



HT Media Limited

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**Q4 & FY09 Results Conference Call Transcript
May 19, 2009**

Moderator

Ladies and gentlemen good afternoon and welcome to the HT Media's Q4 and FY09 conference call. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call, please signal an operator by pressing * and then 0 on your touch-tone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Ishan Selarka from Citigate Dewe Rogerson. Thank you and over to you Sir.

Ishan Selarka

Thank you Melissa. Good afternoon everybody and welcome to HT Media's Q4 and FY09 conference call. Today, we have with us Mr. Rajiv Verma – CEO, Mr. Vinay Mittal, Chief Financial Strategist, Mr. Keerthivasan – Head, Radio Business, and Mr. Dinesh Mittal – Company Secretary. We will commence the conference call with opening remarks from Mr. Rajiv Verma and Mr. Vinay Mittal, which will be followed by any comments or questions that you may have. Please note that some of the statements in this conference call may be forward-looking and a note to that effect was stated in the release sent out to you earlier. I would now like to invite Mr. Verma to share his perspectives with regards to the Company's performance during the quarter and year ended 31st March, 2009, and the opportunities going forward, over to you Sir.

Rajiv Verma

Thank you. Good morning ladies and gentlemen. I would like to start this meeting by thanking all of you on behalf of HT Media for being with us and spending your valuable time this morning. I will share with you, along with my team, as to how the business has performed during the last one year and we will be glad to answer any questions that you may have.

You are all aware that the last one year was a tough year for the industry. The overall media industry saw difficult times, which was on account of two primary factors. One of them was that we were coming out of a commodity bubble, which has been created over last few years of hyper growth. However, the bubble was breaking and such breakage of bubbles is always tumultuous which creates an environment of uncertainty. So, we were seeing turbulent times on the raw material and cost side.

The other aspect which was also causing uncertainty was the fact that most of the business environment, especially during the last two quarters, was rather pessimistic and as a result most of our advertisers and our key customers were trying to conserve spends which consequently saw a decline in the print industry. Now, this obviously was a result of the aggregated spending of the advertising money being curtailed by our key customers. So, we saw the industry facing some challenges in both, on the customer side as well as on the raw material side.

I am very glad to inform that among all the players who participate in the print media business and among other media businesses, HT performed very well and there were a few areas in which we outperformed the competition. We did very well with our readers. Our reader franchise grew and we became number one in Delhi, which is the core of the Company. Hindi businesses did very well. Hindustan franchise also grew extremely well by almost 40% plus in terms of its top-line, and became a very strong challenger to other brands who are playing in this market. We became a strong Number 3 and are on our way to become Number 2. This investment proved to be very good because while we saw the slowdown in print industry, it was more accentuated in English than in Hindi. So vernacular held on and did pretty well. Also given the fact that we had momentum of Hindustan brand, we moved quite fast and closed the gap with many of our competitors and leaders in this market.

Mint, which was launched about 2.5 years ago, also did very well. The readership grew handsomely and as a result of that Mint, today has become an acknowledged number 2 business paper in the country, given that it has had only 2.5 years of existence. It is a very young brand and for a young brand it has made a lot of progress and has become a very credible paper for the readers that it serves everyday. Also the advertiser seems to be liking the kind of advertising environment that it has created.

There were also some new businesses that HT Media entered during the last 3-4 years and given tough environment which the media industry was facing during the last year, there would obviously have been some doubts about how these businesses are going to perform. Radio business performed very well. It became the number 1 station in Mumbai and Bangalore and has maintained and improved on its Number 2 position in Delhi. As you may be aware that we operate only in four cities and out of those four cities, we have a fairly strong position in three cities now. During the last quarter of this year Radio business came very close to a breakeven. Our objective was to breakeven and possibly make a little bit of profit. We fell slightly short of that but I am very confident that in quarters to come, we will see this business creating positive value for the shareholders.

