Earnings Webinar – Quarterly Results – Q1 FY'21

Transcript of earnings webinar on Q1 FY'21 results of

HT Media Limited
&
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 of HT Media Group. I would like to welcome you all to the Q1 FY2021 Earnings Webinar. Kindly note that all the participants' line will be in the 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. A very good afternoon to all of you. Thank you for joining this Zoom webinar to discuss our financial results for the first quarter of fiscal year 2021. I trust all of you and your families are safe and healthy. Present with me in the webinar today are Mr. Sandeep Gulati, CFO – Hindustan Media Ventures Limited and Mr. Pervez Bajan, our Group Controller. Mr. Piyush Gupta, our Group CFO, could not join the call on account of personal exigencies. If circumstances permit, he will be joining us during the course of the call.

We would be, during the course of this webinar, taking you through the details of our results for the quarter. As always, our remarks today will track the presentation on webinar. The presentation is also available on the Investor Relations section of our website.

I will now move on to the presentation and 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 have discussions during the course of the webinar.

Moving forward, the next slide gives the Chairperson's comments on the results of Q1 for HT Media Group. She says, and I quote, the quarter started amidst a nationwide lockdown imposed to combat the spread of COVID-19 pandemic that severely impacted businesses across sectors. This went on to last till end of May, although many restrictions, especially for business activities continue to remain in place. The result was a sharp decline in advertising spends which impacted revenues across our print and radio businesses. The impact was higher in the initial period of the quarter, followed by gradual recovery in May and June. We observed a similar trend in circulation revenue, even as we undertook awareness initiatives to educate customers about the safety and hygiene standards in the newspaper supply chain. Although we undertook immediate cost rationalization measures, these could not fully counter the sharp decline in revenues. Consequently, operating profitability for the quarter has been adversely affected, although it has been mitigated to some extent by income from treasury operations.

It is difficult to estimate the extent and timeline of recovery, as this will depend on how the impact of COVID-19 on the economy is contained. However, the company still has more than adequate liquidity to be able to ensure the smooth functioning of operations. Our prime objective is to deliver a quality product to our customers and consumers. We expect financial performance to improve progressively but gradually in the coming quarters, as the situation normalizes and demand revives. We remain committed to serving our readers, listeners and advertisers and will remain agile in managing operations in the appropriate manner, given the changing environment.

Moving on to the next slide. We will now be starting the presentation on the financials. We will cover the consolidated performance, followed by business unit performance on both print and radio. On print, we will be further talking about English and Hindi separately.

Moving on to slide 6, which gives the consolidated financial summary. Total revenue for the quarter was Rs. 240 crores, which was a decline of 59% YoY, which is witnessed across business and mainly led by volume drops. EBITDA from Rs. 89 crores last year is now at loss of Rs. 28 crores, which is Rs. 117 crore drop versus the quarter of last year. While the revenue has dropped by about Rs. 348 crores, given all the cost corrections; we could limit the EBITDA loss to Rs. 117 crores. PAT is at Rs. 28 crores last year vis-à-vis Rs. 56 crores loss this year. But the net cash position remains strong Rs. 1,011 crores which is on account of strong actions that we did to kind of conserve cash in this highly uncertain environment.

Moving on to the business unit performance and covering print. Print ad revenue for Q1 FY21 is at Rs. 85 crores vis-a-vis Rs. 362 crores last year, which is a decline of Rs. 277 crores and 77% decline. Circulation revenue is at Rs. 41 crores vis-à-vis Rs. 64 crores last year, which was a 37% decline. So overall operating revenue came in at a 68% decline, which was Rs. 309 crores short of what was the performance last year, this quarter. But given the cost actions, we could limit the EBITDA erosion to Rs. 115 crores. Key drivers, as mentioned below, there is decline both in commercial and government ad revenue streams. The impact on newspaper distribution, given that lockdown affected circulation revenue, got gradually better over May and June. Hindi was impacted less than English due to regions with lower impact of lockdown restrictions, and we did cost rationalization to the extent feasible across line items, because the revenue decline was very sharp. Beyond a point it's not possible to take cost actions with such immediate effect.

Moving on to print English, the ad revenue came in at 82% decline while the circulation revenue reported an 85% decline. While there's been significant drop in revenue vis-a-vis market share, we are holding good. So, in fact, there is a significant improvement in the ad volume market share. The decline was more on local advertising rather than the national advertising. The ad revenue de-growth was obviously led by low volumes on account of COVID-19 and across all categories we witnessed softness, led by education, automobiles, real estate, entertainment and retail.

