Conference Call – Quarterly Results – Q1 FY'20

Transcript of webcast and conference call on Q1 FY'20 results of

HT Media Limited
&
Hindustan Media Ventures Limited

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Note: Please note that the transcript has been edited for the purpose of clarity

Moderator: Ladies and gentlemen, good day and welcome to the HT Media and Hindustan Media Ventures Limited Q1 FY2020 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Anna Abraham – Head of Investor Relations. Thank you. And over to you, ma'am.

Anna Abraham: Thank you, Rayo. Hello everyone and thank you for joining earnings webcast and conference call for the first quarter of financial year 2019-2020. Joining me today, is Mr. Piyush Gupta – our Group CFO; Mr. Rajeev Beotra – CEO of Hindustan Media Ventures Limited; Mr. Sandeep Gulati – CFO of Hindustan Media Ventures Limited; Mr. Pervez Bajan – Group Controller and my colleagues from the Investor Relations team.

You would have gone through the financial results of Hindustan Media Ventures Limited and HT Media Limited. During the course of the call, we will take you through the highlights of the results and answer all the queries you would have on the same. Our remarks today will track with the presentation on webcast, which is also available on the Investor Relations section of our website.

Moving on to slide 2, I would like to draw your attention to the disclaimer regarding forward-looking statements. I am now moving on to slide 3, which gives a table of content and the matters that we are hoping to cover during the course of this call. After our remarks, the call will open for questions.

Moving on to slide 4, this gives our Chairperson's message on the results for the year, and I would like to spend a minute to read it out. The results of the Indian Readership Survey, Quarter 1 2019 have reinforced the leading position of Hindustan Times, Hindustan and Mint in their respective markets. Advertising revenue for the print business continues to be under stress with a higher impact on our English papers. However, the company saw a positive impact due to the softening of newsprint prices, which led to growth in operating profits and improvement in profitability.

The radio business continued to do well with good growth in the top line. It should report stronger numbers, once synergies with the newly acquired business kicks in. The outlook for advertising revenue for the next few quarters is dependent on the resurgence in the economy and growth in corporate earnings. With the likelihood of revenue pressure continuing in the short term, our focus remains on costs, operating efficiencies and new initiatives to manage the challenging environment.

I am now moving to slide 5, and I would like to hand over the call to Mr. Piyush Gupta.

Piyush Gupta: Thank you, Anna, and good afternoon, everyone. So, just going through the highlights of the performance, I am on slide 6. As you have already picked up our consolidated total revenue for the first quarter came in at Rs. 588 crores, which is a 3% growth versus last year. EBITDA for the same period is at 89 crores, which is 42% higher, with a margin improvement of about 4 percentage points. PAT for the first quarter has come at 28 crores versus 5 crores in the same period last year.

IRS information, which my colleague has already touched upon, but let me just put across a few bullet points. As you can see on the webcast, Hindustan Times continues to be the No. 1 newspaper for the 16th time in a row in Delhi and NCR. And it is also No. 1 newspaper in Delhi-NCR plus Mumbai, Punjab (including Chandigarh). If you look at it from that perspective. As far as Hindustan is concerned, it's the second-largest newspaper in India with a total readership of 5.47 crores. And it is the No. 1 newspaper in Bihar and Uttarakhand, and No. 2 in Uttar Pradesh and Jharkhand. Mint continues to be the second-largest business daily in India.

On the other developments, since announcing the merger with Next Mediaworks, we have now integrated the operations with our radio business. And newsprint prices, which again my colleague covered, have softened. It's definitely impacting our operating performance, but however, you will see the full force of these benefits coming from the next quarter. Of course, the newly announced customs duty is a dampener on the other side, but for this quarter result, the duty doesn't have any role to play.

Moving forward, slide no 7 is a synopsis of our consolidated financial summary. Our total revenue is at 588 crores, which is a growth of 3%. EBITDA at 89 crores, which is a growth of 42%. EBITDA margin is at 15% and PAT has come in at 28 crores, which is 511% higher, at a PAT margin of 5%. The PAT number is before the exceptional item, which, you know, I will spend a minute in the Q&A.

Going to the business unit performance on print, which is slide no 10. Insofar as print is concerned, our ad revenues have been soft and the decline has been 9%, with total revenues for the first quarter coming at 362 crores as against. 399 crores in the same period last year. Circulation revenue has come down to 64 crores, which is degrowth of 7%. However, the heartening thing is that the realization per copy still continues to be strong. But because of taking out unproductive copies etc., print order has come down to that extent. Operating revenue, therefore, comes in at 454 crores, which is a decline of 6%, with operating EBITDA at 55 crores, which is a decline of 15%. And the operating EBITDA margin at 12%.

So, some of the key highlights, which are mentioned at the bottom of the slides. We maintain our market share in key markets for both Hindi and English newspaper. Sequential circulation revenue growth after two quarters of softness, despite competition intensity. And we have maintained operating margins amidst a soft advertising environment due to decline in newsprint rates. What has not worked is the ad revenue degrowth, which is driven by sluggish market volumes. Even when the yields have improved, we have seen losses on the ad revenue side.

