Earnings Webinar – Quarterly Results – Q3 FY'21

Transcript of earnings webinar on Q3 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 morning, everyone. I am Amit Madaan from Investor Relations team, HT Media Group. I would like to welcome you all to the Q3FY21 earnings webinar. Kindly note that all the participant line will be in the 'listen only' mode and there will be an opportunity for all to ask question once the presentation concludes. I now invite Anna Abraham, Head, Investor Relations to take forward the webinar. Thank you, and over to you, Anna.

Anna Abraham: Thank you, Amit. Hello and good morning everyone. I trust each of you would have had a great start to the new year, very happy new year to all of you. I welcome you to this earnings webinar of HT Media Group to discuss the financial results for the third quarter of fiscal year 2021. Joining me today on this call is our group CFO Mr. Piyush Gupta, Mr. Sandeep Gulati, CFO HMVL and Mr. Pervez Bajan, Group Controller and the members of the Investor Relations team. Our remarks today will track with the presentation on this zoom webinar. This presentation has also been made available on the stock exchanges and the Investor Relations section of our website.

Moving to slide 2 of the presentation, we don't provide specific revenue earnings guidance. In this context, I would like to draw your attention to the disclaimer regarding forward looking statements on your screens right now. Kindly keep this guidance in mind for any discussions that may happen during the course of this call.

Moving on to Slide 3. It gives chairperson's comments on the performance of the company which mentions a recovery in demand and advertising environment on a sequential basis which has resulted in an uptick in our advertising revenue. Going forward, as economic activity picks up momentum, we expect our businesses to do better.

Moving on to slide 4. This gives the agenda for today, which will be covered by Mr. Piyush Gupta. After his remarks conclude, we will open the floor 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, Anna. Good morning everyone and wishing everyone a very happy new year. We will be covering the third quarter of FY21. Moving onto Consolidated Financial summary, as you can see, we have tracked Q3 of FY21 and the same period last year. There is a 38% decline as far as the total revenue is concerned. As a corollary, therefore the QoQ recovery with 30% growth has already happened. The first and second quarters were much lower. EBITDA is at Rs. 59 crores, so I am happy to report we have come back to black, which is a decline of 47%. Margins are also returning back to the last year's level, currently tracking at 15%.

PAT is at Rs. 9 crores, which is a substantial decline from last year, but at least it has come back in black with over 2% PAT margin. Net Cash has improved, which has improved over last year, was at Rs. 1,043 crores. There is come commentary on the right side which I would quickly like to point to you. There is decline of 38% over last year; there is a 30% sequential growth vs. the quarter prior, which is something that I articulated. On the cost front, all our efforts that we have been at since the start of COVID, have led to a Rs. 185 crores of savings over the last year. On the profitability, there is a sharp turnaround in profit; thereby we've got a positive shift of Rs. 74 crores in EBITDA and Rs. 50 crores in PAT over the last quarter. EBITDA margins were at 15% and we continue to maintain a strong liquidity position.

Moving on to business unit performance, our print business also did exceptionally well in these circumstances. The revenues came in at Rs. 236 crores with total operating revenues, including circulation revenues at Rs. 289 crores and operating EBITDA at Rs. 18 crores with a 6% margin. Versus the prior quarter, there's a sharp increase in the print revenues by 46%, the prior quarter was Rs. 162 crores and operating EBITDA, which was a negative Rs. 4 crores is now positive Rs. 18 crores.

There's a sharp increase in Ad volumes at the industry level. The volumes have recovered, albeit while the pricing is still under pressure. There is a strong recovery in circulation copy and return of operating profits on account of growth in revenue supplemented by continuous cost initiatives. Some amount of operating leverage, which we saw in the first and second quarter, the business had lost, has started coming back to the business.

Moving on to a deep dive into the English business, in the third quarter, we came in at a revenue of Rs. 119 crores, which was a 47% decline versus a year ago. Versus the previous quarter, however, it is 56% growth. You can see the decline in English versus a year ago is more than the blended print decline, which means the vernacular or Hindi is doing much better than English. If you look at the circulation revenue, which is the chart at top right hand side, we had circulation revenue at Rs 4 crores, which is a sharp decline of 76%, because a lot of copies which moved away were line copies, there is a mix change also. However, versus the prior quarter, we can see there's a margin improvement.

We have gained market share, despite all the challenges in this environment given the English markets are under much more pain than the vernacular, the Hindi markets. The big cities of Delhi and Bombay, where we are present, we have managed to inch up our market shares, which is very healthy news I would like to share. We witnessed growth in almost categories over the previous quarter due to festive spend, led by Retail, FMCG, Real Estate, Luxury and E-Commerce. However, as I said earlier, yields continue to be under pressure and slowly and steadily, we are trying to inch up the yields, as are our competitors.

Moving on, quick deep dive into the Hindi business, as you can see, Hindi volumes are much better. There is a decline of 23% unlike 47% which we saw in English. On a QoQ basis, there is a sharp increase of 36%. In circulation revenue, there's a decline of 20% on a YoY basis and on QoQ basis, it is 3% better versus the prior quarter. Most of the Ad volume growth is led by festive spending and also election advertising which came in this quarter. Sequential ad revenue growth and higher volume share versus last year's and the categories such as Auto, FMCG, Retail and Health & Fitness have shown good traction. Yields again remain in pressure in the Hindi markets as well.

Moving on to radio, our operating revenue came in at Rs. 27 crores as against Rs. 50 crores same period last year, which is a decline of 45%. However, compared to previous quarter it's a very sharp improvement of 78%. We are hoping that QoQ strong performance or the growth pickup will keep on continuing. Operating EBITDA came in at negative Rs. 16 crores versus Rs. 6 crores same period last year. There's a decline in YoY Operating revenue and Operating EBITDA as the industry is struggling post COVID and yields are under tremendous pressure in the radio business also.