Moving on to print Hindi, the ad revenue decline was 70% while the circulation revenue had decline of 23%. There again in Hindi, we've seen our market share grow across key geographies. There was also improvement in the RPC despite a challenging environment. There is decline in ad volumes given the economic activity disruption during the lockdown. Across categories, there were muted volumes, but higher decline was seen in education, automobile and retail category.

Moving on to radio, operating revenue was only Rs. 8 crores vis-à-vis Rs. 64 crores last year, so that's a Rs. 56 crores change and an 88% decline. EBITDA was Rs. 31 crores loss vis-à-vis Rs. 16 crores profit. So, there is weak operating revenue even for radio led by the sector wide volume decline post COVID-19. The decline was led by real estate, FMCG and automobile categories. The decline in revenue was offset to some extent by cost. Having said that, we had to create some provisions on our receivables, etc. given the environment. So some of that benefits could not fully fall to EBITDA. As for a lot of the cost actions that have been taken, the benefit will be seen more in the future quarters. With regard to radio operations, there is also a limitation on cost savings on account of extent of statutory costs.

This brings us to the end of the presentation on the financial results. We will now open the floor for Q&A. To ask a question, you could click on 'raise hand' and on your turn click on 'unmute yourself' and ask your question.

Moderator: Thank you, Anna. We will now begin the Q&A session. Like Anna mentioned, you can use the 'raise hand' option on your devices to ask a question. May we request you to please restrict yourself to two questions per participant, so that we may be able to address questions from all the participants. We will wait for a couple of seconds while the questions queue assembles. The first question is from Mehul Pathak, you can unmute yourself and ask your question.

Mehul Pathak: May I request you to give some idea about any plans to restructure loss making subsidiaries. I think, year after year, there are many subsidiaries that are just not showing any positive contribution to the bottom line.

Anna Abraham: We have actually, over the course of last one to two years, significantly rationalized all our loss making subsidiaries. Now the only one which is kind of loss-making is what we have acquired as part of the Radio one acquisition, given the drop in radio revenues. That has also now become a loss making entity. Otherwise, over the last two years, we've kind of significantly already rationalized all the loss making entities.

Moderator: Thank you, Mehul. The next question is from C Daga. Your line is unmuted. You can ask a question.

Chandrashekhar Daga: Yeah. How do you see the future of the industry and especially nowadays newspapers we are getting on various social media also such as WhatsApp or Telegram? So, question one is, how do you see the future of the newspapers and the second question is, are we planning to tie up with any other social media platform for distribution?

Anna Abraham: Mr. Daga, see it is difficult to predict the future as such. But what gives us hope is that consequent to the lockdown that happened in March and which extended all the way up to May, every week, every month, we've been seeing significant improvement in the advertising revenue as well as circulation of copies in our markets and in the Hindi markets, because they are non-metros and less affected in the initial couple of months, we actually didn't see that level of a drop in the copies in the first place. So, therefore, every month and every week, there is significant improvement which leads us to believe that it's really a function of the issues that's being faced in the market and you know, as and when the overall environment improves, a lot of the business will come back. We ourselves kind of did take action, because in the initial days of the lockdown, our first and foremost priority was to try and be able to service our customers, which are the newspaper readers and we ourselves made the newspaper available in e-paper form by tying up with various distribution channels including banking channels etc., so that at least our customers could access the paper. As and when the locations have opened up, we've been constantly been able to build back the copies also. So we remain hopeful and I think it's a larger question and to some extent, we anecdotally picked up that people are actually reading newspapers a lot more these days as it's largely work from home. The demand for newspaper still seems to be there but difficult to predict the overall future at this point of time, given that nobody knows how long this situation is going to remain and what will be the intensity.

Chandrashekhar Daga: Okay, but if I can just follow up with the same question. Do you think people would be willing to pay for a hard copy if they're getting a soft copy online? And if you can share some more trends that you're observing.

Anna Abraham: We have actually mentioned in the presentation that we actually saw that we are able to keep the pricing and realize the money needed from the copies. It was more of our copies being unable to reach, given the lockdown situation which was a problem. A lot of the news websites etc. offered a large amount of free data during that environment, but that will not continue when the environment retains. So, there will be a market for online and physical, but all online information will not be as free as it was during the lockdown days.

