HT Media Group: Q3 FY25 Earnings Conference Call

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Management:

Mr. Piyush Gupta: Group CFO - HT Media Ltd.

Ms. Anna Abraham: CFO - Hindustan Media Ventures Ltd. and
Head, Investor Relations - HT Media Group

Mr. Pervez Bajan: Head Financial Controllership & Taxation - HT Media Group

Aaditya Mulani: Good afternoon, ladies and gentlemen. This is Aaditya Mulani from the HT Media Group. I would like to welcome you all to our Q3 FY2024-25 earnings webinar. As a reminder, all participants will be in listen-only mode. After we are through with the presentation, there will be an opportunity for you to ask questions.

I now hand over to Ms. Anna Abraham, CFO, Hindustan Media Ventures Limited and Head Investor Relations at HT Media Group. Thank you, and over to you, Anna.

Anna Abraham: Thank you, Aaditya. Good afternoon, everyone. Welcome to our earnings webinar where we will be discussing the results for the third quarter of the FY2024-25 of HT Media Group.

On the call today, we have Mr. Piyush Gupta, Group CFO; Mr. Pervez Bajan, Head Financial Controllership and Taxation and members of our Investor Relations team. I trust that you had the opportunity to review the results of Hindustan Media Ventures Limited, it was announced yesterday and of HT Media Limited released earlier today.

Please note that our remarks during this webinar will align with the presentation slides. These slides along with the financial statements are available on the stock exchanges and can also be accessed on the Investor Relations section of our websites.

Moving forward, please have a look at the cautionary statement, which is now on this slide. In line with our standard practice, we would not be providing specific guidance on revenue or earnings.

The next slide gives a quote from our Chairperson on the Company's performance of the quarter, and I quote

"The third quarter of the fiscal year bode well for the overall performance of your Company. Revenue grew in the annual festive season with a corresponding improvement in both business and operational metrics.

On a consolidated basis, we reported growth in revenue and an improvement in operational profitability compared to last year as well as sequentially. Print advertising revenues have on the back of price/mix seen improved revenue growth. This, coupled with sustained control on operational expenses, have led to margin improvement on *y-o-y as well as q-o-q basis. The quarter also saw our Radio business post strong revenue growth as a result of non-FCT business, although margins continue to remain under duress. In the Digital business, the Company continues to post revenue growth and operational improvement.*

Sustaining this positive momentum across our key business areas and ensuring smooth leadership transition will be our primary focus in the medium term while we remain steadfast in our commitment to delivering credible and trustworthy news and engaging entertainment content through our legacy platforms as well as new-age product offerings."

We now have the agenda for the day. We will update you on the consolidated performance as well as provide an overview of the Print, Radio and Digital business segments. Following the presentation, we will open the floor for Q&A.

With that, I now hand it over to Mr. Piyush Gupta.

Piyush Gupta: Thank you, Anna. Good afternoon, everyone, and welcome to our Q3FY25 earnings call. We will be tracking your screen.

So, as you can see on the webinar, the first chart is on the consolidated financial summary. As Anna just articulated, there is an upward momentum in total revenue on an annual as well as a sequential basis. On a y-o-y basis, the revenue is up 9% and on a sequential basis, it's up 11%.

If you look at the EBITDA, which came in at a positive INR 46 cr, that's a 64% improvement on a y-o-y basis and a 42% improvement on a sequential basis. PAT came in at a negative INR 3 crores, which is a substantial improvement and on a sequential basis also, a 50% improvement. Cash position remains extremely strong with December cash balance standing at about INR 920 crores, which is about the same as it was last quarter.

Deep diving into the business unit performance, let's have a look at the Print performance. Advertising led growth in Print segment revenue reflecting improved momentum. Financials, I've already tracked, if you can see, Print also grew by 9% on a y-o-y basis. Circulation revenue - now that we are increasing a certain level of copies, so there is a certain amount of trade promotion, which is going there, but our copies continue to be on an increasing path - came in at about INR 52 cr. The total operating revenue at a 7% y-o-y growth was at INR 387 cr.

Operating EBITDA came at INR 42 cr and operating margins improved by 400 basis points. Same situation is on a sequential basis, where you can see the growth on advertising revenue at 22% and operating EBITDA growing handsomely.

Now we look at the ad revenue growth in Print business for English and Hindi. If you track the top left portion, the English growth is 14% at INR 181 crore and q-o-q it is 26%. Circulation revenue in English if you look at it is a decline of 22% to INR 13 cr and on a sequential basis it's down 18% for the reason that I articulated earlier.

