Conference Call – Quarterly Results – Q2 FY'20

Transcript of webcast and conference call on Q2 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 Q2 FY 2019-2020 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 call, 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!

Anna Abraham: Thank you, Stephen. Hello everyone, and welcome to our earnings webcast and conference call for second quarter and half yearly results for FY 2019-2020.

Joining me today on the call is Mr. Piyush Gupta, our Group CFO; Mr. Rajeev Beotra, ED Revenue; Mr. Samudra Bhattacharya, who has been appointed as the 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 for Hindustan Media Ventures Limited and HT Media Limited. Our remarks today will track the presentation on webcast, which is also available on the Investor Relations section of our website.

We will now start the presentation, and I would like to draw your attention to Slide #2, which has the disclaimer regarding forward-looking statements. You are requested to give due regard to the same in the statements that we will make today.

Moving on to Slide #3, this gives our Chairperson's comments on the performance of the company, which highlights the impact of broader economic slowdown on ad spends, which has affected the performance of our print and radio businesses. Nevertheless, low newsprint prices and a sharp focus on cost control have resulted in better operating profits despite the muted revenue. She further states that our Shine business has shown good progress during this quarter and expresses cautious optimism in the outlook, given the macroeconomic slowdown.

I will now hand over the call to Mr. Piyush Gupta to take you through the highlights of the results, further to which we will open the floor for question and answers.

Piyush Gupta: Thanks, Anna. Good afternoon, everyone, and thanks for joining our call. I will quickly take you through our financial performance, which we put on the webcast.

If I may move to Slide #5, which is the consolidated performance of the group, our revenues have on an overall basis grown by 2%, and our EBITDA has grown substantially by more than doubling themselves out to Rs.81 Crores as against Rs.34 Crores in the same period last year. EBITDA margin, therefore, have been improved quite significantly to

14%, and PAT margins come down to a minus 4% from minus 8%. Some of you have requested us to publish the net cash number. As you know, in this quarter, we would be publishing our balance sheet and cash flow, but for the investor presentation, we have just captured the number here. So, our net cash on a consolidated basis comes at Rs.1153 Crores as against Rs.1071 Crores in the same period last year. There is commentary on the right-hand side, which explains the stuff that I have spoken about.

If I may move forward to the next slide and come to the business unit performance. First, going on to the Print, so our overall Ad Revenue has de-grown by 6% and has come at Rs.342 Crores as against Rs.363 Crores in the last year, a decline of Rs.21 Crores. Circulation revenue stood at Rs.66 Crores, a decline of 7%; and operating revenue decline is at 3%. Operating EBITDA comes at Rs.48 Crores, which is a substantial increase from the same period last year. Some of the key drivers, which is given in the bottom of the slide, are that Ad revenues have declined because of very sluggish volumes, even as we have made a substantial effort and got some yield increases across various categories, our market share remains the same. We have kept a steady market share, but because the market declined in Hindi at about 5% and English at about 12%, have basically read into our results. Our national advertising continues to be soft although in the local advertising, we have witnessed some growth. Overall operating revenues have declined on the back of circulation revenue drop as well, now as you would remember, in last fiscal, with quite aggravated commodity prices, there were corrective actions on the realizations on circulation, with an increase in all the non-productive copies being culled out from the market. However, the big saving grace has been the raw material cost, which has improved significantly since the last year, and has a telling impact on EBITDA margins.

Moving forward to a little bit more detail; English revenues have come at Rs.203 Crores, which is a decline of 6% and circulation revenue is less by about Rs.1 Crores at Rs.17 Crores. Growth in ad yields during the quarter, although volumes were muted, as I have already highlighted earlier. Local ad spends have witnessed a growth. In terms of categories, BFSI, Real Estate and Auto showed some growth. Sequential growth in circulation revenue, though there is a Y-o-Y decline. The categories mentioned at the bottom of the chart, which are categories like E-commerce, Entertainment, FMCG and Retail, have been muted.

Moving on to the Hindi, Hindi revenues have come at Rs.139 Crores, which is down 6% and circulation revenues are down 7% at Rs.50 Crores. Ad yields have displayed growth, and there is a revival in local advertising, as I highlighted earlier. Circulation revenues remained flat on a sequential basis, whereas on ad spend, the softness in key categories, such as Auto, FMCG, Retail, Medical, Health and Fitness, has continued.

If you move on to the next business unit, which is Radio, we can see that our operating revenues are at Rs.59 Crores, which is 27% growth vis-à-vis the same period last year. If you look at the third comment, which says the radio revenue excluding the Next Mediaworks, which we have started consolidating effective April, has witnessed a decline of 7%. Operating EBITDA at Rs.12 Crores, which is down 22%, and operating margins have come down to 21%.

Again, as in the Chairperson's statement, my colleague highlighted that the soft advertising environment has had a culling impact on radio performance as well and key categories such as Government, Real Estate, Healthcare and BFSI have shown certain amount of softness. However, growth in FMCG and Auto categories has been witnessed in the Radio section and all the going-in assumptions that we had for Radio One for integration are on track on realizing the cost synergies, as we had highlighted earlier in the calls earlier.