Moving onto the next slide, I now move into English segment. So, on slide no 12, as you can see, our ad revenues are at decline of 14%. Insofar as English is concerned, the circulation revenues are down 8% to 15 crores and ad revenues to 198 crores. Ad revenues, as we have all seen, continue to be very soft, apart from very few categories, most categories have been under pressure, so much so that the government including political advertising in spite of the national elections, have been also under pressure. And key categories which are mentioned here, auto, e-commerce, retail and education, and a slowdown in government after the model code of conduct.

Moving on to the Hindi segment. So, our Hindi ad revenue has come in at Rs 164 crores as against Rs 168 crores. There is a marginal decline of 3% here. Circulation revenue Rs from 53crores has come down to Rs 50 crores, which is a 7% decline. So, as I was saying earlier, strong revenue from election campaigns, partially offset by the decline in government advertisement due to the code of conduct; continued focus on yield improvement despite slowdown in ad volumes; and circulation revenue has grown on a sequential basis, though it declined versus last year.

Moving on to radio. We have also articulated in our Chairperson's address that radio showed healthy growth. So, we can see that the growth is 37%, but that's after integrating the Next Mediaworks into this thing. Even for the base station without Next Mediaworks, the growth has been 9% and EBITDA margin at 34%. Revenue is primarily driven by yield growth on account of rate hike across the stations. And ad revenue growth in key categories such as FMCG and real estate. With this, our operating margins have been at 25% with operating EBITDA at 16 crores.

With this, I come to the end of the webcast. And we would now take any questions that you might have. Thank you.

Moderator: Sure. Thank you very much. We will now begin with questions and answer session. The first question is from the line of Gourav Gupta from Deerav Group. Please go ahead.

Gourav Gupta: Thank you for the opportunity. I have two questions. One is with respect to the exceptional items that we have mentioned, on a standalone basis near about 147 crores rupees and 176 crores rupees on a consolidated basis. If you can just give some brief that how exactly the difference between standalone and consolidated? And to what exactly this pertains to? This is the first question.

Piyush Gupta: Okay. I will request my colleague, Anna, to take this question. Although, let me just tee this off and Anna can fill you on the details. As of 15th April, we have consolidated Next Mediaworks which we had acquired. This is the goodwill that we had created at a consolidated level, which you see in the consolidated results, which is a goodwill impairment of 176 crores. On a standalone, it's a lesser number because that's the mark-to-market loss on the share price. And I would request Anna to fill you on the details.

Anna Abraham: So, consequent to the acquisition we did, in the standalone it's recorded as investment in that company, and that's to the extent of 75%. We are, of course, consolidating line by line. So, in standalone it's an impairment of investments, in the consolidated it's an impairment of goodwill. And differential is really the fact that standalone is recording at about 75% of the value, while the consol will be doing line-by-line consolidation, so 100% of the value. So, we had acquired the station at NMW at about Rs. 27 per share which was the open offer price. And currently, the market price of that company is at about Rs. 13, which required us to take such impairment in the books on accounting for the same.

Gourav Gupta: Okay. And the second question is that on our books in HT Media as well as in HMVL, we have a significant portion to that of near about 1,000 crore rupees or even more than that, in terms of investment in the funds, right, specifically liquid funds and debt funds, fixed maturity plans. And nowadays in the market there are a lot of news that those funds have been invested in the NBFCs, commercial paper, and all those things. So, is there any impact in the funds in which we have invested? And if yes, then what is the tune of hit that we have taken, or we are expecting to take. If you can give some idea on that?

Anna Abraham: Yes. We haven't had any exposure to this because while we are investing in the debt mutual funds, we do not take the credit funds at all. And therefore, we have a very conservative approach in our debt fund. So, we haven't taken any credit exposure hits.

Gourav Gupta: So, none of the funds that we had invested in both of the entities, have any problem in the redemption and in terms of value that we have invested in?

Piyush Gupta: Yes. So, let me just come in here, just to accentuate what my colleague just highlighted. Our investment stance is conservative to slightly more conservative. So, hence for the longest time now we have stayed away on our investments on taking aggressive credit calls. Therefore, you know, on downstream investments through the funds that we have invested, there has not been any redemption pressure. Even if I have to quantify and look for those names on NBFCs where these funds might have invested, on my entire portfolio it will be less than 0.001%, and we have not faced any problem. And we have churned a bit of portfolio because they had become long-term in nature, so we had taken the advantage of long-term capital gain. We have not seen any of the credit issues coming into our investments at all.

Gourav Gupta: We have significant portion in our balance sheet in terms of investment property as well, which constitutes a major portion in terms of real-estate investment that we have in couple of projects. And we have seen a significant written-off value in the last financial year as well. So, if you can just give some idea, is there any investment written-off in this quarter as well because a couple of real-estate companies have gone into IBC and the values have been eroded over there.

Piyush Gupta: Yes. Gaurav, I am presuming now you are talking about the HT Media books and not HMVL, correct?

