Hindustan Media Ventures Limited

C-164, Sector-63, Noida
Dist. Gautam Budh Nagar UP - 201301
Ph. : 0120 - 4765650
E-mail : corporatedept@hindustantimes.com
CIN : L21090BR1918PLC000013

15th November, 2022

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra-Kurla Complex, Bandra (E)
Mumbai - 400 051

Scrip Code: 533217

Trading Symbol: HMVL

Sub: Transcript of Conference Call for Analysts and Investors for the quarter and half year ended on 30th September, 2022

Dear Sir(s),

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the enclosed transcript of Conference Call for Analysts and Investors held on 07th November, 2022 in respect of Un-Audited Financial Results of the Company for the quarter and half year ended on 30th September, 2022.

The transcript of the Call is also available on the Company's website at:
http://www.hmvl.in/report23.html#

We request you to take the above information on record

Thanking you,

Yours faithfully,
For **Hindustan Media Ventures Limited**

PUMIT KUMAR CHELLARAMANI
Digitally signed by PUMIT KUMAR CHELLARAMANI
Date: 2022.11.15 18:55:55 +05'30'

(Pumit Kumar Chellaramani)
Company Secretary

Encl: *As above*

HT Media Group Q2 FY23 Earnings Conference Call

November 7, 2022

Management: **Mr. Piyush Gupta – Group CFO**

Mr. Anup Sharma – CFO, Hindustan Media Ventures Limited

Ms. Anna Abraham – Head, Investor Relations

Mr. Pervez Bajan – Group Controller

Aaditya Mulani: Good afternoon ladies and gentlemen. This is Aaditya Mulani from the HT Media Group. I would like to welcome you all to our Q2 FY22-23 earnings webinar.

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

Anna Abraham: Thank you, Aaditya. A very good afternoon to everyone. On behalf of HT Media Group, I welcome you to our earnings webinar to discuss the financial results of the Q2 FY22-23. On the call with me today are Mr. Piyush Gupta, Group CFO; Mr. Anup Sharma, CFO, Hindustan Media Ventures Limited; Mr. Pervez Bajan, Group Controller; and members of our Investor Relations team.

I trust you had an opportunity to go through the financial results of Hindustan Media Ventures Limited declared last Wednesday on 2nd November and of HT Media Limited released earlier today. We will be discussing the details of the same through the course of our call today. Kindly note that our remarks will track with the presentation on the Zoom webinar. This presentation, along with the financial statements, is available on stock exchanges and the Investor Relations section of our website.

The next slide captures the disclaimer regarding forward-looking statements. Do keep this in mind. As per practice, we do not provide specific revenue or earnings guidance.

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

"The second quarter of the current fiscal saw a fairly conducive business environment. However, inflationary pressures continued in the form of elevated input costs, arising largely from geopolitical factors.

Our Print business continues to show revenue growth on the back of an increase in both advertising and circulation revenue. Our Radio business is recovering gradually and is showing a substantial topline growth on a y-o-y basis. However, profitability of the Print business was significantly impacted by elevated newsprint rates. We are seeing signs of pressure easing on this front, although the benefit of this will flow only in later quarters.

In the near term, the festive season provides further growth opportunities across business verticals as retail and commercial activity picks up in the ongoing quarter.

Amidst considerable global economic and geopolitical churn, our endeavor remains the same – to be a source of credible news, and engaging content for our growing audience base."

Slide 4 gives the agenda for today. We will begin with the performance update with comments on our consolidated financials, followed by detailed notes on, Print, Radio and Digital business, further to which we will open for Q&A session.

I will now hand over the call to Piyush to take you through the rest of the presentation. Over to you, Piyush.

Piyush Gupta: Thanks, Aaditya. Thanks, Anna. Very good afternoon to everyone and season's greetings. We will now jump into the presentation right away. So, on your screens, as you can see, this is the consolidated financial summary for the Q2 FY23 and in the parallel column, we also have the FY22 same period last year. As you can see, on a y-o-y basis, the total revenue grew by 2%, and in EBITDA there is a decline. It has come to INR -12 crores at a -3% margin.

PBT comes at INR -66 crores and a -15% margin and our Net Cash remains at INR 811 crores.

The key highlights are given on the right-hand side. The only other point that I would like to make is that the Company has decided to move to a new tax regime, which has resulted in a write-off of unutilized MAT credit of INR 88.5 crores and a reversal of tax credit of INR 7.5 crores, which is related to the previous years.