The other business that we had launched was an online business “Shine.com” as a part of Firefly e-Ventures. This business also did very well in its first year of launch. Unfortunately the job market in the country went through a tremendous decline as a result of serious cost cuts being taken by

the companies and hiring coming under either freeze or reductions. As you would all remember that last year was a very tough year for the labor and employment market, as a result of which Shine seemed to be not very best timed, but these events, like markets will go up or down, are very hard to predict. However, from a long-term standpoint we remained very convinced that Shine is a great investment done by the Company, just like Fever. We have already crossed 2.2 million registered users within period of 8 to 10 months of our launch. We also focused a lot on the cost optimization within the Company to continue to hold profitability. While profitability did come under pressure, there was a lot of work done in the Company in trying to optimize cost side of the business.

Having navigated this year through a very tough and challenging phase, I am glad to inform that in yesterday's board meeting, the board recommended a 15% dividend payout to the shareholders. So, that is as far as the last year is concerned, I believe HT Media outperformed its competition, closed the gaps with its key competitors, and did very well in a tough environment. So, both on the cost side as well as on the revenue side there is lot of activity which is being done and we are poising ourselves for a future growth, where we expect both on the revenue side as well as on the cost side and the balance sheet, a much more strengthened Company once this downturn is over. Thank you.

Vinay Mittal

Good afternoon everybody. Rajiv has given you an overview of last year and what could be the outlook going forward. I will concentrate on the financial numbers both for Q4 FY09 and also the financial performance for the full year.

As Rajiv pointed out that it has been a very tough economic environment and advertising across sectors has been affected. For Q4 FY09, our total revenue increased to Rs. 3,375 million compared to Rs. 3,172 million in the corresponding quarter last year. Now, this increase in revenue has been basically because of two reasons, one is because of the Radio merger, effective 1st January, which contributed about Rs. 74 million and the other part is the 5% increase in the advertising revenue of the publishing segment. It went up to Rs. 2,797 million from Rs. 2,655 million in the quarter last year.

The EBITDA has declined to about Rs. 503 million in Q4 FY09 from Rs. 724 million in Q4 FY08. The reason as again pointed out earlier to you has been really the cost push, because of the higher newsprint prices and also the adverse foreign currency movement. Also, in spite of the advertising growing at a slow pace, the cost that had been built up in the past could not be shaved as quickly and therefore there was a squeeze in margins. Because of the fall in EBITDA the PAT numbers also dropped down to Rs. 234 million in Q4 FY09 from about Rs. 416 in Q4 FY08. Again, the reasons are the same as the EBIDTA including the exceptional items mainly the provision for decline in value of long-term investments. Consequently, the EPS for the quarter stood at Re. 1. I am now moving onto the full year

results. The total revenue for the financial year 2008-09 was higher by 12% at Rs. 13,360 million from Rs. 11,974 million in last year. The contribution to this increase was because of both, the Radio merger, effective 1st January and because of an 11% increase in advertising revenue of the publishing segment which increased to Rs. 11,299 million from Rs. 10,137 million in FY08. EBITDA has declined to Rs. 2,200 million in FY09 from Rs. 2,636 million in the year earlier. Again, the EBITDA decline has been for reasons of the higher news print prices and adverse currency movement.

Consequently, the PAT also decreased to Rs. 852 million in FY09 from Rs.1445 million in FY08. Again, the reason being higher newsprint prices, foreign currency movement, slow growth in advertising revenue, and of course the exceptional items of consultancy charges that we charged in Q3 FY09 and also the provision for decline in value of long-term investment. Consequently, for the whole year the EPS stood at Rs. 3.64 and as Rajiv pointed out, the Board of Directors is recommending a dividend of 15% which translates to about 30 paisa per equity share of face value Rs. 2. Thank you, I would now like to open the house for questions.

Moderator Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Abneesh Roy of Edelweiss Securities, please go ahead.

Abneesh Roy Can you please share what kind of percentage growth are you seeing on advertising front in your English and Hindi markets Q-o-Q & Y-o-Y?