With that, I come to the end of the presentation, and we can now take any questions that you may have.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Sir, now that the festival season is over, how are the impressions from this particular festival season? Have you seen some ad revenue picking up or it continues to remain sluggish like previously?

Piyush Gupta: I request my colleagues to take that question.

Rajeev Beotra: The ad revenue performance continues to be muted in line with the macroeconomic environment. Some of the large print categories like Automobiles, etc., have not had a good season, and that has reflected in the advertising spend. So, it will be muted.

Sarvesh Gupta: So, even this festival season, if we compare it to the previous festival season, you have not seen, is it like a degrowth kind of environment or at least is it flat?

Rajeev Beotra: Certain categories have done well, certain large categories like Automobiles have not done well. Overall, we expect not too much of growth this particular festive. The festive also is split between two quarters this year slightly, compared to last year Diwali was 10 days earlier. So, the festival revenues will be split between Q2 and Q3 this year. But overall, it will be a muted performance.

Sarvesh Gupta: And this is same for both English and Hindi or do we have difference?

Rajeev Beotra: Similar trends. There will be slight differences. For example, categories like two-wheelers are over indexed on Hindi, not so over indexed on English. So, and two-wheelers had a particularly bad festive. So those kinds of category impact will be seen but overall, both English and Hindi will see a muted festival.

Sarvesh Gupta: Understood. Sir, on your raw material cost, so what is the current cost at which you are getting the raw material at the newsprint and on a per ton basis? And what is the expectation going forward?

Anna Abraham: Q2 will be at an average rate of about Rs.37,000 and we are expecting the next quarter to be marginally lower. But there will be some impact of custom duties, so net of that will be marginally lower than the Q2.

Sarvesh Gupta: Going forward, is it expected to decline further for us?

Anna Abraham: Yes. There will be some impact of customs duty, but despite that, we expect Q3 to be marginally lower than this.

Sarvesh Gupta: Coming on to the customs duty point, I think some of your competitors were mentioning that the industry is lobbying to get this removed. So any idea on that?

Piyush Gupta: I think your guess is as good as ours. You know, we made a representation to the government, and we keep on engaging with the government at company level, at the industry body level. But we cannot say with certainty what the government has in mind. We have obviously made multiple representations to the government.

Sarvesh Gupta: Understood Sir. Thanks, and lot and all the best for the coming quarter.

Moderator: Thank you. The next question is from the line of Rajiv Agarwal from Doordarshi Advisors. Please go ahead.

Rajiv Agarwal: Thanks for taking my question. The first question is more around how the market is valuing the company vis-à-vis the cash on the balance sheet so any further thoughts? I know this question has come up multiple times in the previous calls so any update you would want to give on that?

Piyush Gupta: Well, we do not have any fresh update, Rajiv. As we have discussed in the earlier call itself, of course, the market is valuing and rightfully so with a very short-term perspective; however, the cash we are utilizing for strategic investment, as we have demonstrated in the last three quarters by strategically investing behind one of our priority media platforms, which is Radio, and that is how we plan to use the cash going forward. But obviously, the market is not valuing that currently.

Rajiv Agarwal: Right. I think some of the movements around Digicontent also. So any update you can give around Digicontent because the way, again, that is being priced is sort of as if it is the business does not even exist? So, any update you would want to give around Digicontent?

Piyush Gupta: Honestly, I can give you a business update but with reference to the stock price I would not be able to comment because, obviously, as you rightly said, the market is not looking at value therein. Just to refresh back, when we embarked on this whole journey, the going-in assumption was, if the world is indeed moving digital, we need to refocus our energy on the digital initiatives and not just by hiring a new team and giving them a separate digital business plan, but we also need to house them that in a separate legal entity, which will be focused on a digital cost premise. That was the whole premise of bringing this entity along. Now that it is listed, obviously, the market is not seeing any value till such time they see something flowing through in the results. As I said, digital is a very different journey. We are also learning on the go. We did not want to do a big bang investment, and that is the reason we followed the path that we have followed, which is the most capital conservative way of kind of having a digital-first strategy in place. But I would not be able to comment why the market is doing what it is doing. But insofar, as our business plans are concerned, we are rightly on track. We can see our digital business poised for partaking in the growth environment that the digital ecosystem is currently going through, but only time will tell how the market will basically reward the this business.

Rajiv Agarwal: Right. You have mentioned that the ad revenue looks to be weak even in the festival season. So has that anything to do with the fact that ad revenue is moving more digital and that is where you might be seeing a headwind in terms of how the business looks on the newspaper side, both English and Hindi?