Moving on. Going into the business unit performance. For Print, our Ad revenue came at INR 269 crores at a 9% increase and on a sequential basis a 12% growth. Our Circulation revenue at INR 61 crores, at more than 21% increase, led by both print order and realization per copy, and on a sequential basis, that's a 2% growth. Consequently, our operating revenue at a 10% increase came to INR 344 crores, and operating EBITDA came at INR -14 crores, with a -4% margin.

Quickly jumping into the English business, which is HT Media and Mint. If we look at Q2 FY23, Ad revenue at INR 147 crores, which is a 10% increase on a y-o-y basis and a 16% increase on a sequential basis. Our Circulation revenue at INR 15 crores, is a 118% increase on a y-o-y basis, and a 19% increase on a sequential basis.

Similarly, in so far as Hindi is concerned Ad revenue at INR 122 crores, which is a 7% increase on a y-o-y basis, and an 8% increase on a sequential basis and Circulation revenue at INR 47 crores, is a 7% increase on y-o-y basis and a flattish to -2% decline on a sequential basis.

Radio there's a nice growth, as you can see, a 36% y-o-y growth with revenue coming at INR 33 crores versus INR 24 crores same period last year, with operating EBITDA margin coming into a positive territory of 3%.

Digital has been flat, at -4% y-o-y with INR 33 crores coming down to INR 32 crores this quarter and operating EBITDA was marginally negative at INR -2 crores with a -5% margin.

With that, we come to the end of the presentation, and we'll leave it for the question and answers now.

Aaditya Mulani: Thank you, Piyush. We will now begin the Q&A session. You can click on the ‘raise hand’ option which will enable the Moderator to unmute you for posing your query. Please introduce yourself before posing your query and kindly restrict to a maximum of two questions per participant so that we may be able to address questions from all participants. We will wait for a few moments while the question queue assembles.

The first question is from the line of Gunit Singh.

Gunit Singh: Thank you for giving me this opportunity. I have a question regarding the loss that we are making since the last couple of quarters. Is this majorly driven by the increase in newspaper print prices? And could you please give some idea of how the prices have trended in the past 2-3 years? What is the outlook in terms of how the prices would trend for the coming couple of quarters?

Piyush Gupta: Let me just give you a little color. The losses are primarily on two reasons. If you look at the EBITDA movement versus the same period last year, one is the elevated newsprint prices. Newsprint prices in the current quarter have averaged around INR 66,000 per metric ton as against the same period last year was about INR 42,000. So, you can see that's about a 50% increase in newsprint prices. That's purely the pricing delta. And in terms of rupee crore, that is a cost hit of about INR 57 crores, which has gone into the P&L.

Now if I were to project out, now that's a little bit of hypothesis here. What we are seeing in the market is that the prices have already topped out. And we believe after plateauing for some time, they would start coming down. As you know, newsprint is a cyclical commodity. And I believe they are already hitting the peak at about USD 850-890 a metric ton.

In terms of dollars, we believe the prices will come close to about USD 700 in the next couple of quarters. Now, of course, as you would understand, the currency itself is a bit of a wildcard at this point in time because there's a 10% rupee depreciation. So, we will save about 25-30% in terms of dollar prices, but 10% of that will go away in the currency. I personally, therefore, believe looking at our inventory situation and where the newsprint prices are heading, that in the next couple of quarters, we would come out of the red, which is primarily because of the newsprint cost and the margins will therefore start improving.

Anna Abraham: Just to add to what Piyush has said, in the last couple of quarters, we, of course, saw a high impact on the revenues given COVID and how it impacted businesses across categories and especially in the retail business and the local businesses. We saw consecutively there is a growth, but it has still not come back to the pre-COVID level.

Piyush Gupta: So, just to accentuate the point that my colleague just made, which is on the revenue, we know that the volumes have been continuously recovering for the last, I would say, two quarters, since COVID had started to have a way. However, pricing still remains a challenge. So, somewhere the volumes are back to about 80-90%. In some markets of Hindi, they are actually above the pre-COVID level also. But pricing still is a big challenge, whereby market by market, we are anywhere between 70-90% of the pre-COVID prices. I hope that answers your question.

Gunit Singh: Yes, it does in some sense. So, going forward, do we expect to cross the pre-COVID levels because there is a large adoption of digital media? So, in terms of your internal projections, how do you see the business going forward?