Looking at Hindi, the ad revenues are up 3% and on a sequential basis up 17% and circulation revenue is a negative 6% on a y-o-y basis and flat on a sequential basis.

If you look at the Radio performance, there is a very handsome growth of 29% on the top line with a breakeven performance on the bottom line and if you look at a sequential basis, the growth is 46% and 88% respectively on topline and profitability.

Looking at the Digital business, which is a part of HT Media consolidated results. Our top line grew by 32% to INR 51 cr and the loss position improved marginally by 24% to a negative 26% margin. Similarly, on sequential basis, it was down 7% on top line and negative 14% on the bottom line.

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 2 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 Mr. Mohit Kumra. Please introduce yourself and ask your question.

Mohit Kumra: Can you hear me, please?

Piyush Gupta: Yes, Mohit, we can hear you. Good afternoon. Please go ahead.

Mohit Kumra: So, my questions are very specific to HMVL firstly and very specific to the balance sheet, my first question at least. In your current liabilities, you have sundry deposits of INR 500 cr. What are these - why do we need deposits? Are we a deposit-taking Company? What is happening? I don't understand.

Piyush Gupta: So, let me give you a specific answer. You will understand thereafter. I'm presuming that if you're using the balance sheet, you're using the March 31st, or the September balance sheet, the second quarter balance sheet, right?

Mohit Kumra: Of course.

Piyush Gupta: Yes. So, INR 588 cr deposit that you take is consequent to our AFE business. So, if you understand the AFE business, we take deposits from our prospective advertisers in which we take an investment position. So, it's second leg of the entry on the AFE deal that they have done.

We are not a deposit-seeking Company under RBI and we don't seek cash deposits. These are all AFE deals i.e. ad-for-equity deals, whereby the counterparty gives us deposits. And accordingly, we subscribe with a similar amount to their equity or whatever financial security that we are taking.

Mohit Kumra: Fair enough. I understand. Thank you so much. But on the same vein, I wanted to ask you. You announced yesterday also a bunch of acquisitions, so to say. Are these also all AFE, all of them?

Piyush Gupta: Yes. All are AFE and they are not acquisitions. These are minority investment positions. They are all AFE and they will also give rise to a security deposit like the one that you're seeing in the September balance sheet.

Mohit Kumra: And your ad-for-property within the AFE, am I correct in assuming that this is, let's say, give and take INR 200 cr?

Piyush Gupta: Well, we don't give the specifics, but you will be in the ballpark because there are two asset classes that we deal in, which are financial securities, which be equity, or any other securities, and the second asset class is equity. I won't have the exact split right now, but we don't even give that on our call, but you will be in the ballpark.

Mohit Kumra: Sir, I'm talking about property, ad-for-property.

Piyush Gupta: So, when I say AFE, it's a generic word for both asset classes, equity and property. In the balance sheet, when you look at that security deposit number, that culminates both properties and equities.

Mohit Kumra: No problem. I'm talking about the asset side, not the liability side. So, you have listed properties under two heads. One is investment property, and one is held for sale so both of these are your AFE properties, right?

Piyush Gupta: Yes.

Mohit Kumra: And these are approximately INR 200 cr, only the property part of it.

Piyush Gupta: Fair enough. Yes.

Mohit Kumra: And you intend to sell all of these. There is no intention of holding?

Piyush Gupta: That's what the businesses. These are not used for captive consumption, and we are not keeping this for a long-term. So, as you understand the AFE business, the generic characteristic of the business is that most of these assets are for sale.

Mohit Kumra: So, that is my balance sheet part. Can I ask you another question? Or should I get back into the line?

Piyush Gupta: I think please get in the queue, if you don't mind.

Mohit Kumra: No problem at all. Thank you.

Aaditya Mulani: The next question is from the line of Lalit Kumar. Please introduce yourself and ask your question.

Lalit Kumar: Hi, Sir. This is Lalit Kumar from Best Media Info. I just wanted to ask that as per the recent Dentsu report, the Print industry has been shown on a decline, and it is expected to go from 17% to 15% by the year 2025. I just wanted to know, is your strategy aligned with the ongoing trends. And how is it that you are taking this?

Piyush Gupta: This is a great question, and this is one of the things that we keep on debating internally. So yes, we are aligned with the report. I mean those declines, will we track them to the T, will we be better or will be worse only time will tell.

So, multiple things which are happening here. One, to extend the life of Print, we have an AFE business, as you understand, which I was just answering to the previous caller. Besides that, we are diversifying our business in quite a substantial way. And this journey is not a new journey. It's been there for a while. The latest entrant to this journey is the OTTplay platform in which we are currently investing.