Chandrashekhar Daga: Okay. Thank you.

Moderator: Thank you. The next question is from Mohit Kumra. You can unmute yourself and ask your question.

Mohit Kumra: Hi. So I am an HMVL shareholder. So, if you could just give me a response in the context of HMVL only. So firstly, Congrats! You only have 23% decline in circulation, which is very impressive. But I want to ask you, you have told us that the ad revenue decline of 70%, but this is obviously an average over the quarter, right?

Anna Abraham: That's right.

Mohit Kumra: If I asked you right here right now in July vis-a-vis July last year, what is the ad revenue decline right now.

Anna Abraham: So, I wouldn't want to give future situation, but I can tell you that, for example, June was already at around 50-55% decline for Hindi and July is a far better number.

Mohit Kumra: So progressively, as you said, a while back, week by week, month by month, it’s coming back.

Anna Abraham: That’s right.

Mohit Kumra: But do you expect it to come back to full at any point or do you see structural change in the ad industry or the print ad industry, so to say?

Anna Abraham: No, we are not expecting a structural change. In fact, we believe that if that situation had come to normal sooner than it had, probably the extent of impact would be lower. But having said that, this year, we all hoped that normalcy would have come in by July-August. Right now, it looks as if there are pockets, which are getting better than there are pockets, which are getting worse. And the situation seems very unpredictable and therefore there's going to be a lot of categories, which will get impacted. It's not just about us, every category that advertises with us also has a need to survive and they will have to reach their customers. I think as and when they kind of figure out how to operate in this new environment, we will also be sharing a benefit of that.

Mohit Kumra: Can I ask you something, which is a little more subjective and a little forward looking obviously? Is management confident of having operating profits in the coming quarters? This time you did not, in HMVL.

Anna Abraham: Q2 will also be challenging because the situation continues to be difficult. But like I said, progressively we are seeing things to be better. We are actually trying to plan out cost actions which are looking at a conservative revenue pickup. But a lot of those actions, of course, from initiating it to realizing in the P&L, there is a lag to it. So Q2 will be a challenge. Going forward, we hope to kind of look at being profitable.

Mohit Kumra: Thank you so much.

Moderator: The next question is from Rushabh Sheth. Your line is unmuted, please ask your question.

Rushabh Sheth: Yeah, hi. Just a quick question. I just want to fact check one thing. The online newspapers, basically your Livemint, etc. are a part of Digicontent, right? They are not a part of HT media anymore.

Anna Abraham: The website revenue is a part of the Digicontent and therefore, e-paper gets offered on that portal. You are right.

Rushabh Sheth: So, all the websites, not just Livemint, but Hindustan Times etc. everything?

Anna Abraham: That's right.

Rushabh Sheth: And the second thing is, you know, there is a structural thing on the cost. If you look at the P&L, not just for first quarter, but for FY20 on a consolidated basis, almost 45% of the cost is other expense and half of it, about 20 to 23% is employee. I mean in a structurally challenged industry, how quickly can you realign the cost structure to kind of be profitable enough, clearly, you know, Ad volumes are not going to go back to the previous levels. So do you think, just follow up to the last speaker's question, that the newspaper industry can become profitable at some point of time? Forget the next quarter, I am not asking for the next quarter.

Anna Abraham: So, Rushabh, I think, Hindi - yes. English will still face a little bit of challenge. So there will be sharper cost corrections on the English side than on the Hindi side. While I hear your point on the salaries and other expenses, we are also uniquely positioned as an industry because not too many people can correct their direct costs in such a manner. So, there is a lot of pluses and minuses across industries. And I think one kind of offsets the other. But yes, Hindi, definitely we expect to kind of turn profitable sooner. English also, like I said, we are looking at much sharper cost corrections there and it also enjoys richer pricing. So, if things come back to normal, we should look okay. Otherwise there will be even more actions on cost.

Rushabh Sheth: And just one last thing. I think one of those speakers alluded to it. Why don't you look at, I mean we have such a wealth of news flow coming. Why don't you look at kind of some kind of a tie-up with some kind of either social media or electronic platform to be able to leverage the news content that we generate. I mean, content is your extremely strong forte. Why don't you kind of leverage that by tying up with some of these electronic platforms to kind of get some more money out of it because maybe newspapers might not really make you that much money anyway going forward.