Piyush Gupta: Yes, two things there, Gunit, I think the migration to digital or the new age media, as you know, has been accentuated by COVID, but it's not a new phenomenon. That's been happening for the last many, many years, as more and more people are adopting to the new forms of media. So, that's the reason we have a pretty robust Digital business, which is basically undergoing those changes.

Having said that, we believe that we will be easily able to come to a very profitable situation or whether we'll be able to cross the peak or not cross the peak, I wouldn't like to hazard a guess. We don't speculate on forward-looking forecast. But suffice to say that the mere impact of the newsprint prices reverting back to median itself will be a very robust impact on the bottom line. And with pricing correcting in the marketplace, which is a factor of demand and supply, I think we can easily cross the pre-COVID levels without any questions.

Gunit Singh: All right. And in terms of the newsprint paper, is it mostly imported? Or is it also locally sourced?

Anna Abraham: Currently, it's largely all domestic because, given the geopolitical environment, shipments from global sources have been a bit of a challenge and also a little on the costlier side. So currently, it's largely domestic, but it does vary depending on the opportunities that we find.

Piyush Gupta: Yes. So, Gunit, it's basically depending upon opportunities. We keep on evaluating all sources, both domestic and international. Wherever the pricing equation is in our favor, we go for it. Right now, it's mostly domestic. But going forward, it will depend on the pricing equation.

Gunit Singh: Alright, thank you and all the best.

Aaditya Mulani: Thank you. The next question is from the line of Hari S.

Hari S: My question, Sir, regarding this Digicontent and Next Media, like going ahead, what is the strategy like amalgamating them?

And second question is regarding this right-of-use assets and lease liabilities have gone up. Can you throw some light on that, Sir?

Piyush Gupta: Yes. So, on the first question, let me just try to give you an answer, and then I'll request my colleague to answer the second part of your question.

The Digicontent and Next Media you said, that is a scheme that we had put forward to the NCLT and to the Shareholders. As you are aware that, in the current form and fashion, it had not gone ahead because we had to secure the majority of the minority approval, which we could not. So, we are looking at other ways and means to simplify our holding structure of various businesses. Right now, it's still a WIP. There's nothing concrete on the table. Once there is, we will bring it back to the Shareholders.

I would now request my colleague, Anna, to take the right-of-use and lease assets question.

Anna Abraham**:** Yes. Some of our properties that we use for office premises is on a longer-term contract. Therefore, under IndAS, it gets classified as right-of-use assets. These assets had come up for renewal this year, and we have renewed it for the same tenure that we typically have. And therefore, there is an increase here, but there is a corresponding number in the lease liabilities also. So, net-net, it is not a significant number. It is just that under the accounting standards, we have to record it as such.

Piyush Gupta: So, Hari, the point is at a PBT level, that's neutral, but accounting standards ask you to classify that across two lines.

Hari S: Ok. Sir, one more question, Sir. Like, is there any plan of taking the market share from these news aggregators because they are getting the lion's share of ad revenue? Is there any plan?

Piyush Gupta: Hari, that strictly is not this Company's question, but let me try to answer that at a high level. The news aggregators are primarily working in the digital side. Our Digital company, which is DCL, which is parallel to HT Media, is putting a lot of plans into action. Whereby, we can serve more effectively news to our readers and consumers in a more cost-effective manner. Those strategies are being worked out, and you've seen the last year's growth. So that strategy will keep on unfolding at the DCL level.

Hari S: Ok Sir. Thank you very much.

Aaditya Mulani: Thank you. The next question is from the line of Sameer Joshi.

Sameer Joshi: Hello can you hear me?

Piyush Gupta: Yes, we can hear you. Can you hear us?

Sameer Joshi: Yes. I can hear you. I have two questions. Like, why doesn't Company publish the readership or readership count of publications along with news price trends quarter-on-quarter and year-on-year?

And second thing, in order to increase Advertising revenue as well as Subscription revenue, is the Company thinking of out-of-box thinking like encouraging digital subscription so that there is no cost on newsprint but only advertising gets more remunerative?

Piyush Gupta: Great questions, Sameer. So actually, there are 3 questions. One is on the readership trend. The second is on the newsprint price trend and third on the Ad revenue. So, let me take them in the same order.

On the readership, Sameer, the readership numbers are audited and published by independent agency IRS and that data is, I think, publicly published once they've finished their survey and I believe that survey is going to happen in the next 6 to 9 months. So once that data will be done, it will be published. We, as a Company, or any other company does not independently put their readership number, but a third-party audits and then puts that number. So, once it is there, you can pick it up from the IRS website.