Sequentially, operating revenue, there is a 78% growth, which I have already highlighted, which is across all our stations. We've seen a sequential improvement in utilization as well. With that, I come to the end of the presentation. We now open it for Q&A. Thank you.

Moderator: We will now begin the Q&A session. Participants may use the 'raise hand' option if you wish to ask a question. Before asking please introduce yourself with your name along with the name of your organization. Please restrict yourself to two questions per participant so that we may be able to address question from all participants. We will wait for a few seconds while the question queue assembles. The first question is from Vinit Manek.

Vinit Manek: This is Vinit from Karma Capital Advisors. I had two question from my side. So, on the Hindi side as you indicated that we have performed really well this quarter compared to the previous quarters. So, can we consider this as a one-off quarter, where we had some festive and election spends coming in and will this taper off down in the coming quarters or we see an improvement and coming back to Rs. 140-150 crores of revenue run rate for the Hindi business in the coming quarters and how far are we from that?

Piyush Gupta: Vinit, the festive seasonality is clearly built into the quarter so that's of course going to taper off in the subsequent quarter. But the journey toward Rs. 150-160 crore is still slightly far off. We will see some sequential growth because volumes are coming back, but the big black swan at this time is the pricing. So, I think price is a slow build which will take some time. So, I think it will taper off a little, but I would still presume that the volumes will slowly keep on inching forward. I would also request my colleague Mr. Sandeep Gulati to share his thoughts because he tracks Hindi very closely.

Sandeep Gulati: Good morning. So, let me add to what Piyush just mentioned. So overall, we may see some tapering but good news is from a year-on-year perspective, we are continuously seeing an improvement. So even if we compare quarter three versus quarter three of last year, we have seen that improvement and that's why you saw the revenues inching up. Even in Q4, for the sequential growth, we are in January only, we are doing better than that. So marginal tapering, but overall we're going to do better from a year on your standpoint. So recovery will be even better than what it was in quarter three from a prior year perspective. Hope that answers.

Vinit Manek: Just to understand. So the small businesses and the regional businesses who usually feature themselves in these newspaper for their Ads, so are you guys confident in terms of the advertisement? Volume is also coming back and the only challenge for us is the pricing part to cut?

Sandeep Gulati: Yeah, exactly, you stated it rightly. So the volumes have actually shown already quite some healthy signs and it is just building up. Now, how we slowly build up the pricing back on, that's what is going to be a work ahead of us and good news is that we are all continuously moving in the right direction. So it's going to pan out well. That's the way I see it.

Vinit Manek: And second question is to Piyush, we have seen in the English side, some of our peers who have been completely or they are more getting into these digital platforms and they have a paid subscription, like ET or some other newspapers, which are just getting on paid/subscription model.

So how do we see Mint turning for us and how is that subscription model working and how big that can be for us in the next one or two years as we move forward?

Piyush Gupta: Look, Vinit, I will just break your question into two parts. One is, is the trend going towards subscription. I think at an industry level, the answer is overwhelming yes. Everyone will have their own nuance whereby they will make two articles of free read and then you pay for it. Some will have everything. So, there will be nuance to it. But the general trend that digital is the way to go and subscription revenues are something that on the digital platform readers are now getting used to paying. So all the publishers are going after that, including us. How that will evolve is anyone's guess. But I think the early signs that we have seen are very, very encouraging. So, we've seen, especially for a publication like Mint, whereby for the quality of journalism that we put out together. There are a lot of people who attribute a lot of value to it and they are willing to pay for it and also, given that we have strategic partnership with Wall Street Journal and we are adding new products to our portfolio as we go forward, as you know, we had announced the acquisition of VC Circle which has its own good content which kind of sits well with Mint readers. So, all these things will come as a bouquet for all the readers. So subscriptions will definitely be going there. But, how big will that become, only time will tell but with the market so profoundly changed towards digital with the advent of COVID, I think this trend will only gain strength from here on. I hope that answers it, Vinit.

Vinit Manek: Yeah. Yeah. Thank you. Just, just one more thing, can you give us on numbers front some perspective on where we are in terms of subscription for these models currently in terms of numbers…

Piyush Gupta: Vinit, I don't have the numbers handy. You know, why don't you just shoot out an email and Amit will send you some details, whatever we can. But I don't have it handy right now.

Vinit Manek: Okay, thank you.

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

Ayaz M: Yes. Hi, good morning gentlemen and ladies. My name is Ayaz Motiwala from Nivalis Partners. Just a quick question on radio. There is a sharp improvement in revenues, but the EBITDA has barely improved by a crore. Can you explain that please?

Piyush Gupta: Ayaz, thank you, good morning and a happy new year to you as well. Just a high-level point, Ayaz, I think you know what has happened in radio. If you just track the last three quarters. You know the revenues obviously post COVID-19 went down very sharply. But if you just break down the cost structure of radio you will realize that more than 50% of the cost is regulatory and government related costs, which is license, Prasar Bharti, so on and so forth, which obviously you know the entire industry body is representing to the government to see what relief the government can provide. At this point in time, there is no relief, but on the other costs which are basically within our control, the overheads and various other infra costs that we have, there's been a substantial work which has been done. Now the operating leverage has come down so sharply because the government cost is not going anywhere. As the revenues built up and you've seen a very substantial climb of revenues in this quarter versus the quarter prior, my personal thing is that we will be able to attain a break even in the next few quarters and if the government does decide to give something that will be cherry on it. I would request, my colleague Anna to share her thoughts with you.

Anna Abraham: Ayaz, I think Piyush broadly covered it. So, it's really the fact that beyond a point we don't have the flexibility of covering costs. There is also some amount of provision on receivables also that we have taken, but the larger point is the lack of ability to correct cost unlike in print.

Ayaz M: What is the write off on receivables you've taken?

Piyush Gupta: Well, I think we had put out a report in the public domain. It's not a write off that we had taken. That investigation report, Ayaz if you remember, we had already loaded onto the stock exchanges and it's on the internet. I don't exactly remember the number, but that was the last of it. We have just strengthened our policy and we are providing for debtors in a shorter period of time because that was one of the things in writing in governance standards that we had undertaken. So in this quarter, the provisional policy has been tightened and there'll be some incremental provision, is what Anna is referring to.

