Earnings Webinar – Quarterly Results – Q4 FY’21

Transcript of earnings webinar on Q4 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 ladies and gentlemen. This is Amit Madaan from Investor Relations team, HT Media group. I would like to welcome you all to our Q4 and FY'21 earnings webinar. Kindly note that all the participants will be in 'listen only' mode and there will be an opportunity for all, to ask questions, once the presentation concludes. I now hand over to Ms. Anna Abraham, Head, Investor Relations. Thank you and over to you, Anna.

Anna Abraham: Thank you, Amit. A very good evening to everyone. On behalf of HT Media Group, I welcome you all to our earnings webinar to discuss the financial results of the fourth quarter and of the full year 2020-21. I would like to introduce my colleagues participating in the webinar today. With me is Mr. Piyush Gupta, Group CFO, Mr. Sandeep Gulati, CFO of Hindustan Media Ventures Limited, Mr. Pervez Bajan, Group Controller, and the members of our Investor Relations team.

I trust you had an opportunity to go through the financial results of Hindustan Media Ventures Limited which was declared yesterday, and of HT Media Limited released earlier today. We will be taking you through the highlights of the same during the course of this call. Kindly note that our remarks will track with the presentation on the zoom webinar, which is also available on stock exchanges and Investor Relations section of our website. We are now starting with the presentation.

Before we move further, let me draw your attention to the disclaimer regarding forward looking statements on slide 2. Kindly keep this in mind as we progress during the call and for all remarks that are made during the course of the call.

Slide 3 gives the Chairperson's comment on the performance of the company and I quote "Advertising revenue in our Print & Radio businesses and circulation revenue continue to improve. The Shine business has recorded healthy topline growth during the quarter. For the full year, despite the challenges posed by the pandemic, we posted a positive EBITDA driven by better revenue performance in the second half of the year and cost efficiencies.

As the financial year was coming to a close, the Indian economy was positioned favourably, and seemed to be at the cusp of a strong recovery. Since then, though, the situation has altered substantially with a sharp rise in COVID infections and mortalities. While I expect the impact of the second wave to affect our business performance in the first quarter of FY'22, my hope is that the recent drop in infections, the end of lockdowns and increased momentum in the vaccination program will gradually induce an economic recovery. We remain focused in our efforts to provide credible and engaging news, information and entertainment products to our audience despite the tough environment." End of quote.

Moving on, on slide 4, we have the agenda for today and the areas we will cover. I will now hand over the call to Mr. Piyush Gupta to take you through the presentation on the company performance.

Piyush Gupta: Thank you Anna. Good evening everyone, I hope everyone is safe and healthy in these trying times. I shall be taking over a quick snapshot of the Q4 and the FY'21 results. So as you can see in the table of contents, we will be covering the consolidated performance, just moving forward.

As we can see, for the fourth quarter FY'21, we had a de-growth of 24% and the total consolidated revenue came at 398 crores vis-a-vis 525 crores same period last year. EBITDA came in at a positive 70 crores against 102 crores, and our EBITDA margins came very near to the last year's margin at 18%. Our PAT came at 19 crores and PAT margin came at 5% for the fourth quarter. If you look at the full year picture, the total consolidated revenue came at 1,331 crores, which was a decline of 42%, EBITDA came at 90 crores which was the decline of 76% and EBITDA margins came down to 7% from 16% a year ago. Our PAT showed substantial improvement and came at a negative 65 crores. I would like to draw your attention that last year, there was a substantial impairment on account of our radio assets getting tested for impairment and we had taken the charge in the last year's P&L. As a consequence, our PAT margin came at a -5% whereas net cash in this time grew to 1,121 crores.

Some of the key highlights which I have already articulated, QoQ, we have seen a very substantial improvement in revenue and EBITDA performance as we transverse through the quarter. You know, this is really a story of two halves, the first half, obviously, we were sharply impacted but the second half was a recovery which you can see in the fourth quarter results. Q4 EBITDA, I have already spoken about, and liquidity improvement is something that we continued and we have substantial liquidity on the balance sheet.

Moving forward, if I now go to the business unit performance, let me just focus on Print here. So, on the Print performance for the quarter, we saw a decline of 22% with Ad revenues coming at 233 crores and Circulation revenues at 48 crores, decline of 24%. Our operating revenue at 297 crores was down 26% and operating EBITDA at 41 crores down by 39%. On a full year basis the corresponding numbers are 717 crores of Ad revenue down 48%, circulation revenues were down 33% at 180 crores. Operating revenue at 956 crores down 47% and Operating EBITDA at negative 6 crores, which was substantially down, vis-a vis the same period last year.