The second point that you asked for was on the newsprint price trends. Now, again newsprint price trends are captured by an independent agency called RISI. And RISI basically puts out a forward forecast for the newsprint price trends across various markets in the world, including India and Singapore and Hong Kong and so on and so forth. Now those are the price trends that we consider while taking our procurement decision, and those are also available on the RISI website, and you can pick that up.

The third thing that you asked on out of box thinking on getting Ad revenue. What I would like to tell you is there are multiple digital ways in which we are approaching or recruiting our readers or future subscribers, including giving them very smart schemes and the latest scheme being that we are bundling with the digital offering that we have, which is called

OTTPlay, which is an aggregator of various OTT platforms. Like, Netflix is an OTT platform. Amazon Prime is an OTT platform. Disney is another OTT platform. Voot, Sony and so on and so forth. So, we are bundling with that so that it becomes much more exciting for our future readers, consumers of our news or various other propositions that we have.

So, we are already doing that. And can we do more? Of course, we can do more, but we are perpetually thinking how to take our proposition much more smartly to our readers and consumers, and we are at it. So, I hope I have answered your questions.

Sameer Joshi: Yes. But the only question is, does consumer know about these things? Like, that is the main question.

Piyush Gupta: **N**ow that you've highlighted, I've taken a note of that. Let me ask our marketing department as to what should be the better go-to-market strategy in terms of taking this proposition to our readers so that they are aware of this thing and are just not waiting for their vendors to tell them what schemes are available, but they can basically do a search on Google and find it out themselves.

Anna Abraham: The only thing I would like to add is that while our circulation copies in Print had taken a substantial hit during lockdowns, it's been growing. And therefore, even the Print Circulation revenue, we are continuing to report growth. So yes, while we are also looking at all these additional opportunities, the core is also growing and coming back to the pre-COVID levels.

Sameer Joshi: Ok, thanks.

Aaditya Mulani: Thank you. The next question is from the line of Smiran Bhandari.

Smiran Bhandari: Thanks for the opportunity. So, my question is regarding the Net Cash of INR 811 crores. How much of it belongs to HT Media? And how much of it belongs to HMVL? Can you give me the segregation?

Anna Abraham: Yes. HMVL is about INR 1,100 crores of cash in that, and the rest of the companies will be at a net debt position.

Smiran Bhandari: Okay. And secondly, about HMVL. There is around INR 31 crores of un-allocated expenses. So, does that belong to HT Labs startups?

Anna Abraham: Yes. Partially, yes.

Piyush Gupta: Yes. Partially, yes.

Smiran Bhandari: So, now what I'm observing is that HT Labs startups that is the new-age startups are combined with the legacy vernacular business. So how much of it does that make sense? Does it make any sense at all? Because these will have different cost structures, different expenses. So, any Shareholder will look at it, and they won't understand. They'll see this INR 30 crores, and they'll imagine it to be the loss of HMVL newspaper business. So, shouldn't HT Labs be a wholly owned subsidiary?

Piyush Gupta: Look, Mr. Bandari, I think the whole point is you're absolutely right. Once those business scale to a certain level, of course, from a Shareholder point of view, you can always restructure and take that proposition separate to the market. But as my colleague just highlighted to you, most of the cash is sitting here, and you really don't want to create a complicated structure, whereby cash is being sent here and there. So right now, all these incubations, which are happening, we are waiting for them to scale up before we make them a separate proposition. Once they're scaled up, can definitely have them separately viewed, and we can do multiple things at that point in time. But it's too early at this point in time.

Anna Abraham: Sorry, and just to add. We've constantly talked about the fact that we're keeping cash to diversify into new business streams and adjacencies that might not be exactly similar businesses but adjacencies where we believe we have the right to kind of build a diversified business. We will want to invest and continue to invest, and that's what we have consistently told the market as well.

Smiran Bhandari: So, nothing against the strategy. I mean it's a good way to utilize your cash reserve. At least it's a plan. Having a plan is better than having no plan. My point is just regarding disclosure norms, it is quite material. You cannot just say it's at an initial stage because the INR 30 crores, that's the loss of HMVL. And INR 31 crores is probably, I'm just presuming under segment revenues, that's the startup burn. So already, it is at a very material level. So, combining it with your newspaper business, which is under standalone, it should come under consolidated so that we can have a better understanding of what the newspaper business is doing and what HT Labs is doing, under separate tabs.