But from, let's say, if I were to just broadly give you a perspective from about 8-10 years ago, where Print revenues in the total revenue stream would constitute about 85% of the revenues. Today, they are less than that.

But of course, Print is still a substantial part of the overall consolidated revenue, but our diversification journey into Digital, into Radio, into other digital properties like OTTplay, Shine and Mosaic Ventures, etc. is something that is showing some traction. And obviously, we are investing with a very clear hope that we'll be able to diversify our revenue streams.

Print has been under pressure for the longest time. It will continue to be so. But at this point in time, it's still the main, the core of the business at this point in time.

Lalit Kumar: Thank you, Sir, thank you so much.

Aaditya Mulani: Thank you. The next question is from the line of Namit Arora. Please introduce yourself and ask your question.

Namit Arora: Thank you for the opportunity. Good afternoon. This is Namit Arora from IndGrowth Capital. Sir, I have 2 questions. One is that you have a very strong balance sheet and significant access to cash. So, given that, is there a thought process around taking more risk in terms of creating growth avenues?

I know you were alluding to some of them. But given the very comfortable financial position, are there adjacencies that you're looking at in the broad media space that you could sort of be taking slightly more risk to deploy this cash to create growth avenues for the future?

Piyush Gupta: So, Namit, again, another great question. But as I said, look, I think everything has to be calibrated not just from an affordability point of view, which is the cash on the balance sheet, but also where you're having a right to succeed and where the right adjacencies lie.

Now, being a legacy media Company, which has a very strong brand presence, obviously, we are extending ourselves into the digital new genre and with news, we're also going into various other languages, which hitherto we were not there on the digital platforms.

We are extending ourselves into other adjacencies like OTTplay; into Shine, which is a classifieds engine; into Mosaic, which is basically catering to a VC and a PE kind of a stage. So those are the things that we are doing.

Now beyond a certain point in time, I don't think we would like to just deploy investment for the heck of it because there's something called a right to win and something called the absorption capacity. So, at this point in time, I think we would like to focus on the things that we are doing, and we'd like to rather go deep than go wide on this.

Our investments in OTTplay and in our Digital businesses. And Digital business is not the part that is here. I'm talking about the sister concern, which is DCL, are reasonably substantial, and we will keep on doing that because really those are the avenues where we have a great right to succeed. We have a lot of skill because we've been doing that, and our investments are currently tracking that.

Namit Arora: Ok, got it. This is very helpful. Thank you for your detailed and candid thoughts. I have one more question. Sir, you have two listed companies. Now I understand that one is a holding Company with a 74% stake, but administratively and otherwise, it's probably a little cumbersome. Any thoughts on rationalizing that or you think given the difficulties in the Indian environment, you are likely to continue with both the listed companies?

Piyush Gupta: Look, I mean, the simple answer is we'd like to simplify things as much as possible. But given the Indian environment, as you rightly alluded towards, there are a bit of challenges. But if we get, let's say, if we manage to bring all our creditors and shareholders together, we would definitely like to follow that stream. But at this point in time, we are continuing the way it is.

Namit Arora: Got it. Thank you for your detailed thoughts and all the best to the entire team. Thank you, sir.

Aaditya Mulani: Thank you. The next question is from the line of Hari S. Mr. Hari you will have to unmute yourself. As there is no response, we will move onto the next participant.

Aaditya Mulani: The next question is from the line of Narendra Khuthia. Please introduce yourself and ask your question.

Narendra Khuthia: Thanks for the opportunity. This is Narendra from RoboCapital. So, Sir, my only question is regarding the Radio business. So, could you throw some light on where the radio yields are as compared to pre-Covid levels? And what needs to be done to take these yields back to those levels?

Piyush Gupta: That's also a great question, Narendra. The simple answer is no, they are still struggling versus the pre-Covid level. So, there are multiple things that we are trying in the marketplace. Of course, taking yield at this point in time where the digital music or the digital audio is gaining so much traction is not an easy journey, but we are on it for the longest time. And there is some improvement in this quarter result on a y-o-y basis. But of course, that doesn't take us to a pre-Covid level at this point in time.

However, from an overall Audio business perspective, there are a lot of new initiatives that we are throwing into the mix. If you see the growth - the handsome growth that you see this quarter is primarily driven not just by on-air properties, but by off-air properties as well, including events and various other adjacencies, which sit very well with the Radio business.

So, yield is definitely top of the agenda, but it's a marathon. I mean it's not a sprint. So, we are at it and hopefully, sooner rather than later, we'll be able to bring it up to a pre-Covid level, which has been the stated intent, and we are at it, but we're still far away from the pre-Covid levels.