Gourav Gupta: Absolutely.

Piyush Gupta: Okay. So, this quarter, the answer is absolutely not, there's not been any provision which has been provided in the books. Also, just to give you a little color, in the past that we have taken two big provisions, one was on this builder called Amrapali; and the second one was Lavasa, which is off Mumbai-Pune Expressway. We had taken those provisions because both those cases had been referred to the NCLT under the IBC process. And if you have been tracking the news flow today, Supreme Court has given a verdict on Amrapali where they have strengthened the case of the homeowners, which is the category in which we qualify. Our claims have already been registered by the IRPs like 3-4 months ago. So, as soon as the resolution for both Amrapali and Lavasa happens, we will get our rightful claim back. Just to refresh you, these properties had been acquired on our AFE platform, which is the investments that we do for advertisement. And since these companies have gone into IBC, which is about a year or 1.5 years back, we have not been obviously giving advertisings, but our claims have been recorded by the IRP. And as soon as the resolution happens, which now the courts are involved into, we are very hopeful that we'll get all our monies back.

Moderator: Thank you. We will move to the next question. The next question is from the line of Neeta Khilanani from B&K Securities. Please go ahead.

Neeta Khilanani: Hi, thank you. I just wanted to understand the 22% decline in raw material costs in HMVL. Can we sort of break that down into the decline in newsprint price and tonnage?

Piyush Gupta: Hi. I can break it down. So primarily, we just maintained, when I was just giving my opening remarks, that in terms of the print order, in HMVL, we are down by about 10% r, and that's a consumption decline which is reading itself into the newsprint cost. However, the rate decline, which will really impact from the second quarter onwards, and I am just keeping customs duty on the side, which is a new announcement in the budget, we will get the full impact of the soft price only from the second quarter. So, the primary softness that you see in the newsprint line is because of lower consumption, which is because of lower print order when we are cutting out waste, etc. in the system.

Neeta Khilanani: Okay. And sir the customs duty, so how have domestic prices moved after the imposition of the customs duty? So have they sort of also increased?

Anna Abraham: So, we are not seeing any increase and we are not expecting any impact on the Quarter 2 results as well.

Neeta Khilanani: Okay. And what would be our mix of imported and domestic newsprint this quarter?

Anna Abraham: This quarter, at a consolidated level, it'll be about 74:26.

Neeta Khilanani: Okay. Great. That's all from my side.

Moderator: Thank you. Next, we have a follow-up question from the line of Gourav Gupta from Nirav Group. Please go ahead.

Gourav Gupta: In HT Media, we have reported that there is a circulation revenue of near about 15 crore rupees for the entire quarter. So, can you give an idea that what is the per-copy circulation revenue on an average we are able to get in HT Media?

Anna Abraham: We don't disclose that detail, sorry. But the decline is the combination of volume and pricing, as we spoke. But the pricing decline is more of the shift of line copies to subscription, the mix change.

Gourav Gupta: Okay. Next question is, we were talking about that ad-for-equity kind of a model that we run. So, can we get some idea on the companies in which we have done this kind of a deal, so as to get an idea that where exactly we have significant investments in ad-for-equity kind of a structure?

Piyush Gupta: Look, we don't disclose the line item detail, but as you know that there are two asset classes, real-estate, and equity. And in real-estate, two vulnerable cases are in IBC, which are Amrapali and Lavasa. Now of course, if some more companies go into IBC, we can't really predict that. And equity again is very vast, whereby we have got matured companies and some early start-ups, that we make this model available too So, we don't give a line item-wise detail, the answer to your question is that.

Gourav Gupta: Sure. But on your website in last couple of quarters, you were publishing one file where you were disclosing the couple of companies in which you have invested. Uber was one of that, and even you highlighted in the last con-call that you have invested in Uber by your Singapore entity. I think that kind of a file has been removed from your website, any reason for that? Any regulatory or any other competitive kind of pressure because of which you are not disclosing those kinds of deals?

Anna Abraham: No. So, two different questions. The context of disclosing Uber was in the line of funding being done to Singapore. And there was a question under as to why the funding is happening and that is the explanation. Yes, we would not like to disclose these details for competitive reasons.

Moderator: Thank you. The next question is from the line of Aditya Roy, who is an individual investor. Please go ahead.

Aditya Roy: Hi, thanks for the opportunity. My question is that there is a steep reduction quarter-on-quarter in other expenses. So, what exactly has led to this reduction? And what kind of IT costs do you foresee? And what is the structure out of the overall other expenses?

Anna Abraham: Yes. In Quarter 4 of last year, we had spoken about a substantial MTM loss that we have taken, of which Lavasa was a big component. And therefore, the drop in that is actually causing the major shift. We have benefits coming in from other lines also. I mean, one important line is some of the events which had happened last quarter, I mean, there is a saving in that line. So, in advertising sales promotion, there is a bit of a saving. Apart from that, there are some savings across lines like bad debt provision, etc. So, the major number is on account of the MTM losses that we have taken in quarter 4 which we don't have this year.