Anna Abraham: So, we are exploring all options, but a lot of those people who provide content, it's all free. They are not making any money, actually. So actually, the only category which is making money out of selling news is newspaper. So, for us, the first focus in this environment was to ensure that we retain our primary customers, which are the readers, because you know that was critical because if we have the readers, the advertisers will follow. And we did all kinds of arrangements to make sure that we continue to remain relevant to the readers. But are those options that you mentioned, I think we could do, and we will explore, for sure. Yes.

Rushabh Sheth: Alright, thanks so much.

Moderator: Thank you. The next question is from Dharmesh Sangoi. You can unmute yourself and ask your question.

Dharmesh Sangoi: Yeah, I thank you for taking my question. I basically have two questions. One is on the cost front. On the staff costs and other expenses, how much of this cost reduction is going to be sustainable? And number two, on HMVL, we are seeing there is an increase in staff cost. Can you throw some light on that?

Anna Abraham: So actually, most of the action that we have done on staff costs, which is pursuant to COVID, it will all actually start reflecting only from Q2, because given the fact that lockdown extended, a lot of those actions happened towards the end of Q1 only. So the cost rationalization measures on the employee side,none of it is showing up in Q1, it'll all be showing up from Q2 only. So that's the first reason. And just on that, in HMVL, we are gearing up for a lot of organic initiatives in

HMVL on print as well as on non-print side because of which, we had kind of in Q4, before COVID hit us, amped the manning and the capability skills in HMVL. And all that you're seeing in Q1 is actually the normalization of it because that happened over the period of Q4 and Q1 has a full impact. So, if you see sequentially, there's hardly any change. Llast year in Q1 of HMVL, there was a one-time reversal also so that cost itself was not a normal range for HMVL. So those are the results. For all the cost rationalization, the benefits will start kicking in from Q2 on the employee costs.

Dharmesh Sangoi: And one more question on Hindi, you said your circulation is roughly around 80% range. What is the English level currently?

Anna Abraham: We mentioned the English is down 85%, but that has got a little bit of pricing impact also. Just the copies situation, it's not so down.

Dharmesh Sangoi: Okay. Thank you.

Moderator: Thank you. The next question is from Siddhant Mattha, you can unmute yourself and ask your question.

Sidhant Mattha: Yeah. So first of all, I wanted to know your other income. What are the things which come in other income because your other income has grown in YoY terms and QoQ terms in both HMVL and HTML? So, wanted to know what are the constituents?

Anna Abraham: It is mainly treasury income, that's the largest component sitting there. And we've had a fantastic return this quarter on treasury income, which is what in the opening remarks as well as in the Chairperson message also, we alluded to that.

Sidhant Mattha: So is this sustainable?

Anna Abraham: It is not fully sustainable,.This is a function of a lot of calls. Because we don't do short term calls on treasury. These are a function of the calls that were taken a year and a half basis, where we kind of believe the yield curve, etc. would be. But consequent to the COVID situation, some of those assumptions happened on a little accelerated pace. So yes, it is not sustainable to that extent. There will be some level of evening up. But the whole of last year also, treasury did fairly handsome returns on a full year basis as well. And we hope to continue that for this year. At this level it won't be sustainable.

Sidhant Mattha: Second question I wanted to ask was regarding the previous answer you gave was that 85% decline in English circulation. Is that for the current month or it was an average?

Anna Abraham: It was average for the quarter. And that's the revenue decline.

Sidhant Mattha: I want to know the current situation as Mumbai and Delhi and other markets are opening up. What is the current situation in English and Hindi?

Anna Abraham: It is significantly better.

Sidhant Mattha: Any number you can give us.

Anna Abraham: We are closer to 40-45 range now.

Sidhant Mattha: For both?

Anna Abraham: Sorry, English put together.

Sidhant Mattha: Okay, thank you.

Moderator: Thank you. The next question is from Puneet Jain. You can unmute yourself and ask your question.

Puneet Jain: So, my question is on *(audio not clear)* portfolio, what is the current book value of the portfolio and which is the entity that is holding that portfolio and what are your future plans regarding that portfolio?