Narendra Khuthia: Ok Sir. Could you share some steps that we are taking towards this, if possible?

Piyush Gupta: So, multiple, look, I think on the digital platform, we are taking our audio properties digitally because a lot of customers are shifting digitally. So that's where we are now also trying to capture our customers and our listeners, so that the revenue basically can come from a different stream.

We are doing a lot of events - musical events in various cities where we've got a radio property present, which is an auto extension of a terrestrial radio property. So that's the other thing that we are on to apart from obviously, the yield management and the inventory management that we are at any point in time.

Now, also the point to be understood is Radio is a very heavily regulated business, and there is a lot of royalty and license commitments and fees that you have to pay to the Government. So, there are various proposals that at an industry level are pending with the Government to give some ease to the sector. Some part of that, the Government has already relented and the balance we are hoping at some point in time will be given.

So, with those things coming into being, the economics will change very substantially for the better, of course, but that's only something that time will tell.

Narendra Khuthia: Ok, sir, all right. Thank you so much and all the best.

Aaditya Mulani: Thank you. The next question is from the line of Yash R. Please introduce yourself and ask your question.

Yash R: First of all, congratulations for a good set of numbers. As far as ad revenue numbers are concerned for English we've done well. So, I would like to know the reason behind it, what are the verticals that have contributed and whether we have this revenue on account of a greater volume or is it because of pricing has improved drastically?

Piyush Gupta: Let me request my colleague Anna to take this question.

Anna Abraham: The volume in the advertising market this quarter was not very robust. So, it is pricing and mix that has helped in the revenue growth as was articulated towards the first part of the conversation. This is a festive quarter, so, we also had a lot of initiatives and events during this quarter as well which also helped us garner our additional revenue.

Yash R: Ok, sorry for cutting in, I didn't make myself clear. My question was with regards to previous year. So, I can see a decent amount of growth, over previous year as well. I understand that q-o-q would not be comparable because we have festive during this quarter, but what about the comparison versus previous year?

Anna Abraham: I was actually giving you the comparable versus previous year. Market volumes have not grown versus previous year. However, we have been able to grow pricing, it's a combination of the absolute price increase as well as the categories because there is a difference in pricing between categories also.

So, there's a mix impact, there is a pure pricing impact. And as I mentioned, we've been able to garner more revenue from special initiatives and events this quarter vis-a-vis quarter of last year.

Piyush Gupta: And if I may just add to what my colleague just said. Look, as I was explaining to one of the other participants on this call, earlier. So, the industry reports are also not predicting exponential growth in the Print revenues, which is how it's playing out in terms of volumes. So really, the next lever that we have is on the pricing, which Anna is alluding towards.

So, we've been on to pricing. But given the festive buoyancy, that was a good opportunity, and we managed to capitalize very well on that. So that's definitely given a flip to the P&L. And the other initiatives which Anna was articulating are these various events and off-air or off-property events that we have done, which helped us garner handsome revenues.

Yash R: What events would this be if you can just give an example?

Anna Abraham: So, we have multiple events that happens both in English markets and in Hindi market. So, the Hindustan Times Leadership Summit is a big event that we had. We also have other initiatives like the HT City Unwind which happened this quarter.

Yash R: Okay. And which are the verticals that contributed to the growth?

Anna Abraham: We do give segment financials, so you can see that Print and Radio have both grown.

Yash R: Ok. No, no. I'm talking about the Print vertical per se, Print business per se. I can see a comment that says a key commercial category except FMCG, BFSI and Industrial, but there has been no word on the sectors that have done well, or the categories have done well.

Anna Abraham: Most of the other sectors have grown well. So, Auto has done well, Real Estate has done well, Retail has done well. We only quoted the ones which have not done well.

Yash R: Ok. That's great. What about the circulation revenue, I think I missed that point. Why is there a de-growth not just versus previous year, but previous quarter as well? Is this because of the drop in copies?

Piyush Gupta: Well, not exactly. As I was explaining to another caller earlier, we are on a journey to increase our copies in the marketplace and for that, we are giving a certain amount of discount as an initial discount for the copy so that's bringing down the circulation revenue. So, the realization per copy to that extent is coming down slightly, but we are increasing the number of copies with a hope that the circulation can increase.

Yash R: And so, I mean, what about the copies? Are they flat versus previous quarter or where is it?

Piyush Gupta: No. So basically, versus previous quarter, they are going up. But on the revenue, you will find that the revenue is going down because there's a cost associated to that, which is coming, which is only the initial cost. Once the copies have become structural, the cost goes away and the copies stay.

Yash R: Ok. So, this is the cost is just the discount is what you're talking about, right?