Aditya Roy: Okay. And what is the structure of the information and technology and other investments? Or are you investing in technology to improve your efficiencies?

Piyush Gupta: Yes. Hi, Piyush, this side. We are definitely investing behind technology to improve our efficiencies. So, across the basic enterprise systems, the basic CRMs, etc, which we have as BCP on one side, SAP on the other side. We are now investing into various other technologies, which improve our efficiency. Having said that, suffice to say that, you know, Digicontent Limited, which is a new company, which has now become a publicly listed company, the whole objective of that company is to follow a digital-first paradigm across all the media properties that we operate in. So, major investments will go in that company. But as an organization, our thrust to a technology investment to drive efficiencies and better revenue monetization opportunities is clearly the top of mind thing that we are doing, and that's budgeted in our plan as such.

Aditya Roy: Okay. So, can you give me some understanding of how much of this is Capex or Opex?

Anna Abraham: No. I mean, this is all OpEx, there is nothing CapEx which will come in this line. But there is no substantial number which we can kind of highlight to you at this point.

Piyush Gupta: Yes. So, look, generally, right now I think people are not doing the CapEx model. So mostly it's the OpEx model through the cloud that we are doing. There are license fees, etc., which are charged out to the P&L. But we don't give a line item detail, but we are embracing the technologies in various walks of businesses. **Moderator:** Thank you. The next question is from the line of Om Damani from Utkarsh Consultancy. Please go ahead.

Om Damani: Hi, good afternoon. You mentioned that the newsprint prices, this is because of the volume reduction and not so much for the price reduction, the savings in raw materials. So, that saving it's a wastage reduction essentially in HMVL. So, you should assume that?

Anna Abraham: No. So, in HMVL per se, it's a combination of price reduction and volume reduction. At a consolidated level, in quarter 1 last year itself, we had some imported stock which we used for the English print, etc., so the impact is a little lower on account of rate. And what Piyush alluded to the fact is that the real benefit of the lower rate we will start seeing from Quarter 2 onwards, because last year it's from Quarter 2 that the commodity prices started increasing.

Om Damani: But the volume reduction savings will continue, right?.

Anna Abraham: Volume reduction savings will partially continue because we do have a copy build-up plan, so to the extent of that happening, there will be some change as well.

Om Damani: And how would this reduction in price be offset by the increase in the customs duty?

Anna Abraham: So, the customs duty, we are hoping that there will be a review of the same. In any way, in Quarter 2, given our existing commitments, we don't expect any impact. If the duty doesn't get rolled back then from quarter three onwards there could be an impact, but we will have to wait and see what the final position is.

Om Damani: So 10% duty will compare against the price reduction of how much for Quarter 3, let's say?

Anna Abraham: So, overall at a blended level there is 4% correction already, but Quarter-on-Quarter it is more like a 12% correction. We are expecting another 5% correction in Quarter 2 vis-à-vis Quarter 1. So, the 10% import duty will be over and above that.

Om Damani: Okay. And about the circulation revenue going down. So, what does it portray for say five years down the line. Every quarter even 1% or 2 % reduction will add up over to a significant amount over multi-years?

Piyush Gupta: I request my colleague, Rajeev Beotra, to take this question.

Rajeev Beotra: Very difficult to predict five years down the line what will happen. Circulation revenue is also a function of copies, so actually, sequentially you would have seen that our circulation revenue has grown over the prior quarter. So, we are continuing to invest at this point in time, building copies as well. Yes, cover prices, last year you would have seen significant cover price increase across all geographies. So, I think it's a mix of competitive intensity, the pressure in the industry. But yes, I guess, the entire industry will be very happy to see cover price increases sequentially.

Om Damani: Right. But the circulation numbers, I mean the number of subscribers is going down, right? So, even the cover price increase will compensate for the rate, but if every...

Piyush Gupta: That's not entirely true because as I highlighted in the opening comments, if you look at the new IRS study and also if you look at the ABC numbers, the readership is going up, especially the language paper, which is Hindustan in our case. But because it was a very high newsprint environment in the last 12 months, all the media houses were basically correcting and taking out wastages, wherever possible, because it was having a major impact on the margins. But now that the newsprint prices are softening, everyone is looking to build up copies. Like Rajeev Beotra was just saying, we are looking at our various footprints in languages, in Hindi and English again, to see where there are opportunities. So, it's not going down sequentially, but in a hardcover price environment we obviously looked very closely at it and took out the wastages. And now when it is easing up, we are building up.

Om Damani: And so last year at the consolidated level we had a loss, but do you give any guidance for this year, how do you see things?

Anna Abraham: No, we cannot give you guidance. But as you can see, given the softness in the newsprint price, there is a healthy shift in the operating margin, which we hope to continue.

