

## HT Media Group Q3 FY23 Earnings Conference Call

**February 14, 2023**

**Management:**

- Mr. Piyush Gupta – Group CFO**
- Mr. Anup Sharma – CFO, Hindustan Media Ventures Limited**
- Mr. Pervez Bajan – Group Controller**
- Ms. Anna Abraham – Head, Investor Relations**

Aaditya Mulani:

Good afternoon ladies and gentlemen. This is Aaditya Mulani from the HT Media Group. I would like to welcome you all to our Q3 FY22-23 earnings webinar.

As a reminder all participants will be in listen only mode. After we are through with the presentation, there will be an opportunity for you to ask questions. I now hand over to Ms. Anna Abraham – Head, Investor Relations. Thank you and over to you Anna.

Anna Abraham:

Thank you, Aaditya. Good afternoon everyone. I welcome you all to the earnings webinar to discuss the financial results of Q3 FY22-23 of HT Media Group. On the panel today from our side we have Mr. Piyush Gupta, Group CFO; Mr. Anup Sharma, CFO, Hindustan Media Ventures Limited; Mr. Pervez Bajan, Group Controller; and members of the Investor Relations team.

On the screen now is the earnings presentation. Kindly note that our remarks will track with the presentation on this Zoom webinar. This presentation, along with the financial statements, is available on stock exchanges and the Investor Relations section of our websites.

The Slide 2 captures the disclaimer regarding forward-looking statements, which is on your screens right now, kindly take note of the same. As per practice, we do not provide specific revenue or earnings guidance.

Moving on to Slide 3. This gives our Chairperson's comments on the performance of the company for the quarter;

"The third quarter of the ongoing fiscal year saw the continuation of the gradual recovery of our media businesses on the back of an improved industry-wide business environment and the annual festive season. However, persistent general inflation acted as a dampener resulting in a relatively muted festive quarter. Raw material costs remained at heightened levels during the quarter but will likely ease off in coming quarters.

Against this backdrop, we continued to improve our business performance on a quarterly basis for the Print and Radio verticals. Overall, the Print segment saw sequential growth in both advertising and circulation

revenues, but margins continued to be impacted by high newsprint prices. Radio also saw an improvement on a sequential basis backed by better traction in both the FCT as well as the non-FCT space.

With inflation easing and stabilization of the overall business environment, we are hopeful of capitalizing on the growth in consumer and advertiser spending in the medium-term. We remain committed to delivering credible and trustworthy news and engaging entertainment to our ever-growing audience base.”

Moving on to Slide 4, this gives the agenda for today. We will begin the performance update with comments on our consolidated financials, which will be followed by detailed remarks on various businesses. We will open for Q&A session after the presentation concludes.

With this, I now hand over the call to Mr. Piyush Gupta.

Piyush Gupta:

Thanks, Aaditya. Thanks, Anna. We will track the screen here. So, as you can see on Slide 6, we have got the consolidated financial summary. So, for Q3 FY23, we had a total revenue of INR 488 crores which is a decline of 2% vs. the same period last year. EBITDA came in at INR 28 crores which is a y-o-y decline of 74% with PBT at INR -30 crores and PBT margin at -6%.

The key highlights are given on the right-hand side. Total revenue is down y-o-y basis, primarily on account of a relatively muted macro and festive season. To expand, sitting in the base is the political revenue which came in last year consequent to elections in UP. And also, there are 8 days short in this festive season because Diwali timing altered between the 2<sup>nd</sup> and 3<sup>rd</sup> quarters. Net cash as on 31<sup>st</sup> December is at INR 854 crores.

Now we go into the business unit performance. Coming in to Print. We see ad revenue tracking at INR 284 crores as against INR 323 crores last year and operating revenue including circulation revenue came at INR 368 crores vs INR 396 crores last year which is a decline of 7%. Sequentially that's a growth of 7%. Operating EBITDA came in at INR -4 crores vs y-o-y INR 87 crores. Sequentially it was INR -14 crores last quarter and is an improvement of 73%.

Going to key highlights, ad revenue declined on y-o-y basis which is led by volume which I explained earlier. Circulation revenue has improved on y-o-y and sequential basis led by increase in realization per copy. Operating EBITDA loss on account of higher newsprint prices.

A little deep dive into English. Our ad revenue came in at INR 160 crores as against INR 176 crores last year which is a decline of 9% and versus previous quarter it is a growth of 9% with Q2 being INR 147 crores. Circulation revenue at INR 15 crores vs INR 7 crores which is a gain of 122% and sequentially a gain of 18%. In key highlights, Retail, Auto, BFSI grew while Real Estate, FMCG and Education remained muted. Circulation revenue improved on the back of better realization per copy and higher number of copies.

Moving onto Hindi. We can see a 16% y-o-y decline with ad revenue coming in at INR 123 crores and sequentially it is a growth of 1% where ad revenue nearly remained flat. On circulation revenue, again it is almost flat at INR 45 crores both sequentially and on a y-o-y basis. In key highlights, Auto, Healthcare and Durables grew while Retail, Education and FMCG remained muted.

A quick look at our Radio business. Revenue grew handsomely to INR 42 crores from INR 34 crores in same period last year which is a growth of 21%. And on a sequential basis it is a growth of 27%. Operating EBITDA came at INR 7 crores which is a y-o-y growth of 50% and operating EBITDA margin came in at 17%.

A quick look at the Digital business which is sitting in HT Media Group. Revenue came in at INR 28 crores as against INR 36 crores last year, a decline of 23% and margins were negative with INR -4 crores operating EBITDA.

With this, we come to the end of the presentation. I hand it back to Aaditya and Anna.