Vinay Mittal The Hindi market, for the quarter and whole year, has witnessed a good growth of about 38% & 40% and has been an immense support in this trying time. The English markets actually have been flat in Q4 FY09.

Abneesh Roy Is there a jump Q-o-Q in English, in spite of the fact that Q3 normally is the best quarter?

Vinay Mittal No, there has not been a jump in Q4 in English.

Abneesh Roy On the overall macro level ad industry; there is a strong government at the center and things are beginning to improve. My question is based on the historical data, say 2002, when there was a slowdown and based on your own feedback from advertisers, does advertising recover with a lag or advertising is one of the first to recover in case the clients start spending more overall?

Vinay Mittal No if the clients do start spending, the advertising picks up first because just like when the fall happened, the advertising got hit very early in the beginning itself. And so, if the uptake happens with the economy, we will see the uptake in the advertising. But it's the English markets, which have been affected in the metro. The Hindi markets have done extremely well for us. So, the uptake that you are waiting to see is really in the metro market, which is the English market.

Abneesh Roy In Q3 FY09 you said that the decline in your English markets has been around 25% Y-o-Y?

Vinay Mittal That is right the markets have been down, but we picked up because the ad market is segmented between display, tenders, government, and classifieds. We basically did not fall with the market for display and we gained in tenders and DAVP. So, therefore we were able to have a flat growth in English.

Abneesh Roy If I see your circulation numbers, I see a small dip Y-o-Y, is that understanding correct?

Vinay Mittal No, that is incorrect.

Abneesh Roy If I take out the advertising and the Radio revenues, the numbers are Rs. 503 million for this quarter versus Rs. 517 for Q4 FY08.

Vinay Mittal That includes job work revenue that has fallen; but the circulation has not come down.

Abneesh Roy What has been the growth in circulation?

Vinay Mittal It is about 5% vis a vis last quarter i.e. Q3.

Abneesh Roy Coming to the newsprint; we are seeing rupee strengthening again and my question was what kind of inventory level, we still hold which was bought at very high prices and when will the low price inventory start kicking in , in terms of numbers. Also have we started factoring in the strengthening rupee in our buying decisions?

Vinay Mittal At the moment we are not factoring in the strengthening rupee, but if it strengthens it will only benefit us because we do not take long-term forward contract. So, therefore the spot prices really benefit me, whenever I do buy and pay for the newsprint. The high cost inventories should last sometime till end of Q2 FY10.

Abneesh Roy On the Radio front, firstly I would like to congratulate the management on their performance in Mumbai. My question is as to how sustainable is it, because in Mumbai there has been no strong number 1 for a sustainable period of time. Earlier it was Mirchi then it was Red FM and now you have taken that position in the past few weeks. I wanted to understand how sustainable is it going forward?

Keerthivasan I think it has always been a myth that Mirchi has been number 1. However, I would just like to let you know that Mirchi was never number 1 in Mumbai for the last about 45 to 50 weeks from the numbers that RAM provides. Red FM has been the number 1 station in Mumbai till three weeks ago. We have actually overtaken Red FM fully now.

If you look at our trends for the last 8 weeks, we have been growing week after week and our share has pretty much come from about 8%, 10 weeks ago, to 20% in Mumbai. So, we have gone up step by step and for the last week we were at about 19.8% compared to Red FM's share of 15.5%. So, the gap between us and the number two player was about 4%. We would expect that this is sustainable as we have done a lot of changes towards programming in Mumbai, and I am sure some of you would have experienced it yourself. Maybe there could be blip in between as it is an extremely competitive market. The fact that the ratings come out weekly, you might find that the occasional blips happening in between. But we will be the top two, as we go along for some time to come.

Abneesh Roy You improved your transmission quality in Mumbai. How much is that responsible for this improvement in ranking?