Anna Abraham: So, I missed the second question. So, but it I will answer the ones I caught and then you can come back to me on what is the question that you had. We, at a consolidated level, hold about Rs. 480 crores kind of property, of which, about Rs. 50-60 crores is with HMVL at this point of time. We are constantly doing exits and even in this situation, actually. Some portion we may use for captive consumption, if at all, there is economic benefit in that. But we are also exiting as and when we can. So there's always an addition every year and then there are exits during the year. And even in this quarter, we have done some exits in terms of at least entering into the arrangement, the finalization is still pending.

Moderator: We'll move on to the next question. The next question is from Rukun Tarachandani. You can unmute yourself and ask your question.

Rukun Tarachandani: Thanks for this opportunity. You mentioned June was about 50-55% lower in ad revenues (*audio not clear*). Could you give some colour on what is driving this improvement and which kind of advertisers that are coming back. How different is the pricing currently compared to where it was pre-COVID? Can you give us some sense on that?

Anna Abraham: So that was a lot of disturbance but what I understood is you're asking me what is giving rise to the improvement on the month on month basis,. And second question was on the pricing. So it's just a function of new advertisers coming into the market. So if you know if you've been looking at the papers, you can see that there's a lot of auto categories that have kind of now e come in, and have now started advertising. So that has come in as a category. So for earlier months, it was only education and the BFSI that were advertising. Now more categories have started advertising. And it's really a function of the fact that everybody now needs to make up for the lost time, and slowly each of those categories are coming back. So that's the reason for the improvement. So, we are seeing more advertisers coming into the market and, therefore, that is there. On pricing, we are obviously not in a situation to command the best of pricing. Having said that, English will see some improvement in pricing because there's a mix change from supplements to the main book, so that itself has improved the pricing a little bit but on overall basis, pricing will be down.

Rukun Tarachandani: Thank you.

Moderator: Thank you. The next question is from Vaibhav Badjatya. You can unmute yourself and ask your question.

Vaibhav Badjatya: Yeah, thanks for providing the opportunity. Just wanted to understand this increase in employee cost. I understand that going forward, there will be reduction. But the increase in employee cost that we have seen in last two quarters, particularly in HMVL. I was under the impression that when we did restructuring and hived-off Digicontent, under our contract with Digicontent, we have shifted employees there and we had a percentage of revenue sharing with Digcontent. So, in that context, I am not able to understand why the employee cost should go up sharply in HMVL.

Anna Abraham: So, Digicontent happened about a year to two year back. Therefore, it's not a comparable number that you're looking at. The saving is already in the base, that's first. Secondly as I mentioned that, in print itself, HMVL itself is where we have been building capabilities, because that is where we are seeing growth opportunities to continue to be largely there in the print business. Therefore, we've been investing behind HMVL on organic expansion on the print side itself. That apart, we are also planning certain initiatives over and above print also, through HMVL, for which we had built up capabilities over the last two quarters pre COVID. Obviously nobody anticipated COVID and the resultant issues thereafter, and what you now see is just, because those hirings happened at various points of time, a normalized impact of that. But in Q1, we've taken a lot of actions to kind of rationalize and look at productivity in a lot of areas and the benefit of that we will start seeing from Q2.

Vaibhav Badjatya: Okay, that's it from my side. Thank you.

Moderator: Thank you. Just a reminder to all participants that if you wish to ask a question, you may use the 'raise hand' option on your devices. The next question is from Pavneet Singh Keer, you can unmute yourself and ask your question.

Pavneet Singh Keer: Yeah, my question is regarding the radio segment, as well as the digital segment. Specifically regarding the radio segment, there were talks that the industry associations have represented their case for waiver or discounting of the licence fee for the ensuing period. Is any promise being made on that front by the MoI&B, or are they contemplating anything on that front. And secondly, regarding the outlook on the digital as well as the radio sector per se. How do you see it coming back on track? Since now vehicular traffic is back on roads and you can see as many cars as in pre-COVID, especially in the metropolitan region. So, what's your outlook on that?

Anna Abraham: So, I will address the second question first. Actually, there was a hypothesis, towards the initial part of the quarter that the lack of traffic on the roads would have impacted listenership. But I think you know there's various industry publications that came out, including from independent authorities, as well as from various participants including our competitors etc., which actually shows that listenership in radio has not dropped. People are consuming radio. The challenge really that the radio segment is having is on account of the fact that their customers have been a lot more retail as opposed to the corporate segment vis-a-vis print and a lot of them are more in the MSME space. And that's the space which had got significantly impacted more than the bigger players in the market during these times. That's the real challenge that radio is having from a customer point of view and not so much linked to listenership because that's not been the problem. On your first point, yes, there are representations which are made to the ministry to look at, because, as we alluded to during our presentation also, radio does have a significant component which is statutory in nature and therefore the industry has approached the ministry to kind of consider some concession on that. But we are yet to hear back from the ministry on this.