Piyush Gupta: Yes. So, look Mr. Bhandari, I think we've never shied away from giving over disclosures. I think that's a great point that you make. But as I said, it's just about a two quarter old business, and it's still scaling up. We are still bringing in people, building up the capabilities, and hence, we have not taken it as a separate segment. I think suffice to say that we will again take a litmus test on that. And if required, we can always do over disclosure because right now, legally, whatever is required, we're absolutely doing. But I think from a more transparency point of view, as you rightly said, if it is required, we can look at creating another separate segment and have that conversation with the auditors as well.

Anna Abraham: And just to add, it's just not one business. It's a couple of businesses which are getting explored under the entire Labs portfolio. So as and when the business model is established for any one of them and the revenue monetization, etc., kicks in, it will get reported as a separate segment. Labs is encompassing quite a few experiments, so to speak.

Smiran Bhandari: Yes, sure. Just like to add as a finishing point that please disclose more about HT Labs from next quarter onwards so that the Shareholders have an idea of where things are going.

Piyush Gupta: Got it, thank you for that comment.

Smiran Bhandari: Thank you, thank you so much.

Aaditya Mulani: Thank you. The next question is from the line of Riya Mehta.

Riya Mehta: Thank you for giving me this opportunity. I would like to ask a question regarding advertisement. So how are we seeing the regional advertisement? So, I understand that English and regional have different demographics. So how are we seeing any region? Specifically, in Bihar, how do we see it panning out? Since as I was speaking to a couple of advertisers, so you're seeing good kind of growth. However, the major Auto is not being reflected much. So, what's your opinion on the same?

Piyush Gupta: So Riya, as you rightly said, I mean, separate set of advertisers for local advertising, separate set of advertisers for national advertising. If you talk about markets like Bihar, UP, that's what we saw through the Hindustan, which is our Hindi language daily. What we have seen is clearly that, that particular segment of advertisers, the volumes have come back to a pre-COVID level. But pricing is still something that we are still waiting for that, but the volumes have definitely come back in the local advertising.

Riya Mehta: And in local, what segment do we see that advertisement coming up from?

Anna Abraham: Yes. Mostly across segments, we are seeing growth on a y-o-y. A few sectors is what is impacted. FMCG is a little down, but otherwise, Banking and Finance, Education, Retail or even Auto, to some extent, is better than last quarter and so is Real Estate.

Riya Mehta: And how has the festive season panned out for us, mainly the Diwali period, October month?

Anna Abraham: We would not like to comment on it at this point of time. I mean, I think we will, in the next quarter, address the question.

Piyush Gupta: Look I think at a high level, Riya, I think it was good. Could have been better, but I think the big problem of volumes coming back without pricing still remains and along with the escalating newsprint situation is not very good.

Riya Mehta: How is competition panning out in the regional space for us in the advertisement segment? Like, why are we unable to increase the advertisement yield?

Piyush Gupta: Look, I think the problem in yield is about the market competition. So, in markets where we have a good competitive position, we've been able to work on our yields. Where our competition has good market position, they have been able to work on their yields. But suffice to say, if you look at the index to a pre-COVID level, at the average level across markets, yields are still not back to the pre-COVID level, either for us or for competition. What you see in competition results and really both the competitors have already disclosed their results because they are a pure-play Hindi player, and some amount of political revenue is also sitting in one of the players. So, you see certain variance in numbers. But as far as pricing is concerned, my comment still holds that pricing is still not on an index level higher than the pre-COVID level for everyone, and everyone is working now that the volumes are back. Maybe the demand-supply equation will help take the pricing up from here on.

Riya Mehta: So, volumes are back to pre-COVID levels for us?

Piyush Gupta: Yes.

Riya Mehta: Okay. And what are we doing for the competition? Are we reducing our cover prices with the newspaper print prices going down?

Aaditya Mulani: Dear participant, sorry to interrupt. May we request you to please fall back in queue for further follow-up questions.

Piyush Gupta: I will take this question and then will move to the next. Look Riya, it doesn't work exactly like that because when the prices go up, we are unable to pass on the total price increase to the readers any which ways. So, it's not possible to reduce like a commodity price. Even in Hindi where we recover more than English, we don't manage to recover even 50% of the newsprint cost at these elevated levels. So, I don't think that's the intent.

Riya Mehta: Thank you, thank you so much for this opportunity.