Keerthivasan Yes. It is very difficult to quantify this. It is not one thing which has led to the improvement in ranking but a combination of a lot of factors. It is a combination of the transmission that has improved, change in programming and getting new RJs. If you all remember, in Q3 FY09 we did a burst of brand building television commercials across all the TV channels. So, it is very difficult for us to pinpoint and say this worked and this did not. But what has actually worked in the last six months is that there has been a concentrated effort to take these stations to the number 1 position and finally we are seeing the results.

Moderator Thank you Mr. Roy. The next question is from the line of Amit Kumar from Kotak Securities, please go ahead.

Amit Kumar During the initial remarks you pointed out that you have taken a lot of steps to optimize cost. If you could just elaborate on broadly what you have done on this side?

Vinay Mittal What we have done is we have cut pagination that is number of pages across the board in our English Daily both in Delhi and Mumbai, in the Hindi belt as well as in Mint. So this has been an effort, which started off in Q3 FY09 and thru to in Q4 FY09 as well. So pagination has been number one. Secondly, we have also made sure that the credit period that was available to us in purchase of newsprints has been extended. Thirdly, the overhead component has been tightened. A lot of controls have been brought in respect to expenses. So, that would lead to a much leaner Company. And last but not the least we have rationalized our workforce. So, the effect of all these really will start flowing through Q1 FY10 because all these efforts were actually implemented in Q4 FY09.

Amit Kumar On this pagination point, given the fact that you will start to see the impact of lower newsprint prices in second quarter, so should we expect that you know these reductions will be reversed over a period of time?

Vinay Mittal No, they will not be rolled back unless the advertising picks up or let say the competition picks up, but today its here to stay at the moment.

Amit Kumar What kind of ad-edit ratio are you running in Delhi and Mumbai?

Vinay Mittal Well, the ad-edit ratio in Delhi will be about 55%, again in Mumbai it will be 45%.

Amit Kumar Now coming to your circulation; you would also have witnessed one very strange phenomenon in IRS Round 1 2009 numbers, that your Mint readership in Delhi is to the tune of about 146,000 but in Mumbai it is only 30,000. So, is that reflective of your circulation numbers also because I am very surprised about the distribution of your Mint readership across Delhi and Mumbai, any comments on that?

Rajiv Verma You know the readership is a function of couple of things. One is the overall circulation numbers and the second is a brand salience in Delhi which is very strong and given that our head office is in Delhi and our distribution in Delhi is very strong; it was pushed very hard in that region. It somehow has created this situation in which Delhi numbers are much stronger, but we are pretty sure that Mumbai numbers will also come equal to Delhi soon enough. These numbers are much smaller in Mumbai than in Delhi.

Amit Kumar Are the circulation numbers smaller?

Rajiv Verma That is right and the brand salience is also not as strong because in Delhi, Hindustan Times main paper is a very strong vehicle of creating brand salience.

Amit Kumar So what steps are you taking to broaden the base of Mint readership in Mumbai?

Rajiv Verma Increasing the circulation in Mumbai while improving the quality of circulation so that it reaches the right households. In Delhi, we have been able to fix up circulation much better, but that is the model we would like to benchmark now in Mumbai. Also increase the level of advertising for Mint in order to improve the salience.

Amit Kumar Can you just give us some broad idea on what is your debt level right now and for FY010 and how do you plan to fund your CAPEX and expansion plans?

Vinay Mittal My net debt as of the year end is about Rs. 208 Crore. With respect to Capex in the next year, we expect to spend about Rs. 80 Crore of which Rs. 40 Crore is capex and Rs. 40 Crore is an investment in a JV with second biggest media house in Germany called Burda. The JV should start commercial production by about December 2009 and it is a 51:49 JV where Burda is back ending their existing revenue or business into this JV for the Asia part. So, the revenue on the JV is assured, and you do not need to go

and market for this revenue. It is basically like a BPO for publishing business and we expect to do well in the first year itself

Amit Kumar

What about the expansion plan for Mint Hindustan?