Pavneet Singh Keer: Is there any likelihood, how promising does it seem to you? Whether they will be giving you an answer back on that or giving you some concession on that front. And regarding the very second question, which you answered first, my main contention is, despite having high listenership, is the advertising seemingly back on track, or will it take time, or what kind of activities are you doing so that the advertisers are back again in industry, which they were out of just because of COVID?

Anna Abraham: So, like I said, we believe it will be impacted because the customers are impacted. But we are, like I said, it's not just about us doing and it's a lot about what each of those segments are doing to bring back their business on track. So there are a lot of things which are coming back. Like IPL now having been fixed and being scheduled, and there being a timeline for it will definitely help. It is a major event on radio and those things will help. So, yes radio will be a little slower. But we are looking at a lot of initiatives on radio to try and combat that, including arrangements with the larger clients and agencies and all of those. Now, on your government question, it's never done till it's done. So, we will continue to be hopeful till such time we are told otherwise.

Pavneet Singh Keer: Any budget commitments from the clients. You've been telling that that you're doing a lot of activity for generating the business. But any budgets have been discussed with you, any outlay has been shared with you?

Anna Abraham: Of course, we have all of those discussions and I'm assuming you're alluding to arrangements. So, we also have our share of arrangements and discussions that are happening.

Pavneet Singh Keer: So, we should start seeing that in a couple of months, or maybe ensuing period, right?

Anna Abraham: We should, but like I said it is slow. So, radio will take a little more time than print and that is what we have seen in the initial quarter also.

Pavneet Singh Keer: I wish you all the best that perhaps a doomsday scenario has been created now so everything will probably look much higher than in the expected period. No?

Anna Abraham: And that is the hope, that we've seen the worst, and it is behind us.

Pavneet Singh Keer: Thanks for answering. Wish you all the best.

Moderator: Thank you. The next question is from Swaminathan Ramani. You can unmute yourself and ask your question.

Swaminathan Ramani: Yeah. Good Evening, I'm an investor in HMVL. So, this question is only from the point of view of HMVL. Given that HMVL has 1000 crores of cash, which is more than two times its market capitalization. Are there any plans for buyback or other way of returning cash to the investors?

Anna Abraham: At this point of time, no. We don't have any change in our plans with regard to that. We are looking at more organic expansion at this point, into new areas of business.

Swaminathan Ramani: Okay. Follow up question is, as of the end of June, what was the run rate for Hindi in terms of advertising, I am not asking about current quarter.

Anna Abraham: Yeah, I know. But the earlier gentleman was also asking specifically for Hindi. So, the number I mentioned for June was for Hindi only.

Swaminathan Ramani: Okay, thanks. That's it from my side.

Moderator: Thank you. The next question is from Ayaz Motiwala. You can unmute yourself and ask your question.

Ayaz Motiwala: Yes. Hi, good afternoon. You know, I'd like to draw the attention back on Digicontent. Question was already asked on it. And you said this was a couple of years back, which was where the two companies separated this into a separate structure, where all the employees and news reporters and media creation were going to be housed there, right? And you said this was earlier and the cost has got down etc. Can you please articulate, in the last two years, what have been the benefits that have happened because as I see the numbers I can’t reconcile that?

Anna Abraham: So, there's a slight difference. That answer was specific to employee costs because the gentleman alluded to savings and employee costs that have happened on account of that, which is true and therefore, I was saying that the base is not comparable to that event. But we have significantly saved in other expenses also.

Ayaz Motiwala: Call out some of those please? What was the base then and what is it now? Because I have different numbers.

Anna Abraham: So, I won't be able to, because it pertains to FY18-19. So, we'll take it offline on the numbers per se. But I was explaining to you that the other expenses line has seen a significant drop in the current quarter, which you can see from the results, and a significant portion of that is also linked to the drop in content sourcing fees, which of course is on account of the arrangement.