Moving forward, let me just spend a couple of minutes on the English print business. So as you can see, on the Ad revenue, which is the top left bar that you see. In the fourth quarter, our revenue came 118 crores which was a 31% decline. However, if you see a vis-à-vis the third quarter, it came virtually at the same level. Circulation revenue, there was on a yearly basis a decline of 62% and sequentially, there was a growth of 27% from 4 crores to 5 crores. I have already spoken about the highlight so I will just move forward.

As far as the Hindi business is concerned, you know you can see the improvement in Ad Revenues across both national revenues and local advertisers in the quarter. Improved Ad volume share across our operating geographies during the year, this is a substantial achievement that our have managed our market shares in Ad increase slightly. Advertising revival in key categories like FMCG, Real Estate and Durables have happened in this quarter and categories such as Auto, Education and Retail were however muted. We continue to see pressure on our yields, which still were down and yields are, depending on market to market, 25% to 30% down, vis-a vis the same period last year.

Moving on, our radio business if you see, the softness and operating revenue and profit as customer segments of radio were more adversely impacted in the pandemic. I would just like to spend some time on Radio, we have seen a much sharper decline than our print business and the recovery also has been much more muted and slow. As you can see in the fourth quarter also, we have a decline of 41% with revenues coming at 24 crores and operating EBITDA at a negative 4 crores. We have done substantial cost actions to shore up our bottom line, but as all of you know, most of the costs locked into radio business are statutory in nature and there is very little that you can do about it. On a full year basis, we had a decline of 63% on the top line and a substantial decline on the bottom line with operating margins becoming negative for the year.

So that is the end of a quick snapshot. I would like to open the forum for questions and answers please.

Moderator: Thank you Piyush. We will now begin the Q&A session. You can click on 'raise hand' option which will enable me to unmute you for posing your query. Please restrict to two questions per participant, so that we may be able to address questions from all participants. We will wait for a few seconds while the question queue assembles.

The first question is from Sidhant Mattha. Sidhant your line is open, please unmute yourself and ask your question.

Sidhant Mattha: Hi, so just wanted to know about basically we have seen employee costs falling quarter on quarter. So is there some one-off or this mandate will be going in FY'22?

Piyush Gupta: Let me give you a high level, then I'll request my colleague Anna to pitch in on to this thing. This is not a one off. I will just like to take you slightly back at the time of beginning of covid, there were a couple of actions that we had fired at that point in time. One, we had looked at various productivity measures and some of our employees we had asked to leave. And at that point in time, we had also undertaken a restructuring of the salaries, whereby, some portion of employee's salary was put into variable salaries which was linked to the company's performance, now that is not a one off. I would say those productivities have already kicked in, and we are a much leaner organization. So I would say this trend is likely to continue, but on the numbers, I would like request Anna to share her thoughts.

Anna Abraham: Yeah, just to add there are two components as Piyush said. There's been restructuring activities across the organization, the benefit of that will sustain and will continue. The variable component, however, it is linked to business performance and with business looking up, we definitely hope to be able to pay that to our people and, therefore, to some extent, this will not be sustainable, if business performance improves from here on.

Sidhant Mattha: No, so basically, just wanted to ask one more thing, till the third quarter of a FY'20 we were on 100 crores run rate for every quarter, then we went to 80-85 crores and now we're down to 70 crores and this will go until the business recovers?

Anna Abraham: It is not, because there is some amount of reversal sitting in the Q4 which is linked to the decision of non-payment of some other variables component.

Sidhant Mattha: And my second question is regarding, how is the outlook like? So, basically we have seen Delhi and other markets opening up, so how is the outlook compared to last year's June? Is the second wave better as a lot of companies are saying that the second wave recovery is faster, so just wanted to know how the English and the Hindi sectors are performing in the market?

Piyush Gupta: Okay, great question Sidhant. The only point I would like to say is that it is very early to say, though, the Delhi markets and the Bombay markets are nearly open now. But I would say, we will need reading for another two to three weeks to say whether the demand is coming back. As you can understand the local revenues which are really dependent upon the local businesses will depend upon the situation on the ground. The big national revenues at this point in time, they are trickling in very slowly, but that will depend upon the media and the campaign plans of all the big national advertisers. So I would say it's too early to take a call on that, but I would like to believe that in the next two or three weeks, we should see a reasonable recovery. I can't say whether it will be very sharp or not.

Sidhant Mattha: And same for circulation because, last year we saw Bombay and Delhi and all other cities where circulation stopped, but in the second wave also the circulation stopped? Or the impact on QoQ decline is much lesser?