Ayaz M: Right. In terms of the Hindi. There's better progress, then the English the print side of the business. What would you attribute that to and how sustainable is this, you know, sort of recovery?

Anna Abraham: The non-metro presence, actually, Ayaz, because as you know the entire COVID-19 and the related issues have been far more accentuated in the metros and not so much in the non-metro area. And therefore, the impact on Hindi, to start off with, itself is much lower than what we saw in English and the recovery of those areas has been sooner than the metros as well. That's critically been the difference between the two.

Ayaz M: My last question is related to things which are not in the quarterly announcement and a part of the presentation, but definitely a part of the business of the company and happened during the quarter. Which is investment for, you know, Ad for equity investment that you've announced and that's there in the public domain. Piyush, it would be nice if you could throw some more light on that, and the other investments that we've talked in the past in terms of, you know, real estate assets or office buildings, etc. Just to sort of keep the continuity on understanding the mind-set of the management.

Piyush Gupta: I think it's a fair point, Ayaz. Let me just give you some colour on Ad for equity (AFE) portfolio Ayaz, as I've said in the past and repeat again. Ad for equity is a very important and a strategic pillar within the organization with really two objectives for this business that we run. One is to basically you know get investment, where we can turn in a decent IRR for all our shareholders. So from our perspective be it an investment in real estate or in equity, we are perpetually trying to see whether we can get into conversations whereby we can take an investment position which over mid to long term can give us more than decent amount of return to our shareholders in terms of IRR. The second objective here is to obviously extend the life of print medium and to bring more advertisers on to our various mediums, including print, digital and radio. Now, as you can see you know the COVID times, if I were to just use that as an example was a great time for us to go out in the market and have those conversations because a lot of businesses, and the two that we have announced recently just named OYO and Mobikwik, the assets suddenly, you know, were available at a pretty decent price. And these are all consumer facing businesses. So either for their corporate communication or for their brand positioning or for the new products and services that they're bringing to the market, a product like AFE fits very well with a strategic fitment of these businesses. That’s where we take an investment position. And those are the two that we had announced, which are out there in the public domain. And we are perpetually looking. As, you know, the investment will grow as the business grows, because we believe the world is not going to go zero with COVID-19 so with the revival these businesses will revive. There’s a strong push towards digitization so payment gateways definitely will happen. Once the travel will start, you know, hotels, hotel rooms and various other products and services will come back. Now your second part on the real estate assets that we have both office buildings and various other places, we at any given point in time within our team are looking at the most optimal economic rationale for driving value back to the P&L, whether it is for using for our captive consumption where we can give up our rented offices, whether it is for leasing and starting the leasing income on the P&L or for selling down asset If you get potential possibilities in the market, all those things are evaluated by the exit teams on real time basis. That's how we been able to drive a lot of value in this. Sometimes, of course, given the market varies as you can understand, because these are housed in the operating companies itself, it can give rise to mark-to-market issues which do come off and on, but then there are a lot of mitigants in the way these are structured, whereby a lot of benefit comes back to the shareholder. And this has worked very well because this is a minimalistic cash or a cashless way of taking investment position for long term sustainable value creation. I hope I answered that to you Ayaz.

Ayaz M: Thank you very much. I'll come back for more. Thank you.

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

Mehul Pathak: Good morning Anna, Piyush, Sandeep, thanks for this opportunity to ask you a question. If you go to point number four of the notes to the quarterly results that you have presented, there is a line, which states that pending requisite approvals’ impact of the proposals scheme has not been considered in the above results. This is regarding the scheme of amalgamation under section 230 - 232. So, what would be the likely impact of the amalgamation? Do you expect more write offs? If you can throw some light on that. I have one more question. So, you want to answer this one. Or shall I go ahead and ask the next one?

Piyush Gupta: Anna you want to answer this thing?

Anna Abraham: Yeah, you could ask us the second and then I'll take all the questions. Yeah.

Mehul Pathak: Second question is I'm not very clear between HT media and Digicontent. Who provides content, who pays whom, what is the nature of agreement. So, for example now digital you are showing 25 crores, Digicontent is showing Rs. 70 crores revenue. So, what is the revenue sharing agreement between the two companies. Who is responsible for building the digital brand of the company? Is it HT media or Digicontent, if you can just throw some light on the nature of agreements and the responsibilities and because HT media itself creates so much of analog content, if HT media prints it on digital than does Digicontent get revenue?

Anna Abraham: So, coming to the first question, all these legal entities are actually subsidiaries of HT Media Limited and six of those which are merging to one of those legal entities and of the seven, six is 100% and one is 99% and that's the shareholding. So to that extent from a consolidated point of view, all the performance across the years have all been reflected as and when they happen. So, from a consolidated picture, nothing's going to change. However, the fact is that these legal entities will get consolidated; these other companies will go away. For the resulting entity, there will be changes in the balance sheet position. The equity and net worth will reflect as a consolidation, all of that. So, there is an accounting procedure which needs to follow consequent to any such scheme but from a consolidated business point of view, these are all subsidiaries. And to your specific question, there will not be any further impairment on account of this activity at all because it doesn't change the status quo, it just an accounting process which has to be followed consequent to the scheme. The second question I'll touch upon it at a high level. And Mehul I think you've had this query, we can also fix up a separate discussion to kind of take you through the details. But the digital business that you're referring to as part of HT Media actually has nothing to do with the digital business that is part of Digicontent Limited. The digital business that we report in HT Media is Shine and then there is a business, which we internally call ‘digital entertainment’, which is largely related to customers contributing in the channels like YouTube, etc. and there is a sharing of revenue which we get from Google and Facebook. So that's the only two digital businesses which are largely there in HT Media. And that is the revenue that you see in the segment results and the growth that you see in the segment results. DCL has two parts of the business; its content business and the advertising business. The content business is all revenue that they earned from HT Media and Hindustan Media Ventures Limited for content provided to them. There is a, you know, content sharing arrangement which we have talked about in the past. So, both HT Media and HMVL pay for content that they get from the HT Digital Streams, which is 100% subsidiary of DCL. There is no reverse transaction, because digital content is generally generated digitally first and therefore it is done like that. And on the Ad platforms, the news platform of hindustantimes.com, livemint.com and livehindustan.com are operated by DCL and its companies and the Ad revenue that they monetize is all external and that is sitting only in DCL. So, that is the arrangement. So, on the revenue side, it's only content, which is completely from group companies, advertising is completely from external parties. There is no sharing of revenue. If there are any sharing of infrastructure, etc. there is standard related party arrangements to ensure that it is booked. So that is sum and substance of digital and we are happy to take a separate call with you to explain it in further details if you if you need any more clarity.