Piyush Gupta: Well, Rajiv, I think, the reasons are all of the above. As you said, one of the things is that the world is moving digital. In our lifestyle, we have all embraced digital in multiple ways and forms that we have interaction, not just with media, but various other things we do. However, suffice it to say that digital is a very different business and it is priced very differently from the legacy media platforms like print and broadcast, broadcast maybe in TV and in radio. Digital, how will it go, it is not the only reason. While there is a softness because, as I can tell you, digital businesses, even if you look at the domestic businesses of the large global conglomerates, like Facebook and Google, have seen some softness over the last couple of quarters, so has the radio platforms and so have the print and broadcasting platform, I think there is an overall slowdown in the economy, which is the larger macro of a GDP coming to a 5%, after RBI's five intervention on the monetary side, shaving off 135 basis points on Repo. I think eventually print still has a long-term runway left in front of it. I cannot hazard a guess how long it is. But I think that both print and digital, the legacy and the new platforms, will coexist. Of course, there will be some transmission from legacy platforms to digital, but that is not impairing the legacy platforms at all, that is what we believe.

Rajiv Agarwal: Alright, thanks a lot.

Moderator: Thank you. The next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: Thanks for the opportunity. So as far as the advertisement revenue decline is concerned, I think 6% in Print business and 7% in the Radio, so how would this number look if you exclude the government advertising during the quarter?

Piyush Gupta: Well, I think it might be marginally higher because government has now, after the price increase that they gave specifically to the print platforms in January, does contribute to a better price margin realization, but the volumes have been substantially down. So, if I were to isolate, though we have not done that analysis, if we were to isolate, I think it will be there or marginally worse off, but not hugely.

Yogesh Kirve: And in Radio business?

Piyush Gupta: I would say Radio business does not have too much of government advertising, but there is been no pricing impact thereof. It will remain more or less the same.

Yogesh Kirve: Okay. Sir the second question regarding the staff cost, I think there is a 13% increase in the consolidated staff cost and especially HMVL, the increase is higher. So, given the sort of a growth scenario, what is driving the staff costs over the last couple of quarters?

Anna Abraham: The staff cost is looking higher because of a certain reversal that we have done in the last quarter vis-à-vis in the consolidated. So that happened in quarter 2 of last year. On an H1, it would not look substantial because there is just a timing difference between Q1 and Q2. And HMVL per se is where we are investing behind in print business, so there will be some level of hiring and cost.

Piyush Gupta: Just to extenuate that point, staff cost inflation is not more than 4% to 5% on a like-for-like basis. Of course, there are true up of provisions in base, which are done in a different period of time last year. Hence, to that extent, it is not comparable but if you look at the number from a first half perspective, we are indeed and therefore, on a full year basis, tracking to a 4% to 5% inflation and not more.

Anna Abraham: And, in the consolidated, there will be the impact of Radio One coming in as well.

Yogesh Kirve: I was specifically looking at the HMVL, so when can we starting seeing this 4%-5% sort of an increase in the staff cost?

Piyush Gupta: So why don't you just put together the first half numbers of HMVL rather than just looking at Q2, the numbers will already deflate, and because some of our provisions, which happened at different periods of time, is vitiating the picture. By the third quarter end, it will come to a low single-digit any which ways.

Yogesh Kirve: Okay. Sure, that is all from me and all the best.

Moderator: Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Sir thanks for the follow up. Just wanted to understand a bit more on the cover price strategy, so of course, with the ad revenues coming under a bit of pressure in the recent quarters, there is some scope on the cover price side. So, are you guys thinking about the same? And secondly, if you can give some industry perspective on because of this ad slowdown, of course, it would have hit the smaller print media players as well. So, are you seeing some of them exiting the business or are you seeing some of them kind of also resorting to higher cover prices?

Rajeev Beotra: Yes. This whole exercise started last year. Yes, we do look at cover prices all the time, and we have taken cover prices increases as well, not just cover price increases, we have also worked for the last three quarters to four quarters on our wastages and efficiencies and unproductive copies. However, one has to always walk this very tight rope of where to take up the cover price, given the competitive landscape scenario, keep a little bit of long-term in mind as well because we are also keen to keep growing print readership, and some of that is reflected in IRS results because that is what eventually drives it. While this current phase of the economy, we believe, will get over. But we need to have a balance between a long-term investment in copies and readership growth. So suffice it to say, you will have seen a significant improvement in our realization per copy in the last three to four quarters. Even as we speak, there are cover price actions which have been taken very recently. So, we do keep looking at it from time to time.

Piyush Gupta: Just to add on to what my colleague just articulated, I think since last year that we have seen an unnatural hike in the commodity prices. The entire industry, and, of course, we included, started focusing a lot on efficiencies and that was the right thing to do, still is. This whole unproductive copies, seeing what copies are lending themselves to a better readership and therefore do a better monetization, is something that we watch very carefully. Now that the commodity price cycle has eased off a little bit, we will be looking at building our readership because at the end of the day, we understand that readership is the currency that we want to focus upon. But as Beotra was highlighting, it is a very tight rope, and we keep on looking at those numbers market by market, along with competitive landscape very closely.

