his closing remarks.

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Piyush Gupta: Well, thank you, Sankalp. And thank you everyone for joining our FY20 call. First of all, I would like to wish everyone the best of health in these trying times, with this pandemic getting a life of its own and really spreading itself. I think these are tough times, so all please stay safe. On the financial results, as the last participant did point out our operating performance in context of HMVL, but I would like to point out in the larger context of the group itself. Except for the last fortnight, whereby after lockdown we really saw a sharp decline across sectors and across various things that we have a play in, I think we have had a much better year. We have kept the costs under control. We basically had a lot of cash focus and we have tried to mitigate the revenue decline as much as possible. We came out of a tough newsprint commodities cycle which hit us last year and I would like to hazard a guess that we are procuring newsprint at one of the most competitive prices at this point in time, courtesy our procurement strategy, which has played out well. We are currently doing a program to accentuate the performance going forward given the circumstances. So I really can't promise the numbers here, but given the circumstances, in a frugal manner we are really trying to have a tight line on cost, shore up on revenue initiatives, do some new initiatives on digital paradigm. And those are really the things that we are experimenting. Hopefully, we will be able to share even better results with you going forward. Till such time, please have faith. I look forward to seeing you in the next quarter. Thank you so much. Over to you, Sankalp.

Moderator: Thank you. You may now disconnect your lines.