Piyush Gupta: And look, that loss is by that exceptional item which we have called out in the results, which is at 176 crores in the consolidated results. If you look without that, the EBITDA margin itself has grown by 4 points and absolute EBITDA has grown from 63 to 89 crores. We hope, you know with the efficiency drive that we are pulling in, we hope with the newsprint prices falling a certain trajectory that they do, we also hope that the customs duty will be rolled back by the government. If all these things come true by driving the efficiency, newsprint prices and trying to accelerate our revenue projects etc., we hope that we'll be able to bring in much better performance quarter-after-quarter here on, because now the newsprint prices for the last five quarters had really troubled the entire media sector.

Om Damani: Okay. And like as you discussed earlier, we have a lot of liquid fund investments and other things. And we also have a comparable amount of loan. So, is there a plan to reduce the loan by just, I mean, canceling of the investment and some of the loans that we have?

Anna Abraham: So, the debt and cash position has a legal entity implication also. So, you are looking at a consolidated position, but amounts might be sitting in different entities. So, that is one. And secondly, as and when there has to be cash deployed, we keep evaluating it from a commercial perspective. So, if it makes sense to unwind our investments and deploy the cash, we do that. It makes otherwise sense to borrow and support that cash investment, we do it accordingly.

Om Damani: Okay. And do you also give any guidance on the dividend policy?

Anna Abraham: No, we don't give any future guidance actually.

Om Damani: But is there a stated dividend policy of the company?

Piyush Gupta: No, as per the SEBI norms, dividend policies, etc., are all in the public domain. We also have adopted a certain dividend policy. Our past record on dividend can be seen. So, unless and until the Board changes the stance, I would say we'll continue. But it is squarely the prerogative of the Board to debate and discuss on the dividend policy. But our past, we'll continue unless and until stated otherwise.

Moderator: Thank you. The next question is from the line of Dharmesh Pandya from BP Investment. Please go ahead.

Dharmesh Pandya: Yeah, thank you for the opportunity. I have two, three questions. One is why you are not disclosing net cash in your presentation?

Anna Abraham: On a quarterly basis, we don't disclose the balance sheet.

Dharmesh Pandya: Sorry, on a quarterly basis, you don't show it, is it?

Anna Abraham: See, the balance sheet is not published on a quarterly basis. Half-yearly basis, the balance sheet we have prepared and published and that's when we disclose it as well.

Dharmesh Pandya: Okay. So, how much is the net cash available in the books of HMVL and HT Media? And does it include ad-for-equity and property investments?

Anna Abraham: It doesn't include ad-for-equity and property investments. This is cash and cash equivalents only, and it is about 1,100 crores.

Dharmesh Pandya: In the books of?

Anna Abraham: Consolidated level.

Dharmesh Pandya: Consolidated level. And HMVL, how much it is?

Anna Abraham: It'll constitute about 1,000 crores of that.

Dharmesh Pandya: One last question, ma'am. The subsidiary investment of the Next Media you mentioned. In that, what was the cost part for us? And what was the overall write-off we have done? And secondly, why it was necessary to write it off?

Anna Abraham: So, the overall payout is close to about 284 crores, to answer the first part of your question. Now it happens to be a listed company. And therefore, for accounting purposes, the prevailing market price is what gets considered for valuing the company subsequently for accounting in the books.

Dharmesh Pandya: So, you did a mark-to-market. Because of that, you had to write it off, is it?

Anna Abraham: Yes.

Dharmesh Pandya: And why there is a difference between the standalone and consolidated level. Both are showing some different numbers?

Anna Abraham: Yes. I have addressed. I think that was the first question that was raised.

Dharmesh Pandya: Sorry, I actually joined late, sorry.

Anna Abraham: Yes. So, in the standalone, it's an impairment of investment. The standalone only records the investment of 75%. In consolidated, we have done 100% consolidation and then, therefore, goodwill got created and therefore the differential of 25% is roughly what constitutes the difference.

Moderator: Thank you. Next question is from the line of Gourav Gupta from Nirav Group. Please go ahead.

Gourav Gupta: Yes. Question related to Radio business. If you exclude the growth that we have seen in our Radio business, which was in our HT Media, if you exclude that and compare the numbers of the Next Mediaworks FM business, there has been a decline in the revenue. Would you be able to give a reason for the detail that why exactly the revenue has dipped in that?

Anna Abraham: Yes. We are in the midst of an integration. So, obviously, there is a little bit dip because we owned the company only from April 15th. We have to take charge of the operations, etc. So, the operation is in a bit of a transition and integration. So, of course, that has impacted our ability to sweat the assets in this quarter.

Piyush Gupta: And also, Gaurav, if I may just add in here, I think one of the basic premise, if you recollect when we announced that we will be going ahead and acquiring a majority stake in Next Mediaworks, was that there are a lot of operational synergies that we would like to harness together. The footprint, you know, for Next Mediaworks is also a metro-focused footprint, like we have in our Fever FM. The big markets, as we've always maintained, have a higher revenue potential and that's why we first started in the first 4 metros and took UP for a different strategic reason.