Vinay Mittal

Out of the Rs. 40 Crore Capex, part of it will go towards completing Hindi expansion in two more locations.

Amit Kumar

Is there anything being spent on Mint as well? I think there is something in your release on Kolkata?

Vinay Mittal

That is right in Mint, we will get into Kolkata in the next one month and then we will proceed onto Chennai again in the next two months itself and have a footprint for Mint on an all India basis.

Amit Kumar

I wanted to get a sense on how your Hindustan expansion is going on in UP, Uttaranchal and also if you could just share with us on how has your circulation moved in that market over the last one year?

Vinay Mittal

We do not give state wise circulation in Hindi, but we are doing pretty well. Majority of our expansions is complete and therefore in FY09-10 we expect that the fruits of the expansion should come through and there should be an EBITDA expansion. As you have seen that there has been a 40% growth in ad revenue in FY09 and the readership has been up by about 6% in UP market as per last IRS. As UP unfolds I expect the revenues and profitability to go up further.

Moderator

Thank you Mr. Kumar. The next question is from the line of Percy Panthaki of HSBC, please go ahead.

Percy Panthaki

What was your average consumption cost for newsprint in the year ending March 2009 and your cost currently and what is your expectation for the future?

Vinay Mittal

Well, the average cost basically including my domestic as well as my imported, in Q4 FY09 comes to about Rs. 38,500 per ton. And this was about the same as in Q3 FY09 which will be carried on into Q1 FY10 also and as I said, Q2 FY10 is where you will see a slight reduction in newsprint costs as the low cost inventory will start kicking in.

Percy Panthaki

What was the average for FY09?

Vinay Mittal

For the full year the average cost was about Rs. 35,000 per ton.

Percy Panthaki

Okay, so would you say that FY10 full year versus FY09 full year would be more or less flattish for average consumption cost?

Vinay Mittal

That is right, it can be flat, but there should be a slight improvement, but nothing very dramatic.

Percy Panthaki For your top line growth of 5-6% in Q4 FY09, can you give us a split between volume and price growth?

Vinay Mittal Volume and price growth will be difficult because there is no price growth really in terms of cover price, except for Hindi, which we implemented in December.

Percy Panthaki That would be ad rate price growth right?

Vinay Mittal We have not hiked the ad rate since September.

Percy Panthaki So, would you have rollover pricing when you compare on Y-o-Y basis?

Vinay Mittal That is difficult to give, but we can certainly try and take it offline

Percy Panthaki How much price increase did you take in September?

Vinay Mittal About 15%.

Percy Panthaki What was the full year revenue and losses on the Radio business?

Vinay Mittal Full year revenues were about Rs. 30 odd Crore and losses at EBITDA level were at about Rs. 30 Crore.

Percy Panthaki What is our run rate in terms of revenue per month exit 2009?

Vinay Mittal It is about Rs. 3.5 Crore a month.

Percy Panthaki And do you expect a substantial increase from that level also as you go throughout during the year?

Vinay Mittal Yes. We do expect and we should have a better than breakeven performance in FY10 for Radio, as ranking gets converted into more advertising.

Percy Panthaki So in FY 10, would you be looking at breakeven at EBITDA level or at PBT level?

Vinay Mittal At the PAT level.

Percy Panthaki At the PAT level you will breakeven, including the Rs. 11 Crore of amortization?

Vinay Mittal Yes.

Percy Panthaki How much were the losses in the Internet business for this year?

Vinay Mittal Internet had an EBITDA loss about Rs. 48 Crore.

Percy Panthaki How do you expect that to pan out in the future?

Vinay Mittal We expect it to improve. The traction has been good. In spite of the adverse environment, they have done pretty well against the tollgate set for them. They have been able to achieve close to 75% to 80% of the tollgate. Certainly, the EBITDA loss that we are forecasting for next year would be much lesser and we are aiming it to be at about Rs. 35 odd Crore.