Sarvesh Gupta: Understood. With regard to your Hindi newspaper in Bihar, I think we have been hearing that the competitive intensity has been relatively higher, at least in the previous quarters because the new entrant wanted to gain the market share. So, has that situation stabilized now or if you can throw some more color into the competitive situation over there?

Rajeev Beotra: In the last two quarters, our relative position in Bihar has improved. So, if you will look at the competitors and their print orders and the ABC certificates, you will see that there is a drop. We launched a new product called Hindustan-Smart, so actually, we invested in the month of April, launched a new product as well in Patna. So, as we speak, now our market share is better than it was last year in Bihar, which is also reflected in the recent IRS results. If you notice, in the city of Patna, we have gained significantly over the last IRS results. So we are better placed today in Bihar and Patna, not that we were ever bad, we were always No.1 by far, but we have only further increased the lead in the last two quarters in Bihar and Patna. So, we are in a good place.

Sarvesh Gupta: With regard to the competitive intensity, is it settling down now or is it still on the higher side?

Rajeev Beotra: No. Competitive intensity continues to be high all across, which is why I said, we also recently actually launched a new product as well. Even in the current environment that we have been speaking about, we have been investing in copies and new products and new brands and new supplements. We have launched a new supplement in Delhi also, while we are discussing in Bihar. Bihar will also have new product. So, competitive intensity continues to be high.

Moderator: Mr. Gupta for any follow-ups we request you to rejoin the queue please. The next question is from the line of Om Damani from Utkarsh Business Consultancy. Please go ahead.

Om Damani: Last quarter, we had a profit at consolidated level, if we ignore the one-time, some accounting write-off that was mentioned. And this quarter, we had a consolidated loss. So, quarter-on-quarter, I mean, you have mentioned many things when we compare year-on-year. But quarter-on-quarter, what is the main factor that has caused the change between last quarter and this quarter? Is it the decline in advertising or what is it?

Anna Abraham: It is the decline in revenue, which is falling to the bottomline.

Om Damani: Because the raw material cost has gone down compared to last quarter. So, the actual decline is much more than that in that sense.

Anna Abraham: That is right. But raw material cost is only a marginal decline, low single-digit, while revenue decline is higher. So that has fallen to the bottomline.

Om Damani: Okay. But is there a trend here? Do we expect this trend to reverse, when we say so the revenue has declined compared to last quarter?

Anna Abraham: Q3 traditionally is our biggest quarter for the Print business, and Q2 is generally the weakest quarter from a cyclicality point of view. So, to that extent, quarter-on-quarter, it will show better results.

Om Damani: The other question so we have a very substantial net cash position. So, we also have at the consolidated level significant debt, and we have significant cash. So, and especially in the current economic environment, why do not we repay some of the debt and be debt-free?

Piyush Gupta: I think one of the earlier participants asked that question. As I said, one of our strategic objectives that we keep this cash is for driving the strategic objectives of the business. Just three quarters ago, we have deployed a pretty substantial part of this cash in taking 75% economic stake in Next Mediaworks through a scheme of arrangement, which is now being consolidated into our Radio business. So, we would obviously like to utilize this cash in driving good asset acquisition and business building rather than dividend or utilize that for buyback, which we do not think will add substantial value to shareholders, both majority and minority.

Om Damani: My question was more about debt than the buyback or any share price-related thing. So, in the current environment, if you are making losses at the consolidated level, and with the framework change and policy change, there is risk always there, right, about the debt repayment. I do not know what is the debt repayment schedule, maybe we are very comfortable. I mean, we have the cash position…

Piyush Gupta: As I showed in the first chart of the webcast itself, on a net cash basis, we have Rs.1152 Crores. So obviously, the cash is much higher than debt on a consolidated basis. However, most of the debt that you see, which is sitting in the balance sheet, are for temporary working capital mismatches and other capex related stuff, which has been done in the past. The capex debt has got a finite life of three to five years and has been financed at pretty competitive commercial terms and is, therefore, value accretive insofar as the EPS is concerned. Most of the short-term debt has arisen because of the working capital requirement, is not eroding any value. So, from that perspective, I do not think there is any risk of the particular instance that you are saying. So, we keep on evaluating our net cash position and seeing if it is accretive to the bottomline, then we keep it, like last year, when the borrowing costs were really rising in the country very sharply before RBI started cutting it down, we paid down a huge amount of debt, something close to about Rs.350-odd Crores. But at this point in time, with the benign cost and RBI's direction to basically be at a particular thing and not take it up, I think it is a value-accretive thing to keep a healthy level of debt, which obviously gives you a tax shield. And please remember, there are entities in the group, which are marginal taxing entities, even after the new tax regime, which has been announced by the Finance Minister. Therefore, we keep it. Thank you.

Om Damani: Thanks.

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

Navneet Bhaiya: Hi, I wanted to check on your IRS survey. So, in Q2, there seems to be a decline across all states in the HMVL readership. So, Bihar has reduced from 52 lakhs to 48 lakhs, UP from 1 Crore to 83 lakhs as well as media reports suggest that HMVL has seen perhaps the steepest decline as compared to other Hindi dailies. So, just wanted your comments on that?