Now that we have started the integration, you know, all the synergies will take their time to classify. So, we are rebooting our programming. We are rebooting our scheduling, the content in Chennai is being changed and various other things are happening. So, till such time, the pricing we are now taking much higher pricing than what Radio One was earlier selling. So, all these things will take some time in stabilizing. There'll be some initial hiccups in volatility on the revenue line, but suffice to say that once it is stabilized, it will be a very big value generator for the entire Radio business of HT Media.

Gourav Gupta: Sure. And we have seen that there is some debt in the Next Mediaworks and its subsidiary as well. So, what is the level of debt over there, if you have any idea?

Anna Abraham: Broadly about 68 odd crores, I think.

Gourav Gupta: 68 crores. Okay, approximately 70 crores.

Moderator: Thank you. The next question is from the line of Aasim Bharde from IDFC Securities. Please go ahead.

Aasim Bharde: Sir, for HMVL alone, what has been our imported and domestic mix for Q1 and for last year, just for Hindustan?

Anna Abraham: Yes. It's been close to 90:10.

Aasim Bharde: 90% domestic. Okay.

Anna Abraham: Yes.

Aasim Bharde: So, this customs duty of 10% that has come in the budget, I assume there shouldn't be much of an issue on raw mat. cost for HMVL, right? Or would there be an impact?

Piyush Gupta: Aasim, hi, Piyush this side. Yes, what you are saying is right. But it all depends upon how the domestic newsprint manufacturing sector also reacts to the imported pricing. So, in the short run, what you are saying is absolutely right, duty should only impact the imported newsprint. But also, how will the domestic guys price their product, you know, we have to wait and see.

Aasim Bharde: But is there is like a one-to-one pricing impact.

Piyush Gupta: There is no one-to-one correlation here, but because it is an imminently replaceable commodity and so far as the publishers are concerned, of course, depending upon Grade A, Grade B, Grade C, opacity and those qualitative parameters. So people actually look at this pricing. So, there will be some correlation, which is in a positive direction, but it's not a perfect correlation, but, of course, there's a correlation.

Aasim Bharde: Okay. Understood. Sir, so in that case, in case the newsprint softening that is happening in the market if that is not enough. Is the market ready to take cover price hikes to cover for this hike in the customs duty?

Rajeev Beotra: Cover prices are also a function of the intensity of competition that exists in markets. So, yes, there will be certain markets. So, it will be a market-by-market scenario depending on the competitive intensity. And the current existing price vis-à-vis the potential because the cover prices are also very different in different cities. So, there are cities where they are lower than some of the other cities. So, it will be a function of a lot of competitive intent and intensity as well.

Moderator: Thank you. The next question is from the line of Anand Daga from IFC Securities. Please go ahead.

Anand Daga: We were supposed to be doing the demerger of HT Radio. What is the current status of the demerger, please?

Anna Abraham: Actually, when we announced the acquisition way back in June, it was proposed as a demerger where all the Radio properties were supposed to come back. But we had come back in December saying that we are withdrawing that because we didn't get the adequate regulatory approval. So, we had to do the acquisition via the open offer route.

Anand Daga: Okay. So, there is no demerger as such planned for the Radio division?

Anna Abraham: No.

Anand Daga: For which the shares will be given. Like, Digicontent was done. There is no demerger for HT Media, the Radio division?

Piyush Gupta: Anand, Piyush this side. Anand, in a perfect world, that is what we attempted and that is something that we would like to do at some point in time to unlock the value. We understand there is unlocking, which is sitting through that route. But all the regulatory approvals have to be secured, so we will see when it's a regulatory environment, as a run-up to the elections, I mean, no one was getting any approvals from the Ministry. So, once we get the approvals, we will definitely attempt that. When we do that? I can't tell you, but to unlock value, we understand that's the step we have to follow.

Moderator: Thank you. The next question is from the line of Mahantesh Marlinga from Finquest Securities. Please go ahead.

Mahantesh Marlinga: Sir, actually you mentioned during the call that you will be building up copies going ahead. What do you mean by that, sir? Actually, you will be like pushing the newspapers? Or what is the scheme there?

Piyush Gupta: Look, we have a market-by-market plan, city-by-city plan, in terms of the revenue potential in the city, what should our competitive position be. So, we do our annual budgeting exercise, decide on investments to be made in market and then subsequent monetization. So, this is that. Yes, there are geographies and markets that we will be investing in and building copies. Last year, there was a significant price increase across the Hindi geography specifically, which also resulted in some amount of copy drop for all the players. And now we are looking at rebuilding and strategically deciding cities. So, yes, we are looking at adding copies.

Mahantesh Marlinga: Okay. Sir, and just broadly tell me the newsprint prices in the last two quarters and last year same quarter, Q-on-Q and Year-on-Year?

Anna Abraham: So, we are, on a blended level, at about 40,000, which is about 4% Y-o-Y improvement and a 12% Q-o-Q.

Mahantesh Marlinga: In Q1 FY20?

Anna Abraham: Q1 FY20, the blended rate is about 40,000; which is an improvement of 4% vis-à-vis the previous year and 12% sequentially.

Mahantesh Marlinga: Improvement, you mean declined?

Anna Abraham: Prices have reduced.