Piyush Gupta: Yes.

Yash R: Ok. All right. That's about it from my end. Thank you.

Aaditya Mulani: Thank you. The next question is from the line of Mehul Parikh. Please introduce yourself and ask your question.

Mehul Parikh: Good afternoon Piyush and Anna. One of my questions is the tie-up that we have with BSNL, where we are offering OTTplay on BSNL network. So, they are offering it free to their subscribers. So, are we getting paid for something? Or is it per subscriber or is it a lump sum amount?

Piyush Gupta: So, Mehul, first of all, that tie-up is having a sputtering start. I mean BSNL being a Government organization is into various discussions with us. A full-fledged tie-up has still not come into the being. But whatever services that we are providing to them, we are getting paid.

So BSNL might be providing it to their customer base for a discounted price. But whatever services we are providing at this point in time, we are obviously getting paid for it. But as I said, that tie-up has to come into full bloom. It's still not there.

Mehul Parikh: Okay. Are you expecting it to happen?

Piyush Gupta: Well, it's multiple discussion processes. BSNL is discussing with a lot of service providers, so we will have to wait and watch.

Mehul Parikh: Ok. And the expenses on OTTplay that we are doing every year, are we expecting it to go down in future or continue at these levels?

Piyush Gupta: Go down for sure.

Mehul Parikh: Ok. Thank you very much.

Aaditya Mulani: Thank you. The next question is from the line of Vedant Bhasin. Please introduce yourself and ask your question.

Vedant Bhasin: Good afternoon. I would just like to ask one question related to the events. You alluded to the fact that you've got significant revenue coming from there. But if you can just detail which segment would this additional revenue be under? Like would it be under the Print or Radio and how much would that be? If you could just quantify it?

Piyush Gupta: Well, it will be under both the segments, but I'll ask Anna to give you the details.

Anna Abraham: So, we have it under Print, and we have it under Radio. We will not be able to quantify it for you. But across categories, we have had advertisers participate in the initiatives. In Print, we had it in Hindi locations and in HT locations.

Every quarter, we do have similar initiatives, it's not that this has been specific to this quarter. Just that, two scaled events happened this quarter and it happened together. Otherwise, every quarter, we do have some level of events happening.

Vedant Bhasin: Ok. All right. And if I can just understand from the event side, would you say from your margin standpoint, is this more or less accretive than the normal maybe Print ad volumes or Radio ad volumes?

Piyush Gupta: Well, one thing that you need to understand, they are all different. So, first of all, there are some events which are continuing for a very long time like the Hindustan Times Leadership Summit. Now these things will already have an IP created to that, so they will have a better margin.

There are some that we are doing very tactically, they might or might not have a margin and some we do to garner a certain amount of revenue to make a segway into a certain segment, which might be at a marginally negative margin also.

So basically, if you want to paint a general picture, I would say the on-property revenue will be generally always more profitable because it's automatically got a brand associated with it. But if the event has become branded over a period of time, obviously, it can come to those levels or exceed. But the ones that are done tactically for a specific reason might or might not have those kind of margin profiles.

Vedant Bhasin: Alright understood, thank you very much.

Aaditya Mulani: Thank you. The next question is from the line of Mehul Pathak. Please introduce yourself and ask your question.

Mehul Pathak: Hello Anna, Piyush. Congratulations on a good set of numbers on the top line.

Piyush Gupta: Well, I'm happy Mehul that you are happy.

Mehul Pathak: No, I'm not entirely happy. The ad revenue going up is definitely a pleasant sign.

Piyush Gupta: With your good wishes and your blessings, Mehul, we'll be able to take it even further up. Let's see. But this is not a forward-looking statement. This is just to you.

Mehul Pathak: Okay. Two questions. The first is that other expenses on a half yearly basis are up INR 80 cr. So, I'm usually seeing that whenever top line goes up, the bottom line also significantly goes up and therefore, accretion to the bottom line is just not happening. So, if you could give some color on the bottom line on the expenses first with some breakup, if you can share as to how much of that is strategic and how much is to generate revenue? So, for example, if it is strategic, the other expense, then I would say that, okay, in future, it might give.

So, at least some, I would say, color on the management thought behind the increase in expenses. And the other thing is when can we hope that the top line will grow faster than the expenses? So that is question number one.

Piyush Gupta: Okay, Anna, please go for question number one.

Anna Abraham: So, Mehul the other expenses cost that your seeing is largely on account of our investments in OTTplay, because except for salaries, all the other cost of OTTplay tends to sit in this particular line. And that is really the reason for our increase in cost and some related costs on account of the events. Every other cost is completely under control and in line. So that's the answer to your first question.