Rajeev Beotra: No, in Bihar, the relative position and specifically in Patna it has improved, if you will notice the relative. Yes, overall there is a readership decline. So, Jagran has witnessed some decline and Hindustan also has witnessed readership decline, and we are also trying to analyze which town, where and how. It is a methodology thing which we are trying to dive into, but relative position, I think Bihar we have only improved. UP also we still continue to be the second largest player. So, I think we will know a little bit more after the next round, but nothing has changed on the ground in terms of copies, ABC or the activity. So, we will know a little more maybe after the next IRS round results are out. But suffice it to say, relative positions are fine, and Bihar, it has improved. Patna city, Patna town, we have gained significantly, relatively.

Navneet Bhaiya: So relatively it is improved. So, Bihar in Q1 in your presentation, I think you had said 52 lakhs of copies overall, whereas Q2, it is mentioned as 48 lakhs. So, are you seeing that the market has shrunk if your relative position has improved?

Rajeev Beotra: If you look at Jagran, overall readership numbers than other competition, so the overall Hindi readership in some of these geographies has come down compared to prior round.

Navneet Bhaiya: Similar would be the case with UP as well?

Rajeev Beotra: Yes, UP also, Jagran has witnessed a very steep decline, so have we. Relatively, we continue to be No.2, as I said.

Navneet Bhaiya: Okay. And what is your net cash level at HMVL level?

Anna Abraham: About Rs.1000 Crores.

Navneet Bhaiya: Okay thank you.

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

Pawan Nahar: Thank you. See, I have a few observations and essentially, I understand the issues relating to weak operating numbers in recent years or the company's policy of keeping cash for investments and thus not giving dividends. However, it is inconsistent to see fresh investments being made in private equity and venture capital when I look at the FY2019 annual report, and there have been more commitments made. So, I will leave that as a comment. The other thing I want to highlight is in the list of more than 300 companies that I follow, right, on a price-to-book basis, price to networth, HT Media is now trading amongst the lowest, right? It is trading at 0.2x its networth. So, it does not look like it is a mere downturn or dividend issue. It looks like there is some other issue here. And just to illustrate this further, the price-to-book is lower than even Vodafone and steel companies, in some of which there are solvency issues, right? So, it really like, you have to think about it, why is it that HMVL is below cash? Why is it that HT Media in the list of 300-plus companies is at 0.2x networth, lowest, and I repeat, lower than companies which have a solvency risk, right? So again, I am not expecting answers here, but I wanted to highlight it.

The other thing is, when I look at your FY2019 annual report, money has been put into the Singapore subsidiary. But there is no disclosure in terms of which are, the entities where the Singapore subsidiary has invested, neither in the Singapore annual report nor in the consolidated annual report, right? So again, in the past, you made comments that these were ad for equity deals, etc. But then till I see it in document out there, it is difficult for me to understand. Then if I were to look at HMVL, you have made a land purchase of Rs.25 crores, right? That again seems I am sure it is like we tried asking. One of my friends has written an e-mail. We have not heard back because Rs.25 Crores of land in HMVL, I mean, I can only think of building a printing press, but that is like a huge amount of money being put. So, if you would like to comment on any of these? And finally, just one thing there are a lot of like companies that we follow, let us say, in your case, the market cap is less than Rs.500 Crores, and there are more than 500 pages in the annual report. There is effort being put, right? It seems to me that there is a trust deficit versus the market. It is completely trust deficit, it is not dividend policy, it is not business downturn, it is something beyond. So, you do not need to answer, but if you wish, and if promoters or anybody from the Board is here, it will be great to hear this.

Piyush Gupta: Well, thanks for a few comments and a few insights. Pawan, this is Piyush Gupta this side. Well, someone from the promoters or the directors is not here. Let me try to make a few points, and this is really our perspective. I am not even trying to answer each and everything that you said, but let me try to, in all humility, at least try to answer a few things. First of all, on the land in HMVL that you spoke about, it is a printing facility, and I think we have highlighted that in the past, that to strengthen and deepen our UP publication, we have taken a certain land. Land is from the government, and the government rates are what the government rates circle rates are. I mean on Rs.25 Crores, you can basically on one side, you can definitely say that it looks like quite a lot, but that land purchase has been done from the government. So that is point number one. Point number two, which was really the first part of your question saying that price-to-book is at a certain abysmally low level, and you compared that to Vodafone, etc., where there are solvency issues. I totally take your point, I do not have an answer to this thing. Suffice to say that I am going to just make this point that over the last 24 months, if you look at the share price movement and the price-to-book of all the three listed newspaper companies, there is been a substantial erosion in the share price.

Pawan Nahar: They are at one-time book. The peers are at one-time book. I do not wish to use that example.