Aaditya Mulani: Thank you. The next question is from the line of Mehul Pathak.

Mehul Pathak: Piyush, Anna, season's greetings. Can you hear me?

Piyush Gupta: Yes. I can hear. We can absolutely hear you, Mehul. Hope you are doing well. Season's greetings to you as well.

Mehul Pathak: Belated Diwali wishes, I am doing well, thank you. Actually, my question is not more related to this quarter but a larger question. I actually was just looking at DB Corp., Jagran Prakashan and our performance from 2018-19. FY18 and FY19, all three of us had more than 10% net profit margins. So, there was not much to choose between each company in terms of profitability to sales.

We fell sharply during the COVID time, made losses. These other 2 companies also fell, but they did not make losses. Now they are back. Of course, they are also hit by newsprint prices. But even now, their net profit margins are about 10%. Even today, when I say you look at even the quarterly performances, they are showing that.

Now when it comes to capital employed, if you see DB Corp. uses largely around INR 2,000 crores to make about INR 150 crores a year. Jagran Prakashan used about INR 2,200 crores, and they make INR 200 crores plus. Now along with Hindustan (HMVL), we used close to INR 4,500 crores to INR 5,000 crores a year, and we still make losses.

So, can you share some perspective on actually where we are going and what net profit margins we can expect in future? Will we be competing with the other two? I'm not saying that the businesses are actually same, but at least HMVL should reflect what DB Corp. and the others are doing. So, if you can share some larger picture, in terms of where we are moving. And will we match these people in performance? Or will we keep guzzling capital and deliver far lesser?

Piyush Gupta: So Mehul, just for my understanding, this INR 4,500 crores, where did you get that number from?

Mehul Pathak: No, I'm just taking some top line numbers. For example, HMVL today has a net worth of -- when I look at March 2022 -- or even current numbers, the current balance sheet, they have INR 1,502 crores of net worth and total debt of INR 278 crores. If you look at HT Media, we have INR 2,083 crores net worth on March 2022 and total debt of around INR 800 crores.

So, I'm saying that roughly when I see HT Media, I'm not reducing cash and doing some accounting calculation. I'm just saying that in our business, we have today, as on March 2022, INR 2,800 crores. And when you look at HMVL, HMVL has about INR 1,800 crores. So, all this capital that we are using in the business, we are using significantly more capital than all the other companies. There is no comparison at all. But when I look at the numbers they deliver, even their numbers are pathetic for the capital that they are using. But we are nowhere even compared to a poor performance of DB Corp. and Jagran Prakashan. We are not even that level of performance.

Now by when my question is that, are we looking at these numbers? Do you have some perspective to share? What are they doing differently? When will we match at least their level of performance?

Piyush Gupta: Yes. So Mehul, thanks, I think, for that comment and that question. So, a couple of things. So, I think, first of all, you should look at the overall number of HT Media and HMVL and compare the return. I think if you want to do HMVL, we can do HMVL. We can do HT Media separately. Having said that, one thing that you know as well as I do is that most of the legacy print media business, I don't think they are turning out the RoCE of 20-25% at this point in time, given a lot of migration to digital media, which is a long-term trend, our short-term trends being suddenly the newsprint prices goes up and then come down and so on and so forth. However, what we have done very prudently, and I think you'll appreciate that at a certain level, you might hate us for that or you might love us for that, but the reality is that at least we are trying new things like the gentleman before you was talking about HT Labs. We are at least trying new initiatives where we can really lever up the RoCE by participating in these new-age businesses, which can cull out a better RoCE.

So, at this point in time, I really don't want to explain the difference of RoCE between 4% to 15% on a walk that is saying that there's an operating leverage because they have double the size of the business, and hence, they can use their machines much better. But the reality is, even if we do 15%, your comment is that it is close to pathetic. So, I think if something has to do way, I think, what I take solace at this point in time is that we are not sleeping at the wheel, right? We are experimenting new things. Maybe one of these things will flip. HT Labs is a new incubation, whereby at least we are trying 6 or 7 new things. Hopefully, with a very clear hope and intent, and we are working towards it, that a couple of those will work and become scalable business because only through those initiatives will we be able to jack up the RoCE from where it is currently.

The short term, I mean the simple way to explain our negative versus theirs is the operating leverage for a business of double the size. And the market position, which is much better in a much richer market like, let's say, UP versus our Bihar, obviously, they'll get that operating leverage. But we are experimenting with new products, which will help us create a sustainable business, which will jack up the RoCE. I think that's broadly what I can say but happy to hear any thoughts you have because we are consistently looking at new strategies to jack up for the Shareholders, but that's what we have. But if you've got any thoughts now or later, I think we can always chat about that.