Moderator Thank you Mr. Panthaki. The next question is from the line of Nikhil Vora of IDFC-SSKI, please go ahead.

Nikhil Vora Can we have indicative losses for the Mumbai edition for Mint and HT?

Vinay Mittal We do not give Mumbai separately as there is a lot of combined selling between Delhi and Mumbai in terms of packages; therefore we do not give details out.

Nikhil Vora Can we have for Mint at least because I would presume that would be more standalone numbers?

Vinay Mittal For Mint as a segment the losses were about Rs. 29 odd Crore for FY09.

Nikhil Vora On the Radio profitability or rather the Rs. 2 Crore losses that we have shown in the current quarter; I am slightly surprised, as in FY08 we did around Rs. 26 Crore revenue and in FY09 we have done Rs. 30 odd Crore. So the growth and revenue has been fairly steady, plus the losses have actually moved off from Rs. 40 odd Crore last year to Rs. 30 Crore for FY09, but only Rs. 2 Crore on the sequential basis. So, the revenues have not really moved fast while the losses have clearly come off. Has there been reallocation in cost or something?

Vinay Mittal There has been no reallocation in cost, rather there has been cost optimization which has run across the Company in all businesses along with manpower rationalization. In fact, in Radio, a part of the revenue had to be pushed into the next quarter; else we would have broken even in Q4 FY09.

Nikhil Vora So, at Rs. 7-8 Crore top-line quarter, can we make money in Radio?

Vinay Mittal No, we would make money in Radio at about Rs. 10-11 Crore top-line

Nikhil Vora In the Internet business, as you have indicated, we have lost around Rs. 45 odd Crore. Do you think it would also be a business were we would possibly exercise the write off maybe moving off that business, if the profitability does not shape up the way we expect it to be?

Vinay Mittal Absolutely, it is reviewed literally every month, but the way it has progressed it has been very heartening, but if it does not perform then certainly the business will be reviewed. But fact of the matter is that it is something that we are planning to really grow because the classified

business has to slowly migrate onto the Internet. We are very strong in prints classified and the Internet play will complement the print classified. So we are committed to the business.

Rajiv Verma

Let me try to add a perspective to that. Online business is the future of any media Company. What has happened in the west and in other countries, where you are seeing newspaper companies coming under pressure, one after the other because they did not have a very clear online strategy. So we do not want our Company to come under the same pressure in the next foreseeable future. So, as the consumer will shift their choices and preferences to move from offline to online; the media is going to move the advertising revenues to online. This migration while it takes time, but for a Company to build competencies in those areas also requires time, so these businesses are in the investment mode; learning curve is being evolved and we are developing competencies for a business which will be critical for this Company in times to come in the future.

Nikhil Vora

I think as long as we stay put, I would say it is a business that we will have to keep investing in. Lastly, the Hindi profitability; is that being undermined as off now and given that our gains in market shares have been fairly rapid in Hindi, can we now start to have the yields as much as the leaders' yield is right now and therefore increase in profitability in Hindi?

Rajiv Verma

In most of the areas where we have market leadership, our yields are equal to or more than the leader in the business, for instance Bihar where we have a leadership in readership, our yields are the highest. In Delhi our yields are catching up with the leaders and it is matter of time before they go ahead of Navbharat Times here. In UP, which is where we are in an investment mode and we have a certain readership numbers, it will take a little while before the yields catches up; but there is a significant improvement happening in yield in our Hindi business over the last 18 months.

Nikhil Vora

The difference between the standalone numbers and the consolidated numbers, as far as the news business goes, there is some EBIT loss in the consolidated number of around Rs. 38 odd Crore. Is that related to the joint venture in Delhi?

Vinay Mittal

Basically the difference is about 100 Crore.

Nikhil Vora

Rs. 145 Crore is what we have done on standalone and there is Rs. 38 Crore of EBIT loss in the consolidated number?