Piyush Gupta: Good question, Sidhant. I think the disruption on circulation is nowhere as sharp as it was last year. So you know a little bit of circulation drop has happened, but we are on a continuous program to basically go and re-recruit our readers. So, I don't think we will have a sharp drop in copies, as we saw in the first quarter of FY'21.

Sidhant Mattha: And my last question is about the Google showcase, if any numbers or any guidance or any points you can share with us.

Piyush Gupta: Not at this point. I think that is a contract which is still being negotiated and discussed. We will definitely come out with the filing the moment it is finalized, but it's still in the works and it's happening.

Sidhant Mattha: Thank you so much.

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

Yash R.: Yeah, hi good evening. My first question is with regards to HT English Print. We are seeing that there is a reduction in the other operating revenue. I mean last year was pretty high and it was on account of forfeiture, so has it normalized now and is it because of that it is less?

Piyush Gupta: Yes. So last year we had substantial forfeiture in the same quarter. Though we do have some forfeiture, nowhere as close to last year, hence you see the decline.

Yash R.: Okay, my second question is in connection to Sidhant, what he asked with regards to staff costs. Even in HMVL, there has been a reduction, so is it on account of variable as well as was the case in your HT Media?

Anna Abraham: Yes, both rationalization and variable.

Yash R.: What do you care to comment on the headcount?

Anna Abraham: No, we wouldn't want to comment on that please.

Yash R.: Okay, all right, thank you.

Moderator: Thank you. The next question is from Anish Jobalia. your line is open, please unmute yourself and ask your question.

Anish Jobalia: Hi, this is Anish Jobalia and thanks for the opportunity. So my question was on the yield, so you had an opening comment where you said that the yields are down by 25 to 30% versus last year. So I just want to understand this commentary was for this quarter or was it for the full year? If you could clarify that.

Piyush Gupta: Thank you for the question, that's a great question look. I think the commentary was specifically as we exited the fourth quarter and the fiscal year 2021. Just to remind you, in the first quarter, when last year the covid had started, the volume itself had come down very, very sharply. At that point in time, it was foolhardy to discuss about yields. But as we exited FY'21, you know versus the same period last year, the yields were still under pressure to the extent of 25% to 30%, that's the point that I was trying to make. Sandeep or Anna would you like to add to that?

Sandeep Gulati: Okay. This is Sandeep, so let me just give a little more commentary. So overall the comment which Piyush made was applicable for both quarters as well as for the year because the impact was much more significant in the initial quarters of the year. As we kind of continuously made progress, that improvement came through and then overall year averages are also reaching to the similar levels.

Anish Jobalia: Okay, so my follow up question here is that in the Ad revenues, you have shown a decline of only 8% right over the last year? So when we say that 25% to 30%...

Sandeep Gulati: So, volumes have grown pretty significantly, so that's good news. So volumes have started coming back and that's a good sign and that's what we saw sequentially improving and that's giving us a confidence and remember what Piyush said initially, so while the volumes were also low in the first few quarters and then, as they started picking up, we actually started seeing a potential for taking the yields also higher. So it was moving in the right direction, of course, we got hit by the recent pandemic now.

Anish Jobalia: Basically, I mean what you're trying to say is that, versus the Q4 for last year, the volumes are higher by around 18% to 20%.

Sandeep Gulati: Yes, you are right.

Piyush Gupta: So, Anish, the volumes have clearly picked up and so we saw growth in volumes versus the previous year, but because of the yields, the revenue was seeing a decline. Right now is not the time to talk about yield because you know, the volume repair work will go up in the market, and I think it's another quarter before we see yields stabilizing at a reasonable level.

Anish Jobalia: Okay, so sorry I mean again, I just wanted to clarify that I am only speaking about the Hindi Hindustan.

Anna Abraham: Yes.

Sandeep Gulati: Yes, we understood.

Anish Jobalia: And so just one follow up question around the yields. I mean the kind of pressure that you are seeing, this 25% to 30%. I mean if you move to other geographies, so our core geographies are this Bihar, Jharkhand and Uttarakhand belt. So if you look at the other geographies and look at the other peers, their yield pressure is not as significant as what we are seeing. So for us like we know that that our direct competition among the listed peers is Jagran Prakashan. So, I am just trying to understand what is happening because I think this is typically led by let's say competitive intensity. So why is this happening in our belt versus you know the other geographies and other states and specifically for our northern regions, this kind of pressure? Do you think about that these yields that we were getting in FY'19 and FY'20 before covid, that can ever come back, I mean, because things have not started improving on the yields side at all?