Aaditya Mulani:

Thank you, Piyush. We will now begin the Q&A session. You can click on the 'raise hand' option which will enable the Moderator to unmute you for posing your query. Please introduce yourself before posing your query and kindly restrict to a maximum of two questions per participant so that

we may be able to address questions from all participants. We will wait for a few moments while the question queue assembles.

The first question is from the line of Ranga Prasad.

Ranga Prasad:

Good afternoon everyone. At the outset let me say that I find it very heartening to note that the price of newsprint is finally falling. Hope we can see further sharp falls in the price of newsprint in the coming quarters. Could you please throw some light on what is the average price of newsprint used for Q3 and how you see it pan out in the coming few quarters – that's my first question. You want me to continue with the second question or wait for your answer?

Piyush Gupta:

Yes, why don't we answer that first and then you can go to the next question.

Anna Abraham:

Q3 on a consolidated basis the rate was about INR 65,000/MT and the next quarter we are hoping to see about 3% improvement on this.

Ranga Prasad:

Ok. Do you see the trend of newsprint prices coming down consistently?

Anna Abraham:

Yes, we are seeing the trend of it coming down consistently.

Ranga Prasad:

For a quarter or so?

Anna Abraham:

Yes.

Ranga Prasad:

My second question is on the expenses front. As far as expenses go I find a disturbing trend of a sharp rise in other expenses which have increased sharply from Q3 last year and even as compared to Q2. On a standalone basis, other expenses have gone up from INR 100 crores in Q3 last year to INR 108 crores in Q2 and present quarter Q3 at INR 124 crores. As a line

item these other expenses are equal to combined expenses of raw material and employee costs. I think it would be very helpful and will add to transparency if we have a break-up of the other expenses. And do you see any chance of improvement in the coming quarters on this front?

Anna Abraham:

Yes. So, on other expenses, when the detailed financials are issued we always give a detailed break-up. I will talk about the major variations this time. It is partially on account of advertisement and sales promotion cost which is largely because we have had some big events happening this quarter vis-à-vis sequential and last year – both in Print and Radio business. And therefore, there is an increase in cost on account of that.

There are also investments which are happening in the Labs business which is a new initiative that we have done. The cost of that also sits in this and that is accounting for about half of this cost increase.

Piyush Gupta:

Thanks Anna. So, Mr. Ranga Prasad, if I have to add my two bits, clearly one part is the investment in HT Labs that we are doing which is giving rise to some increased spends that we are seeing here and secondly you know with the Covid restrictions opening up and on-ground events happening there are certain events that we are conducting which is giving rise to certain expenses which are booked in the other expenses line which is thus increasing. But they have a corresponding revenue which is also sitting up there.

Ranga Prasad:

You mean we can expect the revenue to come in the coming quarters?

Piyush Gupta:

Well you know most of the revenue has come in this quarter and some revenue might be - which is linked to the deliverable - if it comes in the subsequent quarter. But the bigger point I am trying to make is, because we are comparing with the 3<sup>rd</sup> quarter of last year when on-ground events were not happening, we were not conducting on-ground events and hence these costs were not coming. Now that it is coming to business as usual, on-ground events will happen and we will be committing some expenses on that but those are directly linked to a revenue incidence which will be

booked in ad revenue or in our other revenues.

Ranga Prasad:

I also find that finance costs are increasing quarter on quarter. In fact, they have gone up from INR 10 crores to INR 17 crores.

Piyush Gupta:

So, two reasons actually. Well for finance costs one of the reasons is the IndAS 116. So, whenever most of our rentals which are negotiated for our multiple offices, these have to undergo IndAS 116 treatment and what typically happens is that there is some part which is kept in the operating expense and when you re-new a long-term agreement, in the initial days of the agreement, a big amount is booked in the finance cost. So, it is basically IndAS 116 arrangement.

Of course, the second reason is that the borrowing is definitely more expensive than what it was a year ago. But it is a minor impact due to that.

More so, the IndAS 116 impact that is coming in the finance cost line.

Ranga Prasad:

Now, I hope with the fall in newsprint prices and rationalization in expenses that in the coming quarters we can come back to profitability. Would you say that?

Piyush Gupta:

Yes, for sure. Look, newsprint prices in a normal situation would have fallen much more sharply than they are falling right now given this whole geopolitical situation between Russia and Ukraine. Because if you go back to the commodity cycle of 2017-18, what went up in two quarters came down in two quarters also.

Right now, it is coming down a little gradually. We are very sure of the direction that the newsprint prices will only soften from here on. But will the gradient be as sharp as it was when it was going up, we don't think so. Right now, we are seeing it continuously come down and in the next two quarters we are very sure that it will be another 10-20% down from here on. Of course, there is some inventory we always carry in the business and those things are adjusted on a weighted average basis.

Ranga Prasad: Thank you very much.

Aaditya Mulani: Thank you. Ladies and gentlemen, a reminder to all participants that you may use the “Raise Hand” option on your screen, if you wish to ask a question.

Ladies and gentlemen, a reminder to all participants that you may use the “Raise Hand” option on your screen, if you wish to ask a question.

Thank you all. With this, we come to end of the Q&A session. If you have any further queries, please reach out to the Investor Relations Team. Our contact details are given in the investor presentation, and are also mentioned on our websites.

I now handover to Piyush, for closing remarks.

Piyush Gupta: Thanks, Aaditya. Thank you everyone for joining our investor call. We definitely hope for a better set of results. As I said that the commodity prices are indeed coming down and the revenue demand pick up should hopefully see through the economy, with GDP predictions given by the RBI and the World Bank are north of 6%.

We look forward to seeing you in a quarter’s time. Thank you all, so very much and have a great day.

*Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.*