Piyush Gupta: Anna, thanks for the very detailed thing. Can I just add a couple of comments and I think Anna gave you a pretty detailed answer. But look this whole legal entity amalgamation that we are doing is for simplifying our legal entity structure. Most of these legal entities had basically got added on to over the last many, many years when we are doing various other businesses in education, some JVs that we are trying to do. Right now, that they have outlived their utility, we are basically just doing a simple amalgamation and it will not have a financial impact. These are all subsidiaries and we believe that the outcome of the NCLT order should be with us in the next couple of months’ time. As far as the Digicontent limited, I think, Anna has already said most of the part. So the entire digital play of this group is in DCL for driving the digital part of the businesses on news and various other things and contracts are worded like this thing. It's just the entertainment business and Shine, which are housed in HT media for historical reasons. So, I hope that clarifies.

Mehul Pathak: Thanks, Piyush and Anna. Just one small clarification on what Anna said. HT Media itself generates huge amount of analog content. Now, that analog content if it is printed through digital, through DCL, and DCL earns advertisement revenue on that content…

Anna Abraham: It is not printed through DCL. That content is for the papers. It is because the content which is generated for newspaper cannot be used as such in the digital platform because digital platform content by necessity, have to be search engine optimized, short form, different, you know, which is more amenable to search. So, the news maybe same, but then that is the standard. Like even HT Media or HMVL, all the news that they produce is not self-generated, right. We use Reuters and other new services also. So therefore, that is a normal via kind of arrangement that you have, if at all news is done, but this is separate from that.

Mehul Pathak: I'm talking about stable pieces, stable pieces generated by HT Media If DCL publishes, then what?

Piyush Gupta: I think the simple answer is most of the content is now generated within DCL and HT Media, HMVL etc. are taking that content from DCL. I think that's broadly the simple contractual arrangement that these legal entities have done, but that's how we function.

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

Depesh Kashyap: Yeah. Hi, good morning, this is Depesh from Equirus securities. So, the first question is on the radio business if you can please give an update on the new music royalty rates as per the latest IPAB order. If you can quantify the impact of the new rates on your costs, that will be very helpful.

Piyush Gupta: Well, Depesh. I don't have that readily available. You know, we will send that across to you. You know, we'll send an email to you, Depesh.

Depesh Kashyap: Just roughly like initially I think the cost used to be 2% to 3% of your revenue, right? Will it increase and by how much? Just a ballpark number will help.

Anna Abraham: Yeah, it's not expected to be a substantial number Depesh, but we will come back to you.

Depesh Kashyap: Okay, but this order is accepted. Right. The radio industry accepted the order?

Anna Abraham: Yeah, that is the understanding we have.

Depesh Kashyap: Okay. Second question is the newsprint costs have risen very sharply recently. Can you please quantify the increase and what is the outlook on the same?

Anna Abraham: So, we have currently not seen a major increase in our costs. So quarter three is almost at quarter two levels only. Having said that, in the market for the domestic inventory, etc. there is increase that is being talked about. So, we could see something in quarter four, but as of quarter three we have currently not seen such a major change.

Depesh Kashyap: The current price if you can provide 35-36 rupees per kg. Is that the correct price?

Anna Abraham: 34,300 is what we kind of had for quarter three.

Depesh Kashyap: Okay. And now the increase is around 20%. Is that understanding correct? The market rate.

Piyush Gupta: Well, you know, it's anyone's guess. But we also hearing same thing. The increase is going to be pretty substantial between 10 to 20%. Right now the big problem is also happening, that the domestic supplies are not available because of shortage of ONP.

Depesh Kashyap: Understood, Thank you.

Piyush Gupta: Okay.

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

Mohit Kumra: Oh yeah, Hi. I have two questions. One is going back to this whole digital venture investment thing which is happening in the company. This started off as a trickle. But a lot of money is being invested like this is turning into a SoftBank sort of situation. You have invested in Oyo, Reviewadda and Mobikwik. So, do you have a game plan as you have 1,000 crores in cash? I'm only speaking about HMVL right now. Is there some thought behind this, these are very risky assets, I hope everybody agrees. So do you have any thought process as to how much of this thousand crores of excess cash you want to invest in these sorts of private equity sort of ventures and what is your game plan on this?

Piyush Gupta: So, Mohit. Thanks. I think I'll just repeat myself, I think Mehul asked about this thing, but let me just repeat it. You know, all these AFE investments, unlike SoftBank who's investing cash, we are not investing cash. These are AFE platform based investment which is cash neutral. It is just giving us an investment position in lieu of advertising that we are giving to these consumer facing companies. So, this thousand crores of cash. Will it go down by the investment? The simple answer is no. So, you know, I hope you understand the structuring, how this works, Mohit.

Mohit Kumra: I think I don’t then, because I read on some public forum, for example, that you have invested Rs. 55 crores in Oyo, for example.

Piyush Gupta: So Mohit, let me tell you, first of all, these e-mails, I don't think you should pick up too many of social media.