Mehul Pathak: When will we start seeing the rate of change of top line to be higher than the rate of change of expenses, for 5-6 years we are waiting, when will that happen?

Piyush Gupta: So, Mehul, let me try to triangulate two or three conversations here. One of other investors on this call was basically talking about making investments in future-looking businesses, which is currently the OTTplay and the Digital business, which is not sitting here, but that's where it is going, right?

The second thing is how do we bulletproof or hedge our Print revenue streams, which are under perpetual pressure and the pressure has only gone from bad to worse post-Covid. Now the whole thing is there will be some tactical plays, there will be some strategic plays.

Now, if you basically break down the segment separately, if you look at the Print revenue separately and divorce that from the investment P&L of OTTplay you will see that the operating leverage really what you're talking about is indeed in this quarter on the Print side flowing down to the bottom line. So, the revenues are growing much faster than the expenses.

But what vitiates the picture is because OTTplay expenses are sitting, which, by the way, themselves on a y-o-y basis are 65% lower than the same quarter last year, but there are still substantial expenses happening there. And that is a business for future that we are on the journey of creation at this point in time. Hence, that is vitiating the picture. But Print itself, the operating leverage is flowing.

Now on the investment P&L, we are very prudently making those investments in a calculated manner to see that the outcomes really have an impact. Now if these businesses do all scale up in the next 4-

5 years, then of course, you'll have that operating leverage flowing from all the business and all the revenue streams.

Mehul Pathak: You are saying using the word "if".

Piyush Gupta: Well, if this is 5 years, I mean, I can't give you a 5-year statement. What I'm saying is we are investing for a business we believe will create a long-term sustainable value creation for all shareholders. Now we are on this journey, and we've been transparently sharing with all our shareholders.

Now whether that will go into a 30% EBITDA business or a lesser or a more number, only time will tell. We found the space and we are very diligently investing in the space. Let's see what eventually comes out when this business becomes mature.

Mehul Pathak: Can I ask my second question, or I'll go back into the queue?

Piyush Gupta: If you can go back in the queue Mehul, will be appreciated.

Aaditya Mulani: Thank you. The next question is from the line of Mohit Kumra. Please introduce yourself and ask your question.

Mohit Kumra: Can you hear me, please?

So, this is specifically related to OTTplay now. You don't give a lot of forward-looking statements, but it is like common knowledge that there are about 125 million paying viewers in India for OTT, YouTube and Netflix and everything in the world. That's a roundabout figure. Can somebody looking at your Company or investing in your Company at least assume that you'll take 1% of that market out of 125 million? Is that a fair assumption to make?

Piyush Gupta: Well, that is definitely a fair assumption. I think it will be more than that. But one thing, if you want to true-up that equation into economics, you will have to basically from the total addressable market, you'll have to go to the value proposition that is: What is the subscriber paying you, then you'll have to basically go into the cost of acquisition and then saying which are the mature subscribers who are now coming, let's say, on automated basis like because you're talking about YouTube and Netflix, most of these are on auto renewal property.

So, we are basically, definitely addressing more than 1%. But at this point in time, there is a certain ARPU and there is a certain acquisition cost that we are getting out of pocket on. And those are the metrics that have to go up.

And the addressable market will definitely be more than 1% because if there are 125 million or 12.5 crore people there with a bouquet of 30-plus OTTs that we are giving them for a fraction of the cost of the sum of parts, we will be able to address a much bigger market than 1% for sure.

Mohit Kumra: I'm just trying to be pessimistic at the moment, to be honest. So, let's say 1%.

Piyush Gupta: Yes, no, fair enough, so call that as your baseline. But I'm saying we will go beyond the baseline.

Mohit Kumra: So, you will be very disappointed if it is 1%, let's say, in two years, three years, you will be disappointed at least.

Piyush Gupta: Well, me personally, absolutely.

Mohit Kumra: All these are ballpark figures. So as of this moment, your Digital, if I analyze your 9 months, it's approximately INR 50 cr your revenue there. And if I just take an average of, let's say, INR 200 ARPU, I went to your site and saw the different schemes. So, you have approximately 2 lakh users right now. Am I correct in that? Or is that unfounded?

Piyush Gupta: Yes, well, that's not correct, but we will not like to share that on a public call, but that number is not correct.

Mohit Kumra: Ok, I won't try to trick to tell you something. But my first question was that it is reasonable to assume that you will, if this business is to be successful, you will have 1% of the market, let's say, 10 lakh users, let's say, INR 200 ARPU, let's say, in a couple of years, you should at least be doing INR 200 - 250 cr of business per year from this stream.