Piyush Gupta: I am commenting on the share price. If you remember, I said on the last 24 months share price of us and the other two listed companies, there has been substantial erosion in the order of 40% to 60%. But of course, some are one time book, and we are much less than that. I really would not be able to comment on that except for the fact that some of the other companies, which have announced buybacks or given substantial dividends, they have done for, obviously, their business plan and their best strategy. We have, on the capital allocation, said our strategy is to invest in new businesses, which will create long-term sustainable value for all shareholders, majority and minority. We have not been really returning dividend as some of our competitors have been. But that is their strategy. We respect that, and this is our strategy.

On some of the things on the overseas equity infusion that we have done, which is about Rs.70-odd plus Crores, I think this question came up in the two calls ago and I had made a point there. If you happen to be here, we can sit down and we can chat, but I do not want to divulge those things because those have competitive significance and these are all strategic calls that we in the company are taking in the benefit of all the shareholders. Suffice to say that all our information is audited and you will never find a governance issue, etc. So, if you are alluding towards that, I would like to basically put a very strong handle and say, these are all strategic issues.

On the cash side, because this question keeps on coming every time, if you remember, about two and a half years, we did invest in the Phase 2 licenses at that point in time, we had run down nearly half of treasury. But on the free cash flow generation, we have brought back the cash level to where they are, and now we have again invested more into a business, which are commanding much better earnings multiple, namely the FM Radio business than

Print business, so that we can drive more value. When we also wanted to do this acquisition, if you remember the first part of the acquisition we announced, was through a direct acquisition and not a share transfer, which, obviously, we could not secure the MIB approval for. So we are, at all times, looking at unlocking the value for the larger interest of the shareholders, and that is what we will continue to do. I hope I managed to kind of answer a few of your questions.

Pawan Nahar: Piyush, first of all, thanks. Today, at least, I am seeing some response coming. Look, I have been hearing your calls for very long. I just respect and I am happy that there is some sense, I do not want to use word for that. The other thing I want to highlight is that, look, you have cash, okay, you do not give dividends, but you are putting money in private equity funds, you are putting money in venture capital, right? That is one thing which does not tally. The second thing, I am sorry to say this and I need to go back and recheck my numbers, but the salary, which the promoters, if you are looking to conserve cash, right, the salary which the promoters or whatever the total payout is actually is more than the dividend, which HMVL gives to minority shareholders plus HT Media gives to all its shareholders. So, I am knocking off the, what we call that, ownership effect, right? And there is I mean you are doing nothing. I mean, like, it is not so difficult. I have also known this market, you know this market, right? I do not think equity investors are that difficult, that a company that you have got so much of cash, you're generating cash. It is trading below cash. So, you have to read all that?

Piyush Gupta: The last comment that I would like to make on this cash thing because I know you have brought it up for the second time. But I just wanted to give you perspective for a continuous operation, given the commodity cycles and given the softness in the revenue which now we are witnessing for the last two and a half years, just a comfort cash for covering your newsprint imports even for a period of four quarters is half the entire treasury net cash that we are sitting on. So numbers, in absolute, looks like a very high number, but for a continuous operation, just keep a perspective and you can analyze and cut it either ways, and forget about any other expenses, even employee expenses, just look at the commodity or the newsprint, it is just a cover. If you have to cover for four quarters, given the volatility in the commodity price and the softness in the revenue, that is not a cover of more than four to six quarters. That is just a perspective I would like to leave you with because one of your colleagues prior in the call said, given these tough situations and we have seen really coming out of this commodity cycle, that the commodity price can really go up 2x within a short period of four quarters, and that is what we are trying to sustain, a continuity of operations.

Pawan Nahar: Look, I have understood your point. Hopefully you have understood my point. I am hopeful you will convey it to your management. Thanks.

Moderator: Thank you. The next question is from the line of Rushabh Sheth from Karma Capital. Please go ahead.

Rushabh Sheth: This one comment and I have been hearing again calls like previously you have said for many years, we have heard about this long-term value creation and investing for long-term value creation. The company has done an IPO almost more than 10 years back and today the stock is where it is. We are honestly not seeing any long-term value creation, my friend. So how do we look at the company investing for long-term value creation?

Piyush Gupta: Look, three or four strategic poles and Rushabh, in Bombay also I kind of met you, I kind of you gave you that perspective. Look, as far as legacy business, which still happens to be our core, has been under pressure from both input commodity side and as far as the softness in revenue is concerned for the last, at least, one and a half years, and that has had a substantial impact on margins and cash. What we are doing for the shareholders is trying to incubate new businesses, whether it is in the radio stream, whether it is in the digital stream. Our digital businesses have been carved out into a separate legal entity. But the shareholders have got mirror shareholdings in that company as well. The whole idea is, we see the whole value creation equation, which is currently broken because the core is not firing the way it was supposed to fire. So, we are trying to incubate new businesses and see what best can be done. But it is not easy. In Radio, if you remember, four quarters ago was showing a margin profile at 35% and our topline growth, which was north of 15% to 18%, and it has just changed in the last 6 quarters. Now, who would have anticipated that? Now that is not our performance in isolation that is performance for the entire sector.