Ayaz Motiwala: Right. And again, this is a question which is beyond this quarter, so you will have the discretion to probably not answer that. The original idea was to do this and then you had kept the stake in the company, then the stake was sold as we note right in the case of Digicontent. It was below 49-50% or something of that sort, for HMVL, and so in the case of HT media. And how do we as shareholders sort of be confident that the terms of the agreement are not being altered for content costs going up because the price, the cost of media, the employee costs going up in these two quarters in in the COVID times when companies are cutting costs does raise this question.

Anna Abraham: So, let me first and foremost again mention that employee costs has nothing to do with digital content fees. Everything sits in the other expenses line. So that's the first, there's nothing…

Ayaz Motiwala: Sorry, and I'm interrupting here. But I would say if we If I were to recall from memory, the key rationale of a document file, one of the key highlights of the Digicontent deal was the leverage on employee cost.

Anna Abraham: And therefore, the Digicontent content sourcing fee cost does not sit in employee cost, is a point I was making. The content sourcing fees costs only sit in other expenses, is the point I was making.

Ayaz Motiwala: This is well explained by you. I'm sorry, I'm interrupting. But then, then if you look at it in conjunction. I take your point. It's a great point that now the cost is in the form of content sourcing, as you rightly point out. And earlier all the employee costs which were sitting in HMVL, went out is what we are saying, right? So, then, why do the costs continue to remain high?

Anna Abraham: Only the content production costs went out. And the employee cost that you're seeing increasing is not only on content production. It has various capabilities skills, including the fact that we are looking at organic expansion into new streams of business in HMVL, which is beyond the print business as well, including tech capabilities, including sales capabilities etc. What went out is only content creation capabilities.

Ayaz Motiwala: Sure. Okay. This explains well. Thank you. I'll have one more question. I'll come back.

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

Suman Jain: Hello. Am I audible?

Moderator: Hello, yes, Suman you are audible, you can ask your question. Since there is no response, we will move to the next question. The next question is from Mehul Pathak, you can unmute yourself and ask your question.

Mehul Pathak: Thank you for an opportunity to ask my second question. At today's share price, the company's market cap is below 300 crores. Enterprise value is between 900-1,000 crores. Now, if you look at the cash in your books, and the value of HMVL, the market is undervaluing the company to such a large extent. Now this question keeps coming up almost in every quarterly call that what is the management doing to change this perception of the company in the market. You are having fixed assets, and property, you said about 500 crores. When I look at the options in front of you, there is such immense possibility of changing the perception. There is simply no trigger from the management side to change the perception. On the other end, many of your competitors have announced buybacks in the last quarter. While I know you are at 69% and there could be some scope of announcing a buyback. Is the management, I'm not, you know, unlike the past, I'm not asking what steps are you planning. But I would like to know at a principle level or at a philosophical level, are you all keen on changing the perception the company has in the market? And if yes, then by when can we hear something positive from the management so that the market knows that the management means action?

Anna Abraham: Mehul, management is doing its best to take actions as they think is appropriate for the company and we are also doing our best to ensure that there is no miscommunication and all our plans and intentions are articulated honestly to the community at large. You know, beyond a point, I cannot control perceptions. What we can commit to is to ensure that we do not give false hopes, we give information as we're seeing and we convey our plans and our initiatives to the audience at large.

Mehul Pathak: You're sitting on so much of cash. The media sector is beaten down to dust. From the company's side, there is nothing, no acquisition plan, no plan to buy somebody out, if other businesses are available so cheap?

Anna Abraham: So, we've demonstrated that we are willing to put money and buy companies, etc. And we have done it. And we did a pretty expensive acquisition also. But you know circumstances changed on that. So therefore, we have seen that we will, if we feel confident about a particular company, put the money. But after that there have been events which are completely unprecedented in this era of history. But we will continue to bet on things which we feel committed to and confident about.

Moderator: We'll move on to the next participant. The next question is from Pavneet Singh Keer. You can unmute yourself and ask your question.

Pavneet Singh Keer: Yeah, I missed out on the early part of your discussion. What is the prevailing raw material cost currently, and for the current period what are the circulation numbers in terms of proportion vis-a-vis last year?

Anna Abraham: So, on raw material we are at about Rs. 35,000 per metric tonne at consolidated level.

Pavneet Singh Keer: And do we expect it to soften a bit more for the next period, next quarter?

Anna Abraham: It will be. You can expect it to be more or less flat.

Pavneet Singh Keer: Okay, and what about the circulation numbers, could you please come again with them?