Piyush Gupta: I absolutely agree with your broad calculation.

Mohit Kumra: Fair enough. See running any business you switch on a tube light in your office, expenses are always there. But when will the chunk of the expenses peter-off in this? Because you initially told us in previous calls that you had been expensing everything. Nothing is capitalized in this business. Everything is expensed, right?

Piyush Gupta: Yes.

Mohit Kumra: And when do we expect this to peter-off, the expenses that is?

Piyush Gupta: Well, if you just compare the segment on a y-o-y basis, the expenses this quarter versus the third quarter FY24 is down 65%, if you see that, right?

Mohit Kumra: Yes.

Piyush Gupta: And if this journey continues, you can already extrapolate that how the numbers will go forward. Now the only trick is, expenses - again, you'll have to break down in 2 or 3 big buckets, right? Some will be direct expense, which is the CAC kind of expense - the cost of acquisition of customers then basically renewal has a certain kind of expense and then you have the SG&A kind of expenses, right? So, the moment the product itself establishes and embeds itself into that 1% or 2% or 10% or what have you, the CAC itself goes away. And then obviously, the economics change very substantially.

The only other second part outside of expense is the ARPU as you are talking about INR 200. Now if it is INR 200, I mean, it has a mix of people who are currently on a discounted scheme, people who are currently on a full price scheme and everything in between. So, once that number settles at somewhere close to 200, as you're saying, the economics become very different.

Mohit Kumra: I would like to sort of register what you can only call a complaint right now. There is Mr. Avinash who is the CEO of OTTplay separately, right?

Piyush Gupta: Yes.

Mohit Kumra: Now his interaction with the public and if you just make a simple Google search and he has interviews with other people, if you go to the news part of the Google search. This is discussed and I said this once before also some 2 or 3 con-calls ago. Whatever he says in public, your shareholders have a right to hear that directly from you or from him.

And since this is becoming a very big part of your business, I am sure all your investors would deeply appreciate if Mr. Avinash was here to answer questions because if you just Google right now, there is an interview with somebody called Media Brief in which he is confirming that the thing with BSNL is done and he's confirming that some big event on live sports is going to come, big announcement is going to come.

Don't you feel that your investors who come on this call deserve to hear it before anybody, and directly from him. We should hear this, right?

Anna Abraham: Ok, we heard your point. What you hear on this call is factual and which should be what is taken as the correct picture. We are the representatives of the Company to be able to disclose this information and to give you the factual position.

Mohit Kumra: He's the CEO.

Anna Abraham: There are sometimes expectations also which are conveyed. And therefore, if at all you want facts, please take what we are saying as facts. And in the meantime, we have registered your point and we will ensure that the street is not getting multiple different information. But for factual information, please refer to our call.

Mohit Kumra: Thank you for your time.

Aaditya Mulani: Thank you. The next question is from the line of Hari S. Please introduce yourself and ask your question.

Hari S: This is Hari and I'm an individual investor. My question is regarding this cash holding has increased for this quarter. What is the reason? And the second one is regarding this holding cash for advertisement because it has become a huge investment like maybe it should be reported as a separate head, because are there any provisions being made on the investments? Or are they in a profit or not?

Anna Abraham: So, we heard you. I think there is a bit of disturbance but let me try and address what we thought we heard from you. There has been cash generation on the back of better operating performance of the Company, better working capital release. And you were alluding to the investments that we do as part of AFE, I think there also as Piyush had articulated earlier, the journey is always to ensure exit and generating cash and that also we've been successful.

So, all of those have contributed to do better cash that you're seeing in the books and we have reported that as well. And whenever we publish our financials any provisions, etc. are clearly separately called out, so you have information on those.

Any mark-to-market movements are also there in our reports any profits that we make are part of our other income. So, I think all the appropriate disclosures are in place as and when we give the detailed financial statements and the balance sheet.

Hari S: Ok, thank you very much.

Aaditya Mulani: The next question is from the line of Yash R. Please introduce yourself and ask your question. Dear participants, for follow-ons I would request to please limit to only 1 question per participant.

Yash R: Okay. So, with regards to the staff cost, I can see there is a slight uptick in the cost versus previous quarter. So that would be around 4% to 5%. What's the reason behind the same?

Piyush Gupta: You mean the previous quarter – sequentially, versus the second quarter?

Yash R: Correct. So it was, if I am not mistaken, it was INR 135 cr and now it is INR 140 cr. So, there's a small uptick. It's slightly lesser than 5%.

Anna Abraham: Yeah. So, we had in the 2nd quarter, some variable components, which get paid on a half-yearly basis, based on which there was some reversal in 2nd quarter, otherwise adjusted for the reversal it's a flat cost.