Now these macros are having such a heavy bear down on the sector at this point in time that we are suffering from that. But insofar as our strategy is concerned, we have already executed the strategy. One of the investors asked about Digicontent Limited and I said, look the whole idea was to get a team, task them with a separate AOP, put that in a separate legal entity, align their interests with the company's and the shareholders' interest and then let us look at firing that away.

If I look at last four to six quarters, it has shown some movement in that direction. But of course, the world just turned in the last four to six quarters also that we know. So really, I do not have a straight answer, but I just wanted to tell you that insofar as our strategy is concerned, the pillars of strategy have not been changed. We are still trying to incubate more businesses on the digital side. But to just give you a perspective, 70% of India's digital revenues are picked up by global behemoths like Facebook and Google. By the way, that number is no different for United States, where that number of 70% only reads like 60%, because it looks like that is a duopolistic kind of a market. But however, people like us have a fair right to win. Now there are legislative processes in the United States Senate and the European Council, whereby the publishers have to be paid for the news, which is used by these aggregator and platform owners. Now how those things will play out, we do not know. But we are executing to a strategy with a real hope and intent of creating long-term value. But really, if you ask me, whether it is going to happen over next two quarters, one quarter, three quarter, I really would be at best hazarding a guess on that.

Rushabh Sheth: Let me say, my limited point here is that there is a whole issue on capital allocation. I mean, we do not mind, I mean, you are saying that you do not want to distribute money, we will create long-term value out of the investments that we make. The problem that we see is that we have not seen any value creation out of the capital allocation that you have done either to digital. Now you are saying radio dynamics has changed, of course, you have written off Rs.173 Crores last quarter on the acquisition of Radio business, which we acquired about a year back or a little more than a year back. I think that is really worrisome sign that this is the problem that we see with accumulating cash that the capital allocation continues to be poor and does not reflect in the long-term value creation for either the minority or the majority. I mean, we are minority shareholders. I am saying what is happening I mean; the majority shareholder also is suffering the same state that we are suffering. So, I think the whole point is that the capital allocation needs to improve significantly. And I think that is really the point. I mean, you have made losses in the digital, for many years, I have heard the company saying that, okay, we will make the digital business profitable, which the business continues to lose money, and therefore, you are not getting any valuation on Digicontent as well. So, I think the whole point is...

Piyush Gupta: Digital, I just might like to point you out to the fact that our journey onto the digital thing has been in the most frugal manner if you just compare that to the journey, which other publishers have done on the digital side by creating separate digital news, even creating a separate digital sales forces, etc., we tried to do the same in the most frugal manner. I hope that you will appreciate.

Rushabh Sheth: No, I appreciate that. The fact is not the frugal manner, the point is, at the end of the day, in 10 years, we have not seen value creation even in the new lines of businesses that you have entered, and that is the limited point that I am trying to make. I am not saying that what you have done is right or wrong. That is not for me to judge. That is for you to decide. For me, I am just saying that whatever you have done clearly in terms of either capital allocation or the decisions that you have made as a business, have not reflected in terms of either improvement in the profitability or in new business being built, which will generate value for the company. I think that is really the point that I am trying to make. That is all. I mean, I do not want to be judgmental on what you did is right or wrong. I am just saying the end result of it and it is now 10 years. It is not a small timeframe that we were talking about. So that is just a limited point I wanted to make on this. Thanks a lot.

Piyush Gupta: Thanks.

Moderator: Thank you. The next question is from the line of Depesh Kashyap from Equirus Securities. Please go ahead.

Depesh Kashyap: Hi Sir, just one question. Just want some guidance for tax rates in HMVL going forward?

Piyush Gupta: Well, tax rates in HMVL going forward, and I am not talking about the new tax policy, we are still working out the numbers that we should exercise the option to go into a 25% regime. But the effective tax rate for this fiscal year will be close to the same numbers which were last fiscal year, anywhere between 28% and 30%.

Depesh Kashyap: 28% to 30%. Okay. And next year, you will decide whether to go into 25%?

Piyush Gupta: Yes. We are still doing our numbers, and we will take that decision before March 31, next year.

Depesh Kashyap: Thank you Sir.

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

Mahantesh M: I do not know whether these questions are asked or not. Just want to get an outlook on the newsprint prices going ahead. I mean, you got a benefit from the newsprint in the latest quarter. But what is the outlook going ahead and what is the trend?

Piyush Gupta: We believe that the newsprint prices in the subsequent quarters will come down by another 5% to 10%. But as one of my colleagues did point out earlier, there will be a dampener because of custom duty, so half of that benefit is going to be withered away in custom duty. So, you can expect some softness, but not above 10% because half of that will be going to custom duty. Unless the government reverses that decision, the 10% benefit will go in the duties itself.

Mahantesh M: Sir, regarding the circulation volumes, I mean, what was the reason for the slight decline in the volumes?