Mehul Pathak: No, actually, I have about 2-3 thoughts, Piyush. One is that we have not been delivering a good RoCE for a fairly long time. Now the Management firmly believes that it is a better deployer of capital than the Shareholder will be if the money is in his hands. So, either give back the money to the Shareholders, reduce the denominator so that the RoCE will improve. That is one.

Second is that even in the AGM and in the past, you always make this comment that we cannot comment on what the market prices is of our stock and we will not comment on that. But if you see the same market is at least rewarding Jagran Prakashan and DB Corp. by quoting them at book value and above. DB Corp. is quoting above book value. So, the market is punishing us very badly.

Piyush Gupta: Mehul, if I may just -- sorry to interject here. But as an investor and as a very seasoned investor that you are, I hope you'll agree with me that a stock quoting at book value, of course, Warren Buffet and Charlie Munger can say that. But you won't basically go into that because I'm not talking about the new-age companies, but at least a 2x to book or 2.5 or 3x to book is something that most growth companies are doing.

So, really my point is, of course, we are trading below the book. But our hope and expectation is that by getting some great businesses within the outfit by utilizing the resources that we have; can we create sustainable value for all shareholders, majority and minority. Because look, I mean we can always argue if we can't do anything, then return the cash. And I've always said in the AGM and I repeat again, I mean at the expense of sounding like a broken record, those conversations have happened and will happen. But think about it, if the switch flips on one of these new initiatives, I think we can trade much above the book value, isn't it?

Mehul Pathak: Yes, but Piyush, my point was that…

Aaditya Mulani: Dear participant, sorry to interrupt. May we request you to fall back in queue for further follow-up questions.

Mehul Pathak: Sure. I was just responding to what Piyush was saying. I have no new perspective to add. Any glide path you can give Piyush? Next 5 years on where do you see from now?

Piyush Gupta: I think Mehul, 5 years is too much of a pie in the sky. I think what we need to do is and I am planning to come down. I think we should sit down for a cup of coffee and exchange notes on these. Because, look, really, we are pretty much open to suggestions and I can fill you in on various initiatives that the Company is doing. But if there are fresh suggestions, which we might have missed, happy to take them on board, so let's carry on this conversation then.

Mehul Pathak: Ok, thanks Piyush, thanks Anna.

Aaditya Mulani: Thank you. The next question is from the line of Ranga Prasad.

Ranga Prasad: Yes, can you hear me?

Piyush Gupta: Yes, we can Ranga, good afternoon.

Ranga Prasad: Good afternoon. My question relates to our shifting to the new tax regime. By shifting we have given up substantial amount of tax assets. Now was our shift prompted by the fact that we are not profitable and will not be able to use tax credits in the foreseeable future? Or do you see any other advantages that are coming to you by the shift?

Piyush Gupta: Yes. That's a great question. Ranga, we have given up our tax asset, which is the MAT that we have taken, but we still have substantial carried forward business losses. So, in various scenarios that we have plotted out, even when we become profitable, there are enough and more to carry forward losses that we can utilize to set up our business gains going forward. And hence, there was no point of being cash out on a MAT basis at this point in time. There is a way by shifting to a non-MAT regime and paying a lower marginal tax rate of 25% as against the 34.95%. And that's the reason we have given up the MAT assets. But suffice to say, we've still got substantial carryforward losses, which can be used against the future profits.

Ranga Prasad: Ok, thank you.

Aaditya Mulani: Thank you. The next question is from the line of Sameer Joshi.

Sameer Joshi: Thanks for giving me another opportunity. I have question. Like, company has so much cash in its book. So why doesn't it segregate into required cash for business and which is not required and which can be distributed to shareholders in form of dividends and buyback, just like how Jagran Prakashan has been doing?

Piyush Gupta: Mr. Joshi, look, most of the cash is sitting in HMVL. The single biggest shareholder of HMVL, of course, is HTML, so most of the cash that we give, about 60%+, will come back to HTML itself. However, the bigger point being what I was discussing with an earlier participant, that the Company, at this point in time, believes that the Company can put this cash to a better use to create long-term sustainable value for the Shareholders.