Mahantesh Marlinga: And Year-on-Year?

Anna Abraham: Year-on-Year, it's 4%. And sequential, it's 12%.

Mahantesh Marlinga: Okay. So, again net-net, you have not got any impact from the decline in prices?

Anna Abraham: In the earlier comment, it was alluded that the full benefit will come from Quarter 2 last year because that is when the commodity prices started increasing.

Mahantesh Marlinga: Okay. But currently, now like in the month of July, what's the pricing that's now running?

Anna Abraham: I don't have a month's information.

Mahantesh Marlinga: On an average in essence.

Anna Abraham: No, I don't have this number. We are expecting that over the next quarter, it will be 5% better than the current rate.

Mahantesh Marlinga: Okay, in spite of the import duty or excluding it?

Anna Abraham: Quarter 2, we are not expecting any impact to the customs duty even if it gets implemented given our existing commitments. If it gets implemented, the impact will come from Quarter 3 onwards.

Mahantesh Marlinga: Okay. But I heard, ma'am, that the newsprint prices have crashed much more than what you are mentioning, I think, 20% to 30% types?

Anna Abraham: From the peak is what we are alluding to. You have asked me with reference to last year and from versus last quarter.

Mahantesh Marlinga: That's what, like this is in Q1 FY20…

Piyush Gupta: Let me try to attempt this question. You know, prices have crashed quite radically, you are absolutely right. We were carrying some inventory. That's the reason we have said that in the 1st Quarter, we are just consuming the inventory that we had already purchased. Therefore the impact will come from 2nd Quarter. Now in the 2nd Quarter also there will be some residual inventory, which will come forward. So, have the prices crashed? Absolutely, yes. Have they crashed north of 15%, 20% on imported? Yes. Whatever my colleague just told you is, in keeping the customs duty on the side, so we don't know the customs duty impact. So, customs duty direct impact will be on the imported, but the tactical prices on the domestic mill, we can't say which mill will take the prices up, just now or later. So, that's the whole point. So, prices have crashed and they will flow into the P&L as and when, you know, the replacement inventory will be the cheaper inventory.

Mahentesh Marlinga: Okay, but it could be higher of 5%, much higher?

Piyush Gupta: It can be 20% also depending upon what comes, but we don't give a forecast.

Moderator: The next question is from the line of Dharmesh Pandya from BP Investment. Please go ahead.

Dharmesh Pandya: My question is regarding, how much investment we have done in the subsidiary this quarter?

Anna Abraham: We haven't done any investment in subsidiary this quarter.

Dharmesh Pandya: Haven't done any. Okay, fine. That's good. One more thing is the net cash last quarter and this quarter is the same for HMVL and HT Media. So, is it correct? Or is there any change in that?

Anna Abraham: It's not correct. From March, on a consol level, we will be down about 200 crores.

Dharmesh Pandya: 200 crores, is it? Where, in HMVL or HT Media?

Piyush Gupta: So, on a consolidated level, we'll be down 200 crores, of which 100 crores has gone towards the funding of the acquisition, the part payment thereof and the balance has gone into working capital, which will start getting released from the 2nd Quarter.

Dharmesh Pandya: Okay, fine. One last thing, I saw the Q4 presentation, there also the net cash was not there. So, request that subsequent quarter onwards if you can display that, that's really helpful to us.

Anna Abraham: Okay.

Dharmesh Pandya: Thank you. Appreciate it.

Moderator: Thank you. The next question is from the line of Anita Singh from Inventus Capital. Please go ahead.

Anita Singh: Hi, thank you for the opportunity. I had a question on Next Mediaworks, but I think that got answered. Another question I had was on newsprint prices, which you said have increased in the 1st Quarter. So, what was the inventory holdings in this period?

Anna Abraham: No, we haven't said this increased. We said the newsprint prices have declined.

Piyush Gupta: So, Anita, let me just. On the inventory holding, like all other publishers, the imported inventory has a long lead time because that has to be imported from overseas, either Europe or Canada sometimes from Russia or from Asia as well. So, the holding that we maintain is always slightly higher than the domestic newsprint, which can be procured at a short notice. That goes as per policy. We obviously don't reveal our policy on an open call because of competitive reasons. And that's the reason the replacement price does not flow into the P&L through the COGS line on a real-time basis because there is a carry forward inventory. So, in Hindi, the replacement prices reflect much more quicker and real time because the replacement inventory comes in much sooner. In English, which is primarily imported newsprint, it takes a little bit longer.

Moderator: The next question is from the line of Gourav Gupta from Nirav Group. Please go ahead.

Gourav Gupta: Yes. Coming back to radio business, like Piyush just highlighted as well. 100 crore rupees went into the acquisition of Next Mediaworks, 51% holding. My number was coming around Rs. 95 crores to Rs. 100 crores. But we have given an exceptional item in the range of 147 on a standalone basis. So, I am not able to calculate this math that we acquired for 100 crore rupees, and we have written down value in terms of an exceptional item as 147 crores on a standalone basis.