Piyush Gupta: As my colleague pointed out earlier, a lot of publishers who had soft revenue scenario have been taking efficiency measures and all the unproductive copies etc., are being culled out, and the cover price actions which was started last year, is leading to a situation whereby people who were using three newspapers and two newspapers and so on and so forth. So therefore, there are copy drops which are happening across the industry, including Hindustan.

Anna Abraham: But sequentially, this is an impact versus last year because a lot of corrective actions are being taken now.

Mahantesh M: Okay. And one more thing like, are you seeing any uptick in the ad volumes now, like marginal green shoot occurring?

Piyush Gupta: Too early to say. We are always hopeful in the beginning of every quarter, but I do not see too many green shoots at point this time.

Mahantesh M: Sir, you are telling it in a positive front or in a sarcastic way you are telling?

Piyush Gupta: Not in a sarcastic way. I am basically saying we always are hopeful that every subsequent quarter will bring in some green shoots, but some of the other sector plays spoil sport. When we are very hopeful about some sector, Auto certainly went into pressure, which has been a big sector for us. At this point in time, you know we were hoping in this festive, the E-commerce and various other discretionary categories will fire big time, which has also not happened. So, we are hopeful. But at this point in time, there are no green shoots. Because you asked about green shoots, we do not see too many green shoots at this point in time.

Mahantesh M: Thank you very much.

Moderator: Thank you. The next question is from the line of Vijay Subramaniam from Trustline. Please go ahead.

Vijay Subramaniam: I just want to know is the de-merger of the Radio business and merging it with the Next Radio is on, is it currently being put on hold? Number two, I just want next time, I know you bat every time very hard for the company and the management. But I do not know whether these investor pointsare really listened by the management or the Board of Directors. And if you could actually take this printout and just show it to them and read, and then next time if one of them come and attend, that would be very good?

Piyush Gupta: Well, on the second point, I can only tell you that we share our inputs with all the concerned. But coming on to the first point, which was the merger and the demerger, as I said, Vijay, that was the original plan, but we have still not been able to secure the MIB approval on that. We would obviously like to go in that manner. But if the government does have more clarity on that, we would obviously like to unlock the value for all the radio shareholders by doing that.

Vijay Subramaniam: Thank you.

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

Anita Singh: My question was on the tax. Could you throw some light on the increase in tax expenses this quarter?

Anna Abraham: Last year there was a pressure on margins and PBT on account of heightened newsprint prices. So there is improvement in PBT and the taxes have increased basis that. But the H1 number would be more representative.

Piyush Gupta: So, I think the simple point is, Anita, you should look at that entire H1 number in totality rather just the Q2 number. That is just a true up. But as my colleague pointed out, compared to last year where margins were being eaten by heightened commodity prices, the PBT number will be better in HMVL specifically and hence the higher taxes.

Moderator: Since like we lost the connection from Ms. Singh, we move to the next question from the line of Lalaram Singh from Vibrant Securities. Please go ahead.

Lalaram Singh: Good evening Sir. Sir, you mentioned about inorganic or using capital to grow in areas like Radio and digital for HT Media. For HMVL, can you throw some color?

Piyush Gupta: HMVL is a part of our core business, as one of the other investors asked prior to this about rather largish investment, we have been deepening our presence. Look in HMVL, the critical markets for us are Bihar, Jharkhand, UP and Uttarakhand, apart from Delhi. And we have been deepening our presence, and that is the reason we did that investment of land acquisition in setting up a new printing facility in Kanpur, which happened last year, which is already firing away. So, on our core, we have been investing, and we will keep on investing. I do not think we are shying away from that objective at all. Thank you.

Lalaram Singh: Okay. Secondly, we are also open to inorganic opportunities within HMVL, any color on that?

Piyush Gupta: Yes, we are always open, if there are good opportunities, our Board is always vested to evaluating these opportunities and as and when good opportunities come, if there is a shareholder proposition, we evaluate, and basis that, a decision is taken always.

Lalaram Singh: No, I understand that. I was expecting a much more, sort of more color on, are companies available for sale, particular regions that would be helpful?

Piyush Gupta: It will be a conjecture. I would not be able to answer that thing because it is just a conjecture at this point in time. But as I said, as and when good opportunities are presented to us or they present themselves, we have a healthy debate on that. And as we have a robust balance sheet, we would not shy away from deploying our balance sheet for future growth creation opportunities.

Lalaram Singh: Last question, if I can take that. Thanks. Are you open to doing a merger between HMVL, HT Media and listing just one company, delisting the entire group?

Piyush Gupta: At this point in time, there is nothing like that on the cards, is all I can say.

Lalaram Singh: Okay thanks a lot.

Piyush Gupta: Thank you.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for closing comments.

Anna Abraham: Thank you, everybody, for attending our conference call, and we look forward to interacting with you next quarter. Thanks. Thanks for joining.

Piyush Gupta: Thanks for everyone. Thanks for making the time.

Moderator: Thank you. Ladies and gentlemen, on behalf of HT Media, that concludes this conference. Thank you for joining us and you may now disconnect your lines.