Anna Abraham: As I mentioned, there is a significant improvement. So we are, on overall basis, we are about 30% down.

Pavneet Singh Keer: 30% down vis-a-vis last year?

Anna Abraham: Yes.

Pavneet Singh Keer: And that is in terms of volume?

Anna Abraham: Yeah.

Pavneet Singh Keer: On pricing, we have seen improvement, just because everybody is down and so everybody is trying to capitalize on the revenue which is coming in their pockets?

Anna Abraham: Hindi, we have seen, not because we've taken any price action, but because we took price actions over different periods of time last year. The benefit of that is happening in this quarter. So, some improvement in that. In English, there is a little bit of mix issue, because of which overall pricing may look lower because subscription copies are more vis-à-vis line copies.

Pavneet Singh Keer: How much of the flooding has caused the volume to go down, particularly in Bihar and Eastern UP region?

Anna Abraham: So, one or two days we've had a problem, but now it’s okay.

Pavneet Singh Keer: So, we will be holding our volumes?

Pavneet Singh Keer: It pertains to the previous question itself, about the volume itself.

Anna Abraham: Yeah, we should see improvement in volume as things improve. Of course, some of those regions are facing some COVID-related issues at this point. Assuming that doesn't get out of control, we should continue to see improvement.

Pavneet Singh Keer: Thank you.

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

Suman Jain: Hi. Yeah, rather than buying back of shares you are looking for more organic expansions in HMVL, right?

Anna Abraham: That’s right.

Suman Jain: Can you please share some of the organic expansion?

Anna Abraham: Some of those initiatives are under works. So we'll come back to you when we are a little more comfortable sharing that input, with the precise plans.

Suman Jain: Thank you.

Moderator: Thank you. The next question is from Ayaz Motiwala. You can unmute yourself and ask your question.

Ayaz Motiwala: Yes, going back on compensation. In terms of senior management incentives and including director linkage as a percentage of profits. Is there a linkage to, you know, overall income in which because you have a very fat treasury now, 1100-1200 crores and you've done a very good job this quarter. Is there is a double charging by directors, because these incomes have been already charged by director incentives in the past?

Anna Abraham: So, we have Remuneration Committee which takes into consideration all factors in remunerating all operating managers including directors, etc. And yes, there is due regard given to operating profits vis-a-vis non-operating profits in those considerations.

Ayaz Motiwala: Yeah, so you clarify that. Right. I mean, there is a there is a consideration of that.

Anna Abraham: Yeah. It's not like a percentage that is there, but the operating profit and the delivery of operating profit is seen separately vis-à-vis delivery of treasury in all considerations.

Ayaz Motiwala: Okay, excellent. And the second question is, again, a more sort of philosophical sort of question on HMVL in particular. Because it is owned 75% or nearly thereabout by HT media, which is that you did demerger and listing in around 2010. It's been 10 long years, it has collected a lot of cash and you know, its core content creation is out. As of now, it does the marketing and the delivery of the papers. So is this purpose of existing itself now in question? I mean, you know, various means always buyback etc. has been discussed, gestating businesses have been discussed. You know, had this been in other parts of the world, it would not be this kind of long sort of posturing on the part of the parent company. I mean, if they want to, they have 800-900 crores of debt on the balance sheet. So, you know, what is the rationale of this company now being listed?

Anna Abraham: So the company, it's a lot of cash that HMVL has accumulated, has been over the last 3-4 years. Given the fact, that we used the listing and the funds raised in the right manner to kind of build a vernacular business which didn't exist and we are doing well in that. As I mentioned, Hindi itself had offered enough opportunities to kind of organically expand, and we are now further looking at other areas for HMVL as well. And therefore, as with any company, we will run it as efficiently as possible. And yeah, so that's the plan for HMVL.

Ayaz Motiwala: Okay, thank you.

Moderator: Thank you. With this we come to the end of Q&A session. If you have any further queries, please reach out to Investor Relations team. Our contact details are given in the Investor Presentation, and are also mentioned on our website. I now hand over to Anna for closing comments.

Anna Abraham: Thank you everybody for attending our conference call. It has been a challenging environment for the business and for all the people, and for all of you as well I'm sure. The hope is that we will soon see much better environment and everybody continues to remain safe and healthy. So, all the very best, and we look forward to interacting with you in the quarter to come. Thank you.