Yash R: Ok. And just one more question. Can you give us the copies that are there per se for the quarter for English and language per se?

Anna Abraham: That's not an information that we disclose.

Yash R: Ok alright, thank you.

Aaditya Mulani: The next question is from the line of Mehul Pathak. Please introduce yourself and ask your question.

Mehul Pathak: I am an independent investor. It's a larger level question, and that is, last 5 years, INR 700 cr of net worth has gone. It is wiped out. I'm a little disappointed with the Chairperson's statement for the quarter. There is nothing in it for the shareholder. Yes, certain business-related micro statements have been made.

But now in last 3 years, salaries have increased in the Company. Salaries have gone up, let's say, from INR 329 cr in 2021 to INR 413 cr now. So, it's almost INR 90 cr increase in the last 3 years. So internal stakeholders have been kept happy. External stakeholders, even now there is nothing.

And I don't think even this year, there is likely to be a dividend. When I look at the performance, it is not going to happen. So, I had this call with Anna and another gentlemen in your Company where I had requested that I would like to know, does the Company have an internal goal for all their senior executives or at least for the Board on return on capital. What is the purpose of this business?

Why is it running? If the cost of capital in India is, let us say, 12%, if you are below 12%, the business does not have to right to exist. What is the purpose of running a business that will never make 12%. And 12%, if you see on return on capital may mean around INR 200 cr of net profit from here. So, I don't see that happening.

On the other hand, money is being retained within the business. And you all are investing in various businesses. And return on capital is not visible to me as a shareholder. So, did Anna have a chance to discuss?

Piyush Gupta: Yes of course she did. So, let me try to address. Two parts to this question, Mehul. I totally hear what you are saying. On the ROCE point, I totally heard what you're saying. If you've got serious points, I think you should definitely bring them to the AGM. Happy to have a discussion on that.

But coming on to the networth is gone; therefore, the market capitalizations might be at various levels. And I don't want to say this whole stuff, but you look at various other listed media companies and you can look at the market capitalization of them in 2018-19 before the pandemic and now, there is a bit of a challenge, and that's the only reason that we are trying to because of a strong balance sheet, invest in our forward-looking businesses so that the ROCE and the ROE and the ROIC, all those metrics can show up.

Now obviously, we are trying our level best, and these are all thought-out decisions which are happening with every stakeholder in the way we are transparently bringing it to all our investors every quarter. Now whether the switch will flip in one quarter or one year, really tough to say. But with all earnest, the management is putting their best foot forward.

On the market capitalizations, if you just look at the competitive set in the listed space of Print media companies and Radio media companies, you'll see that we are much lesser impacted. Because we had a strong balance sheet, we have wherewithal to kind of invest in future-looking businesses, so that we can create long-term value for all shareholders - majority and minority.

Regarding your other point on the employees, I don't think we are giving anything other than market-dictated increments here. We've gone through multiple rounds of rationalization in Covid, before Covid and after Covid. but that's where we are. And I don't think it's fair to compare that we are not doing anything for the external shareholders. We are trying to very diligently build businesses for tomorrow. Now how they will pan out, we will transparently keep all the shareholders in the know. But we won't be able to predict what will come out after 5 years or 4 years. We are trying our level best.

Mehul Pathak: I'm not grudging internal stakeholders taking salaries, I welcome it. My point is while you are saying that compare the market cap of other Print companies, other Print companies have distributed INR 2,000 cr each DB Corp and Jagran have shared, which HMVL has not done.

So, we are way behind in terms of performance even on Hindi. So, I have not heard anything back, what is the glide path? Anna, if you can discuss with Ms. Bhartia and come back to us shareholders and say that, ok, after 3 years, we are looking at 15% return on capital. You internally have a target, is anybody thinking return on capital?

Piyush Gupta: We are thinking all the things, Mehul, but just for the paucity of time, we are definitely thinking about it, but I don't think I have anything new to say. We are definitely thinking. Hence, we are trying to invest. None of the various other companies, which are the competition set that you name are trying to create businesses of tomorrow. We are trying to do that.

Now how that will come out, we will see, but that's the journey, and we've got this balance sheet, and we are utilizing our balance sheet to create long-term value. Now let's see whether we are successful or not.

Mehul Pathak: Thank you.

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 website.

I now hand over to Piyush for closing remarks.

Piyush Gupta: Thank you Aaditya. Thank you, dear investors. Thank you for joining our earnings call. We hope to see you again in the next earnings call, which will be the full year FY25 earnings call. Season's greetings and all the best to every one of you.

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