Mohit Kumra: I am talking about these half respectable sort of news outlets on the Internet.

Piyush Gupta: All right. Okay fair enough. So, let me just delve into the structuring, what typically you can conceptualize that in your mind is, and I was just explaining that to Mehul also earlier, we use these investments to take an investment position of 54 crores in Oyo. Rs 50 crore worth of advertising is put in from our side in lieu of 50-54 crore worth of equity position that we take in Oyo. So from cash position, we are neutral and it really is not a drain on the company's cash pool. So, therefore, that SoftBank kind of position, and we understand the asset class is very risky, does not happen. But what the media picks it up and some of those media outlets reported report only one side of the transaction and hence, your question. But so that you are clear, I would like to say that 99% of the time, most of these are cash neutral transactions. I hope that clarifies.

Mohit Kumra: You essentially are buying free call options?

Piyush Gupta: Exactly. If you want to do the financial service system. You can call it a free call option. Absolutely.

Mohit Kumra: Okay, so I'll end my first question by saying that I'm shocked that your company's trading at one third of its cash value on the exchanges anyhow.

Piyush Gupta: I would like to echo that sentiment. Absolutely.

Mohit Kumra: Okay, since you are echoing that sentiment. Also, I think great investors like Munger and all also see that it's not the management's duty to see the day-to-day price of your stock. But you should do something about the overall long term price levels and you can do something about it. Anyhow, I'll go to my next question now. This is regarding the inter-corporate deposits on your balance sheets. This is going up at a very fast rate. It was 60 crores in March. It's 97 crores in September, who is this money going to?

Piyush Gupta: This is precisely the reason we are clearing up the legal entity structure that we have, because what has happened over the past is with the multitude of legal entities we have been forced to, you know, have financing through inter corporate deposits. Now once most of these get cleared out, all these inter-company financing will get cleaned out. We are just waiting for the court order.

Mohit Kumra: Okay, so this is okay, I get it. Thank you for your time.

Piyush Gupta: Thank you.

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

Yash R.: Thank you, Sankalp. Good morning, all. My question is, with regards to the staff cost, the employee costs if you're seeing an increase in HMVL and HT Media as well. Is it on account of an increase in headcount or have the salaries been restored to pre Covid somewhat in that direction, or is it because of the exit pay because of people or some employees are being let go of. This would be my first question.

Anna Abraham: Sequentially the cost increase you're seeing is because consequent to certain actions that we decided on employee pay, there was some reversal sitting in the earlier quarter.

Yash R.: I'm sorry I didn't get that part.

Piyush Gupta: So, let me clarify, Yash. Rs. 32 crore number that you are sequentially seeing from the quarter prior is artificially depressed number because there were certain write-backs sitting there. But if you see on a YoY basis, you will see that at a group level, the cost has gone down very substantially and the answer to your second question whether we have restored the salary back to the pre Covid level. Answer is currently no, but these are just the true-up of numbers which sequentially are giving you a picture. I would suggest to look at the employee cost. I think just have a look at the YoY number because that will give you a correct cost because costs have gone down very sharply.

Yash R.: Okay, and what do you see in the quarter going ahead?

Piyush Gupta: Cost will be flat to declining. We are not building up any cost. Of course, with the advent of the new fiscal year the salaries will be restored and various other people actions will be taken. You know, most of the clean-up on the cost side or, looking at the people template, most of that work has already been done, built into the recent numbers. You will see the fourth quarter number at the same level or there about. It's just that, you know, whatever the fixed-to-variable that we had converted depending on the performance, we will take final call only after the year-end, and if those payouts have to happen, those costs will be charged back to the P&L. But structurally, we're not taking the cost up of at all.

Yash R.: Could you help us with the headcount for HMVL and HT Media?

Piyush Gupta: Well, we don't give the heads count number.

Anna Abraham: We don't have the data right now. But in the annual report, we would have given some data. If you want more recent information, will have to come back.

Piyush Gupta: We don't give it in the UFR but I can only tell you know post the employee rationalization exercise, you know, 5% to 10% if not more, and I don't have exact numbers, of people who were separated. So those head counts have already come down quite sharply.

Yash R.: Compared to what was given in the Annual report given in March?

Moderator: Thank you. The next question is from Deepan Narayan. Deepan you can unmute yourself and ask your question.

Deepan Narayan: Hello. Good morning, everyone. Thanks a lot for the opportunity and just wanted to understand how FY'22, how are we looking at? So, are we expecting revenues returning back to FY'20 levels and also how has been the recovery rate for advertisements from particular segments such as Government, real estate, education and local retail markets?

Piyush Gupta: Well, the simple answer Deepan is, some of the sectors, you'll have to go in detail. I mean, the local markets have been more resilient than the national market. So the big corporate advertisers have still to come. I think that's slow. Government has been off and on, you know, if it's an election year, you know, we've seen some advertising coming from party and government and some social Covid related Ads which came, but the government has been slow, they gave us a price increase of 25% two years ago, but they have shunted down the volume more than 50%. But the local is more buoyant. Will FY'22 be as good as FY'20, only time will tell. The volume recovery clearly is on that track. But our single biggest problem is on the pricing and the yields. I think that is taking some time. I am reasonably hopeful and cautiously optimistic that in FY'22 we will be able to get reasonably decent pricing, or will that be equal to FY'20 or in that ballpark, really can't comment on it. Yeah I hope that answers

Deepan Narayan: Okay, thank you. And also, how we are we seeing the structural ad cycle going down for print media**,** continuously losing market share to other mediums? As GDP increased back to normal level and one or two years down the line, are we expecting some growth to come back in the print medium overall sector?