Anna Abraham: So, we have acquired the entire stake, but there is a deferment of payment. The investment holding is not at 105, but the cash outflow has been 105. The investment will be at the full value of the acquisition.

Gourav Gupta: No. So, we acquired 51% of the Next Mediaworks, right?

Anna Abraham: We have actually acquired 75% economic interest in NMW and NRL, as a combination of direct acquisition of NMW and acquisition in NRL. So, the entire Radio One acquisition is two entities, the combined which gives us 75% value.

Gourav Gupta: Okay. So, even though on a cash basis, we have just spent 100 crore rupees, but on accrual basis, if you are saying that economic value near about 75%, we have written down the value by 147 crores.

Anna Abraham: Yes. Because I don't have a choice not to pay this money. It's an escrow arrangement, we have to make this payment. So, the full value of the investment has been recorded. The cash payout has partially happened in April and the rest of the payments will happen in November.

Gourav Gupta: Okay. But subsidiary of Next Mediaworks is not listed. So, the price of that is also not fluctuating like you have acquired on 27 of Next Mediaworks. It is sort of somewhere around at 50% of discount right now, but the same is not happening with the subsidiary of Next Mediaworks. So, was it really required to write down value in terms of this exceptional item?

Anna Abraham: Yes, it was because NMW, the only asset it holds is the investment in NRL. And therefore, the auditors had the view that the NRL valuation is what is reflected in the NMW share price. And therefore, I had to account for the entire valuation discount.

Moderator: Thank you. The next question is from the line of Om Damani from Utkarsh Consultancy. Please go ahead.

Om Damani: So, you mentioned that the current quarter we consumed a part of the existing inventory. Now, of course, it is accounted for in some way, but in real terms, can part of the profit also be attributed to that fact? Or just, as per the accounting law, is there a net gain or loss because that it doesn't actually reflect the actual cost that we incurred this quarter?

Anna Abraham: All Piyush was alluding to is that there is a purchase price today. So if you are buying the inventory today, what gets booked in the accounts is consumption based. So, today's price may not be what is hitting the consumption line.

Piyush Gupta: Hi, this is Piyush this side. Look, I think, you know, you are mixing two things, one is the procurement price, to which a gentleman earlier asked if the procurement prices have crashed.

And I said, yes, they have crashed and we are hopeful that they will keep on going down. And then there is the consumption price, which is recorded in the income statement, which is basically, you know, the bookkeeping on inventory, the LIFO - FIFO method, the weighted average method, and so on so forth. So, whatever goes into consumption, comes from the earlier inventory, which was procured at a particular price. So, the replacement price, which is a procurement price does not read directly into that month's thing because you are sitting on carried forward inventory. And therefore, you don't see the impact coming real-time. However, what I said for the domestic newsprint, it comes much faster because we keep, you know, our inventory levels are much lower in domestic newsprint because you can replace them at a short distance, because they are in India. Imported newsprint has a longer lead time, therefore you keep a higher level of imported newsprint. That was the point I was making.

Om Damani: Okay. Thanks for the detailed explanation.

Moderator: Thank you. The next question is from the line of Dharmesh Pandya from BP Investment. Please go ahead.

Dharmesh Pandya: In this budget, they have announced that holding of promoters should go down to 65, and the public should hold around 35. So, HT Media owns in HTML about 75%. So, what we're planning to do, I mean if that rule comes into effect?

Piyush Gupta: Well, whatever rules come into effect, we will follow the law of the land. So, if that rule comes into effect, we will obviously comply with that rule.

Dharmesh Pandya: So, is it possible that way that probably just request from our side just keep in mind to give directly to the shareholders of HT Media rather than selling in the market. At least you will have less equity floating in the market.

Piyush Gupta: Okay, I will definitely take that concern. You know, I will definitely take that comment at the right time whenever this discussion comes in. I will definitely keep that in mind and give it to the right people.

Dharmesh Pandya: Yes. And Digicontent results will be there and how the conference call will be taken place for that?

Anna Abraham: It's a separate legal entity now, and they have not announced the results. So, we will have to await the procedure.

Piyush Gupta: They are still figuring it out. So, the first meeting is likely to happen on 30th or 31st. As soon as that happens, you should be informed about that.

Dharmesh Pandya: Thank you very much Piyush. Thanks Anna.

Moderator: Thank you very much. That was the last question. I would now like to hand the conference back to the management team for any closing comments.

Piyush Gupta: Well, I would like to thank everyone who participated in the call.n the pluses and minuses, we have spoken about the newsprint rate. We have seen how well the revenue situation is still tough, and we are still trying to navigate. The government announced a new tax. As an industry body, we are obviously advocating to the government that they should have a rethink about that. Having said that, we are very hopeful that not just in our Radio business and Digital business, which is now a separate company but also in our Print business, we will have much better quarters to report, and we look forward to coming to you and giving you a report out in the next quarter. Till then, thank you so much for joining the call, we wish you all the best.

Moderator: Thank you very much. On behalf of HT Media and Hindustan Media Ventures Limited, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.