As far as the immediate cash is required, as you can see from the last, I would say, about six quarters, we have seen very clearly either because of the pandemic or because of the escalated commodity newsprint cycle, a substantial amount of cash goes or gets locked in the working capital for a sustained long period of time. And hence, INR 300-400 crores in any case at any given point in time is what we call the safety cash, which is required for the normal running of the business. Beyond that, from 800, if you take that 400, there's another 400, not that we are utilizing all of that, but we have a definite call or a line of sight to use some part of that to try and create these sustainable businesses.

So really, the dividend question is something that has been debated, not just here but also in the Shareholders' meeting and the Board level. And that will keep on being debated, but I just wanted to paint a picture of how the cash is being seen from a value creation and from a margin of safety perspective.

Sameer Joshi: Ok.

Piyush Gupta: Thank you.

Aaditya Mulani: Thank you. The next question is from the line of Hari S.

Hari S: Hello Sir, once again. A suggestion regarding any plans of launching a YouTube or app-based news channel because there won't be any carriage fees for these things. Is there any plan on the things, Sir?

Piyush Gupta: Yes. Look, Hari, again, I'll go back to my point that yes, of course, we've got certain plans, but most of those plans are working out in our digital company, which is DCL, Digicontent Limited. And we evaluate everything various channels, including YouTube also. But most of those things are not happening either in HTML or HMVL.

Hari S: Ok. Thank you very much.

Piyush Gupta: Thank you.

Aaditya Mulani**:** Thank you. The next question is from the line of Dharmesh Sanghoi.

Dharmesh Sanghoi: Hi Piyush.

Piyush Gupta: Hi Dharmesh.

Dharmesh Sanghoi: So my question is with regards to the staff benefits expense that we are seeing, employee benefits expense. It seems that it has gone down from INR 106 crores to INR 96 crores. So, is it the new base that we're seeing? Or I mean what is the reason behind the same?

Piyush Gupta: Yes. So Dharmesh, let me just answer. And then I'll request my colleague, Anna, to give you some more detail if required.

So Dharmesh , if you've been following our journey on this line, I think even before the start of pandemic, when we were seeing that the revenue is very tough to come by, we've been in a certain mode of rationalizing as much as possible, so much so that for the last two years, I mean, this year, we gave a staff increment after two years, and we had done a few exercise to rationalize some people. We had also brought down salary for most of the staff people. But having said that, the staff expenses sitting in the INR 96 crores might be some one-off adjustment of INR 3-4 crores. But the fact is the staff expenses has come down to a much lower level and stabilized there. But however, you need to understand there are some incubations like HT Labs, etc. that we are doing for which we require some incremental staff, which is getting costed into these lines.

I'll stop there and request Anna to kind of share her thoughts also on this.

Anna Abraham: Yes. You are referring to the sequential number and not the y-o-y number, I assume, because on y-o-y there's a slight rise.

Dharmesh Sanghoi: Yes, right the sequential number.

Anna Abraham: Yes, the sequential number, there is some amount of regular savings. But yes, there is a one-time reversal of some variable payout, of the earlier years, which we have decided not to pay as well.

Piyush Gupta**:** Yes. And Dharmesh, there are variables sitting across most of the Organization, depending on the results of the outcome. Those variable monies are either paid or not paid. And once they're not paid, when you true up the balance sheet and the P&L, those numbers are written back to the P&L.

Dharmesh Sanghoi: Sure. So can we take INR 96 crores as the base going forward as well?

Piyush Gupta: I don't think so. I think it should be closer to INR 106 crores, if I'm not mistaken, Anna?

Anna Abraham: Yes. You should take INR 104 crore kind of number.

Piyush Gupta: Yes, INR 106 crore, I would say, the last sequential quarter.

Anna Abraham: Yes. Ok.

Dharmesh Sanghoi: Ok. Yes, that's about it. Thank you.

Piyush Gupta: Thanks, Dharmesh.

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

I now hand over to Piyush for closing remarks.

Piyush Gupta**:** Thanks, Aaditya, and thanks, everyone, for participating in our call. Season's greetings once again, and thank you for staying tuned into your Company, Company's performance and sharing all your suggestions. As Aaditya said, if there are more suggestions, we are absolutely open to those suggestions. As I said, and I repeat again, I mean the Company keeps on trying new business models because, all said and done, the reality is this is a very fast-evolving business model that the Company has. And really, we are trying to discover new frontiers to get sustainable value. But thank you so much, season's greetings and stay safe and healthy. Thank you.

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