Piyush Gupta: Let me just give you a high level point Anish, the yields of all our competitors are following a same trend line as we speak, you know we keep a reasonable track of our competitors, so the yields are under pressure, as far as Dainik Bhaskar is concerned, Dainik Jagran is concerned, Amar Ujala is concerned, and indeed in the English market, Times of India is concerned. Will they improve? I think, right now, you know, most of the advertising, which is coming, it's not good enough for us to take up a pricing action. So I would say none of us will take a pricing action at least for a quarter, and we will keep on watching the situation very closely. But maybe in a quarter's time if the recovery is indeed reasonably good, we will be taking the yield action there on.

Anish Jobalia: Sorry to harp on this a bit more. I will just like to close after this, but I am saying that let's say in Bihar we are number one right? So in terms of increasing the intensity or not reducing the discounts, which we were giving earlier to attract the advertisers because volumes came back sharply for us. So being a leader, why are we not closing down the yields versus earlier, what we were doing?

Piyush Gupta: Anna would you like to add?

Anna Abraham: I just wanted to add saying that you know, unlike when it is business as usual, it is not competitive pressure which is driving yields, it is general market sentiment. So, while there are Ad dollars overall, it's available only to a certain extent today, because there are only few categories which are firing and a lot of categories are not, and even the categories which are firing are spending far less than they would normally do. Therefore, that is the reason why there is an impact on pricing, because these volumes are available only at a certain pricing, which is pan-industry and nothing to do with one player versus the other. The results of the listed players are also out and their results also indicate a similar trend.

Anish Jobalia: Okay, fine I will just get back into the queue.

Piyush Gupta: Thank you.

Moderator: Thank you, the next question is from Pawan Tarodia. Pawan your line is open, you can unmute yourself and ask your question.

Pawan Tarodia: Hi, so, is there any specific reason why dividends were not considered like despite having a healthy balance sheet and declaring the same in the board meeting intimation? So my question is specifically for HMVL.

Piyush Gupta: Anna would you like to take that?

Anna Abraham: So, while things have not been as bad as it could be, it is not a very rosy picture at the end of it. Therefore, there is an impact at the PAT level. PAT is substantially low, and that is the reason, it has not been a position to kind of offer handsome dividends.

Pawan Tarodia: Okay, and also in note 7 of the HMVL result like you're talking about recoverability of the financial assets. So do you have any non-performing deposit which you think is of concern, like in DHFL or some other company which is in trouble?

Piyush Gupta: No, we have nothing like that at all.

Pawan Tarodia: That's great. Also there is the other income in HMVL that has decreased by a lot, like from 31 crores average to around 13 crores. So any specific reason for that?

Piyush Gupta: Well, in other income, I think, the interesting income is the reason. So it's a change in the interest income.

Pawan Tarodia: So, is it going to continue in future. Your operating income was very good this time, I noticed that, but interest income, is it going to continue the same way as it was?

Piyush Gupta: Pawan, I think interest income is a factor, you know factor of the yield curve and the positioning of the debt mutual funds that we have in our Treasury. If you look at on a full year basis, you can see that the interest income that your company has earned is pretty substantial. But in the fourth quarter, whatever movements have happened on the 10 year G-Sec and various government securities, which have played out on other securities is muting the interest income for the fourth quarter. But the right way to look at it is looking at it in the context of full year. We obviously take calls on duration with our expectation, where a market is going to go and what are the pronouncement that the Reserve Bank will do, but obviously, we will not get it right all time. But saying that it will continue like this thing is absolutely wrong, because there is a very healthy corpus sitting in your balance sheet and we will have to play one quarter at a time.

Anna Abraham: And just to add on for the QoQ variation, there is a base impact, because base had a slightly substantial shift in MTM gain last year, given some market anticipated changes to the rate position which subsequently followed as well.

Pawan Tarodia: Thanks.

Moderator: Thank you, the next question is from Rahul M. Rahul you can unmute yourself and ask your question.

Moderator: Since there is no response, we will move on to the next participant. The next question is from Mohit Kumra. Mohit your line is open, you can unmute yourself and ask your question.

Mohit Kumra: Hi, how are you?

Piyush Gupta: Very good, Mohit. How are you doing?

Mohit Kumra: I am good. I am sorry, I will go back to that old dividend thing. But I am a long term shareholder and you have 1400 crore rupees in cash on your account. I am talking about HMVL and…

Piyush Gupta: The net cash is 1200 crores.