Piyush Gupta: Yeah. So, look, I think GDP, if you've seen the latest number, I mean at 7.9% decline versus the 24% earlier has shown a strong rebound. But there is always a big part, you know, there are multiple moving parts, as far as the macroeconomics is concerned, but as far as the consumer sentiment or companies which have a consumer interplay are concerned, I am a very big optimist that you know there is a lot of demand. We've seen on the essential side in Covid times, companies into essential foods and those companies really got the benefit of it. And I'm talking about P&L, not valuations, all start-up and all those things. But I believe that if Indian economy is headed towards where it is headed, there can't be a situation whereby the media expenditure will be point 0.1% of the GDP, it's never the case. You know, India's total media expense as percentage to GDP has been quite stagnant for quite some time. Though you know pre-2018 if you look at it, it was constantly inching up, I believe that inching up will start this is a reset which has happened with Covid. But if you are talking about the midterm of two to three years and I'm absolutely hopeful it will go up. Now, whether it will manifest in FY'22 or FY'23 is anyone's guess.

Deepan Narayan: Okay. And lastly, as we are discussing that newsprint prices currently have gone up. So, do we have any scope for reducing newsprint consumption through pagination or reducing import mix, otherwise our gross margin will tend to get impacted over medium term.

Piyush Gupta: Deepan. I think we are doing all of this, but I will request my colleague Sandeep to share his thoughts, because there's a lot of work which is going on in this area already. Sandeep, can you give some more details and would you like to bear on this one, please.

Sandeep Gulati: Sure. So, if you look at the gross margins and if the kind of recovery which we have done this quarter and on Hindi side, it is even better than prior years actually, not only prior quarter and that's the way it has been. And the costs have been kept under quite tight control. We will continue to see how the situation is overall evolving and then accordingly keep making those choices. But we don't see structurally gross margin dropping sharply going forward. So, I think we are in a good zone.

And again, it is going to how the situation evolves. That's how we will keep taking the calls. From an operation standpoint, we have very tight controls to run the operations properly.

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

Dharmesh Sangoi: Hi Piyush, good morning to you. My one question is, you know, you've done fantastic on the cost front and the results have shown that. On the other expense, last time you mentioned that 50% of the other expense is sustainable going forward, and we've seen it. Now this quarter also, the base in the standalone results is around 104 crores of other expense. Can I assume this will be the base going forward?

Piyush Gupta: I think Anna has answered this thing. But broadly in other expenses, this Rs. 104 crores you are saying is broadly sustainable for various simple reasons. Various cost saving initiatives which were kick-started on the infra side postcovid etc will all be sustained going forward. The renegotiations on various contracts that we had done, all those things are absolutely sustainable, and I believe you know it would be in the ballpark.

Anna Abraham: It is sustainable for this level of operations. Of course, if the recovery comes in sooner and then if we will need to spend, we will spend. But for this level of recovery that we have seen, it is sustainable.

Dharmesh Sangoi: So, you know, from Q2-Q3. There was a sharp recovery that has happened, but on the other expense, we have not seen any growth that's where this question came.

Piyush Gupta: Yeah, so, you know, so things like you know infrastructure spending, traveling, printing and service charges or other services that we have been using in the company. Those things will only go up in a step-by-step fashion if the activity level in a step fashion. Right now, though the volume recovery has happened, but you know these levels of expenses are good enough to sustain that level of activity, but if you see another one or two quarters of 20, 30 or 40% volume increasing, therefore, the printing increasing or if you see the advertising revenue increasing, more conversations happening, people start undertaking travel and with this vaccination program, then there might be some marginal increases. But even in that case, I don't see it, you know, going back to two years ago level in a hurry because you know we are far away from that.

Dharmesh Sangoi: Yeah. And second question, thank you for the first answer. Second one is other operating income has come down sharply. I think last year, you had booked some forfeiture income.

Anna Abraham: That's right.

Dharmesh Sangoi: How much was that if you can quantify?

Anna Abraham: It is a substantial portion of the amount that we reported last year.

Piyush Gupta: It was a pretty substantial portion of that, I would say.

Dharmesh Sangoi: It was in Q3 and Q4, right?

Anna Abraham: Yeah.

Dharmesh Sangoi: Okay, thank you.

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

Sidhant Mattha: Hi, good afternoon, everybody. Just wanted to know about the print circulation revenues. So, for the Hindi one, we can see that it is only 3% QoQ and there is a footnote also which says that it excludes the impact of copy booking cost. So, can you give us a like to like number and what is the reason for just 3% QoQ growth? So, can we settle on that number for 4Q also?

Anna Abraham: It is a like to like number. For Hindi, both RPC and the copies more or less remained flat. So that's why you're seeing that.

Sandeep Gulati: Yeah, okay let me add a little more so. So, first thing you need to remember that the decline was not that sharp for Hindi. So that's why it was right and I think Anna mentioned earlier in her comments already. That's why the recovery is also the quarter on quarter, you're seeing little lesser than what you would see in English. And are we going to not see further increase, it will continuously grow and that the focus has been there. And so, we will see further increase, but is it going to be a very sharp increase, that's not what is going to happen. So, it just a gradual continuous increases that we will see.

Sidhant Mattha: Have we been losing market share in Bihar & Jharkhand?

Sandeep Gulati: No not at all. Actually, it is the other way around. So, when you say market share, you can think about both in terms of advertising volumes or copy shares. We have been tracking that very closely and it's only that we have picked up on both the fronts and pretty handsomely. And so that's what could be visible from the last few quarters' results. You can also see from all the players in the industry.

Sidhant Mattha: Basically the IRS data, which was available last year till the 4th Quarter. They showed that as per AIR, your market share was falling and your peers were gaining. So, just wanted to know.

Sandeep Gulati: See, first of all, that is now dated data point. For the newer survey, the field work is going to start only few months down the line and then we will see the updated results, I think, only couple of quarters from now. That's number one. The other piece, I would also add to it, since you asked me about the recent months' performance we have been tracking, what you're referring to is IRS and what I was referring to was from a copy share as well as the advertising revenues, and that was very visible from the recent results which had been published by all the players. The other comment from IRS standpoint, I would just say, especially now since you're talking about Hindi, see every player got impacted in the same direction. The only thing you saw was that for Hindi, we got a little more impacted in that quarter results because A – we are very large. So, what you need to remember is in those markets, we are a dominant player. Even in Bihar, we are bigger than anybody else. And they don't even come close so the marginal gap which you have seen versus others is because they were investing. Good news is that now in last few quarters, their declines are much sharper as far as copies are concerned, and that's visible from the results as well, versus ours. So, we have been just picking up shares in last few quarters consistently.