Mohit Kumra: I am so sorry it's 1200 crores. And even if you paid your typical dividend of 1 rupee 20 paise, which as is very low because you were not generating very high returns on equity, to start with, even 4-5 years ago. Do you think it's fair to shareholders that you can't pay out 9 crores or 10 crores out of 1200 crores? How bad can things get? Or let me continue, or if you could give us any indication to use the capital properly like a buyback, acquisition, anything. I think your shareholders deserve more than a generic answer for this, what is going on in your mind? This is too much of cash and last year, I didn't raise this question because there was shock when covid happened last year, nobody knew whether the world was going to end and what was going to happen. But now we are used to it and not paying out 9 crores to your shareholders out of 1200 crores?

Piyush Gupta: Mohit let me answer that in two ways. You know, I don't want to give you a generic answer, but you can understand, I will try to be as specific as possible, but let me break it into two parts. Now, first of all, saying that we are used to this particular situation, I really don't know. If you read the newspaper this morning, I mean lot of State governments and a lot of scientists and epidemiologist are already talking about the third wave. So I don't know whether we have seen the last of it, so that one point, I just want to make to paint the picture in the background. The second thing, as you have understood, we have seen the volatility, you know, with a pandemic like this brings to a business like ours. Now there are two big variables in a business like ours, and of course you have analysed our business and you understand it better than us, one is the volatility on the revenue, the first quarter saw revenues go down by 80% you know, and, of course, by the end of the year, it was down to 24% because substantial recovery had happened. So that's one volatility. The second is on the raw material side, which is the newsprint really that you procure. You have already seen the newsprint prices from $400 and right now, as we speak, and I am just talking about the first quarter of FY'22, we are talking about $600 a metric ton where dollar is already at 73. So, I am talking about 50% to 60% volatility. Now if you just cost this out and keep it in perspective, the thinking, that we have on capital allocation and look, I mean, I can't defend that, why we should not give 9 crores or 10 crores. I think the only driving understanding is that there is a safety cash to continue the business on a safe axis and take advantage of any opportunity that presents itself and only a strong balance sheet will help you at that point in time. But that's not to say that we want to short change the shareholders, either majority or minority. It is just in these severe uncertain times, that we have decided not to pay out any dividend. As for the third part of your question Mohit, whether we can do something for the shareholder, trust me the intent is already there. You understand we have been on a journey of cleaning up our capital structure, our corporate structure. The first scheme that we had announced had already been approved by NCLT on 17th of June, the accounting has taken impact of that. We have already a second scheme already where we are trying to basically create substantial benefit for the shareholder. If all goes well, you want to create a situation whereby, most of this capital either can be deployed productively for long term value creation of the shareholder, and if not, it should be returned to the shareholders, in whatever means and form. But I can't comment on these things, because the second scheme itself is going through the process which will take another three-four months and after that we will be seeing what we can do. But the sheer uncertainty linked to covid is something which we have seen last year, how it unfolds, and we really don't know what's going to happen further is the reason that we have decided not to pay dividend. I don't know whether I satisfied you but that's unfortunately all that I had on this one.

Mohit Kumra: Okay, thank you for your answer. Well, I am partly satisfied because, if your business gets so bad that you erode 1200 crores then maybe we should not be in business. My second question is this that the last time around, you spoke about a lot of this concept around Ad for equity. Do you think you can give us a list of all the deals. I searched around and I have seen a few good ones Oyo or Mobikwik, it was something like 50 crores each. So it seems that you have at least 200-300 crores in deals like this in Ad for equity. Do you think your shareholders can have a list of these Ad for equity deals you have. Is it within our rights?

Piyush Gupta: We don't share that information. But I can tell you, you know the AFE portfolio is now much bigger than that. It is north of 500 crores. There are some good deals, as you've said Mobikwik and Oyo are the two deals that you have named, and one of the company is already filing the DRHP. So we hope to kind of realize that value back into the balance sheet as soon as possible.

Mohit Kumra: So you said, we have about 500 crores of this.

Anna Abraham: This is at a consolidated level.

Piyush Gupta: I am not talking at HMVL. I am talking at a consolidated level.

Mohit Kumra: HMVL alone?

Piyush Gupta: Let's say half and half broadly.

Mohit Kumra: Okay, 250 crores. Thank you so much for your time.

Moderator: Thank you. Since this was the last question in the queue today, we come to the end of Q&A session. I now hand over to Piyush for closing remarks.

Piyush Gupta: Thank you, Sankalp. Thank you shareholders and investors and analysts. I really appreciate you making the time. I really, really wish all the best of health to you. I know that, hopefully we are out of this pandemic and business and our life should come back to normal. But I only dread if any other instance of this thing were to take place. I would request all of you to take caution and I look forward to seeing you on the Q1 FY’22 call in a month and a half time. Till then, all the best. Thank you so much.