Sidhant Mattha: Okay. And the last, final question. Do you expect the circulation revenues to become stable to FY'20 levels in FY'22? Are you planning for the cover price increase?

Sandeep Gulati: So remember what I mentioned earlier that it is consistently growing and that you will continue to see that trend. So, as we continue to build our copy, so, from a realization per copy or the pricing, which you are asking it has not dropped. That's the best part of it. It has not dropped for Hindi at all and that's what happened. As we are continuously building back our copies, you will see that increase. Will that come back to same level as FY'20 immediately, I think, as I said earlier, the sharp was not that great for Hindi. It's just consistently recovering. We are pushing that we will go back to those levels as fast as we can. And the last piece of answer to your question is about pricing, those are always under evaluation. Can't comment at this point of time but that's a consistent or continuous evaluation process which remains on, and those opportunities are being evaluated continuously.

Sidhant Mattha: For the English side. What is this strategy for Hindustan Times?

Sandeep Gulati: See on Hindustan Times also, the biggest focus right now is, so you saw that overall decline from a revenue standpoint. For Circulation that's largely driven by the metro impact and then, the number of copies. Focus right now is to build back our circulation and that that is very, very strong push going on. Month on month we're inching it up, not only growing our number of copies, but also pushing our shares and that endeavour will remain, and that's the growth engine for our business, and that's how it works. So, you will see that also moving up in coming quarters. And that's where the harder work is required to continuously build that. Hindi, as I said, drop was lesser, continuously improving. In English, decline was sharper, and build back will also be a little sharper.

Sidhant Mattha: Thank you so much.

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

Rahul Nagnoor: Yeah. Hi, good afternoon everyone, taking further to Sidhant question. Would you like to throw a recovery of circulation numbers for Q3 and January?

Piyush Gupta: Sandeep, would you like to take this?

Sandeep Gulati: See, that's what I was mentioning earlier that we are seeing month on month consistent improvement. So, every month, we see that in Hindi first, as I said, that the decline was much lesser as compared to overall English and that we have seen an improvement in that. And that's consistently improving. So that's number one. English, as I said, decline was sharper and that's what we are pushing there as well. Good news is that month on month that is also increasing. And again, if we dwell a little more into English market, its presence is more in metro markets and they saw the decline sharper. Good news, whether it is in Mumbai or Delhi, the recovery is also sharper. So as we come back in the next quarter, you will see that change also.

Rahul Nagnoor: So it is definitely in January month numbers are better than Q3 or December month?

Sandeep Gulati: Yes. I can confirm that to you for sure.

Moderator: Thank you. Next, we have a follow up from Ayaz, you can unmute yourself and ask your question.

Ayaz M: My question relates to HMVL employee costs. So, you had called out some costs, maybe I thought on a consolidated basis and I was not able to understand that. But my question is as follows. Because Piyush mentioned YoY costs are down, as I note the employee costs in HMVL are Rs. 36 crore versus Rs. 30.5 crores in the comparable quarter December'20 over 19.

Piyush Gupta: Right, I was commenting on the entire system costs and not on HMVL Vs HTML. As I think Sandeep was just articulating on the print copy question from Rahul just prior to you. I think most of our people investment, paper investment and market focus investments are going in HMVL, but because the structure of English has changed much more substantially, we have optimized more people from English. Hindi, I don't think we will be optimizing something soon because Hindi, if you look at the financial position also, Hindi is the one which has a much longer runway, which is still much more profitable whereby we need more investment because you know things like cover price action, things like different kind of local advertisers coming onto the newspapers, etc., are still trends that we're seeing in Hindi. So, I don't think people cost optimization you will see in a hurry. It is flat in Hindi. But the major optimization from 15 to 20% which is coming at a group level are coming from other businesses, primarily English print, not Hindi print.

Ayaz M: And Piyush, if I were to just add a quarter more, well three quarter numbers are out. You probably will have a 20% growth in a Covid year in employee costs, that is in a Covid year when the commentary across all players, across all industries, this is a standout number. And that's why my question. So, I wouldn't say it is glaring but it's a standout number. So, if you can call out what are these investments on people front otherwise that you are making?

Anna Abraham: A lot of the investment on the people side in Hindi actually happened in quarter three and quarter four of last year if you go back and see the data points. And because, of course, nobody was expecting COVID or related problem thereafter, and some of what you're seeing is just the annualization of that itself vis-à-vis the base.

Ayaz M: I didn't understand anything from what you just said.

Piyush Gupta: So, hold on, let me try to answer that, your question is specific HMVL or you are talking at a group level, first of all? I'm slightly confused.

Ayaz M: My question is specific to HMVL.

Piyush Gupta: I think if you just go back to the call transcripts, last year for first, second and third quarter, you would already see that there are a lot of products in various sub markets that we've announced, there's a lot of competitive pressure in Bihar specifically that we were facing. We had added some people there, right. Then came COVID and to Anna’s point, when those things were happening in the third and the fourth quarter of last fiscal, that was a time we were adding people. The cost that you're seeing is nothing but the annualization impact because those people who came in September of last year, right now, you're seeing those guys coming into the cost because those are guys who are drawing salaries. So, when COVID happened, first, the rationalization of people we have done, second is the rationalization of salaries. Most of those things on the print side if I have to articulate have happened more on English, and much much sharper. I'm not saying it has not happened in Hindi, but it has happened in bits and pockets and not substantial. However because we had added costs in the third quarter and the fourth quarter last year those impact when you are seeing a cost, which is added in the fourth quarter. Now you're not seeing that in the base and suddenly when you see it now looks like, why is the costs going up, when I'm already telling you there's been a salary cut which has happened, there have been people let go, more in English than in Hindi. It's not a standout number we are looking at a system level. But if Hindi has got a longer runway, we are not cutting back on people investment there because that's where all the money is going to come from in future more than English because the markets of Delhi and Bombay are still going through a lot of fiscal pain.

Ayaz M: Fair point. So that 20% increase comes on the back of a 30-40% decline in revenues for the current year and that's why it looks even more sort of glaring in the cost adjustment to the revenue base. That's why I called out that question.

Piyush Gupta: It absolutely looks glaring because COVID came and about 30-40% revenues collapsed. But I just told you all the details and I'm also giving you a forward-looking point of view, saying that our people investment, I don't think we will be cutting very sharply in Hindi. But our people investment in English, have been substantially rationalized both in terms of people and salaries. And I think for the foreseeable future, if the revenue trends between these two subcategories remain the way it is, I think this trend is going to continue unless we see a major revival coming in English sometime soon.

Ayaz M: Sure. I won’t sort of continue the argument, just to make a point. But even the previous sequential quarter where you are at cost of Rs. 32 crores, you employee cost has now moved to Rs. 36 crores.

Anna Abraham: That I already addressed Ayaz by saying there's a base issue since there is a reversal sitting in quarter two. That was addresses in an earlier conversation.

Ayaz M: So, quarter two of 2020?

Anna Abraham: This year.

Ayaz M: So that was artificially depressed?

Anna Abraham: Yes.

Ayaz M: So, sorry, there were so many costs going around and it is my mistake as well as some people's interests were on the group level since you're doing a combined call it gets a little confusing. So, thank you for that. I have one more question. Yeah, so just the costs on the employee front and the Digicontent and the stake that HMVL and HT Media had, sort of like equal of 49-51 and then that was sold by HMVL. The earlier question has been asked in terms of digital revenue, etc. My question is more on, where the journalists are sitting and what is that revenue share agreement that was linked to with Digicontent or that content creating company, that was the whole idea? So are these employee cost and the Digicontent all these are sort of interlinked, or is a shot fall in my understanding?

Piyush Gupta: Most of the journalists are sitting in the Digicontent limited because that is the content creation company which is then selling out content on a cost-plus basis to various consumers of content, which is HT Media for English content and HMVL for Hindi. It's a cost-plus arrangement that that company has.

Moderator: We have the last question from Aman Vij. Aman you can unmute yourself and ask your question.

Aman Vij: My question is on the digital front. So, we have business of around Rs. 400 crores, if I'm correct Rs. 100 crores in HT Media and Rs. 300 crores in Digicontent. So, so what percentage of this business comes from Ad and what is your vision for this business, say, three to five years forward. If we look at the top most newspaper company who has done very well in the digital, New York Times, so their subscriber base has gone 10x in the last 10 years. So, any thoughts on the same?

Piyush Gupta: Yeah, well I think New York Times is a global example, everyone cites that example. But we have to understand there's a slight difference in the American markets vis-à-vis Indian market on various fronts – the consumer, the reader habits, the paying capacity of the market, etc. Most of the revenues at this point in time are Ad revenue, subscription revenues, as one of the gentlemen asked earlier, are still very slow but growing because that is one of the streams of revenue, everyone is going towards. New York Times, of course, is in America, which have done it very successfully. So, the Indian publishers are on that journey. Our vision for mid to long term is fantastic on this business because the consumers have shifted so drastically, especially in COVID, that these products, so right now, what are the big things, one is digital and when you talk about a news product, the second theme is fake news versus reliable and credible news. I think a publishing house like HT has the second one which is very clearly established for the last 100 years. It's a first one that we are on a journey. Luckily, we started this journey much before COVID and therefore we built some revenues. But if you extrapolate the situation three or five years out, I think the revenue and the profitability both should be much higher than what it is today.

Aman Vij: And on the first part of the question. Could you give us a rough split of content proportion and advertising? I understand subscription will be very less.

Anna Abraham: We won't be able to get into that, but you also referred to HT Media. HT Media has revenue given that it's from Shine and digital entertainment. It is a different set of revenue and it is not Ad revenue per se. It is database revenue and learning revenue and entertainment revenue. But you know there is, as you said, even for the DCL, substantial revenue is from advertising. Exact split, etc. we wouldn't want to share.

Aman Vij: Sure. And the VC Circle also fits in our subsidiary of Digicontent only, right?

Anna Abraham: No, it is a 100% subsidiary of HT Media Limited post the acquisition, because the synergies were seen to be more with the Mint print business.

Aman Vij: Okay, but Mint online Business fits in Digicontent?

Anna Abraham: Only the news website. Yes, it is in Digicontent.

Piyush Gupta: VC Circle is into various things. Content of course is one of the things. There are a lot of on ground things they used to do, which is now digital events, etc. especially in the PE, VC space. So, after a lot of evaluation, with Mint on the business segment, it made a lot of sense. So, currently it has not been merged. Currently it is housed as a subsidiary under HTML.

Aman Vij: Sure, thank you for the clarification.

Moderator: Thank you, since there are no further questions in the queue, we come to the end of this 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 Piyush for closing remarks.

Piyush Gupta: Well, thank you Sankalp and thank you everyone for joining our call today. It's been a reasonably climb back quarter, the way we look at it and we hope that the journey will continue to the quarters ahead. All our initiatives around costs which we took in the first half of this year, and the third quarter as you've seen, of course festive has buoyed it, and we have managed to get our volumes up. Pricing is the big challenge that we foresee at this point in time. Also, though Digicontent is not a topic of this conversation on this call, but because a lot of people are talking about Digicontent, I’m very happy to report that digital is a journey that we are strongly and steadfastly on to. We wish to bring a better set of numbers when we come and meet with you guys at the end of the fiscal. I wish you all the very best. Stay safe, stay healthy and thank you so much for joining our call today.