Vinay Mittal

I am offering you reconciliation, if you see on a standalone basis we have a Rs. 220 Crore EBITDA and in consolidated we are showing Rs. 121 Crore. So the reconciliation there is basically, that we have Internet, which is Rs. 48 Crore, Radio Rs. 30 Crore, Metro Now, which is a 50:50 JV with Times of India Rs. 16 Crore, and Burda which is 51:49, Rs. 5 Crore.

Nikhil Vora

The Rs. 16 Crore would equal to 50% of share?

Vinay Mittal Yes. That is the 50% share with Metro Now and Metro Now has now broken even. Going forward in FY10, you will not see this loss coming in Metro Now.

Moderator Thank you Mr. Vora. The next question is from the line of Sumit Modi of Emkay Shares and Stock Brokers, please go ahead.

Sumit Modi What is the revenue from the partnership for growth model for which the similar figure last quarter was around Rs. 26 Crore? Also could you provide the ad volume change Y-o-Y and also if you can update us on de-merger of two businesses Hindi and English?

Vinay Mittal It is about Rs. 19 Crore in Q4 FY09.

Sumit Modi Have we taken a hit on this Rs. 19 Crore which is reflected in the extraordinary item?

Vinay Mittal Absolutely. Rs. 6 Crore.

Sumit Modi What about the advertisement volume growth?

Vinay Mittal Advertisement volume growth in the Hindi market has grown by about 40% in the year and in English we are flat.

Sumit Modi Could you update us on the de-merger status and what are the plans?

Vinay Mittal The de-merger depends on the market; if the markets do well and there is an uptake in the economy. But the plan is certainly on the cards going forward in the next one year.

Sumit Modi Would you be able to comment on whether it can happen in FY10?

Vinay Mittal All depends on the market, yes in the last two days they have done extremely well, lastly global economic trends.

Moderator Thank you Mr. Modi. The next question is from the line of Vikas Mantri of ICICI Securities, please go ahead.

Vikas Mantri Can we quantify the Forex loss that we have mentioned in our report and secondly, since you have invested in the Internet business; do we go further and invest in the other sections of classified, which could be matrimonial and real estate?

Vinay Mittal Yes. It is about Rs. 6 Crore and that was basically on the short-term borrowing for the working capital that we had and the payments that we made or will be making on the newsprint.

Rajiv Verma I was just explaining to one of the other members on this conference call that online investment for a media Company is something, which is a must

to do. While, those who are not doing it will possibly find after some time and that time maybe sooner than later that the consumer habits and consumer taste would have completely shifted to online and then they may not be ready. The fact is that it takes long time for online business models to work out. Even in mature markets like US and Europe, media companies have still not reached a model where they are profitable. So, for us it is entry period. The last one year was that of learning phase and building a core competency and we are very happy that we have made the bet of it. We would like to see Shine business stabilizing and starting to show some tractions just like what we have seen with Fever before we start scaling it up.

Fever, we could have also gone and bought 50 licenses in first phase, but we decided that we would buy only four licenses; prove the business model, learn the business and then scale it up. So, just to take your cue from Fever, we are now ready to scale it up. Likewise, for online businesses we will start scaling them up by going into other verticals, once the core capabilities are built and once we see that our first business Shine online has started doing well and therefore that is going to be possibly a year, year and half away.

Moderator Thank you Mr. Mantri. The next question is from the line of Ankit Kedia of Centrum Broking, please go ahead.

Ankit Kedia What could be the average tax rate?

Vinay Mittal The average tax rate would be somewhat lesser than 30%, around 25%.

Moderator Thank you Mr. Kedia. The next question is from the line of Vikas Mantry of B&K Securities, please go ahead.

Vikas Mantry Could you share the quarterly circulation revenue for Q3 & Q4 FY09, or maybe last 4 quarters?

Vinay Mittal Well, circulation revenue for Q4 FY09 is Rs. 40 Crore, but if you want earlier quarters then I will have to get back to you, you can email it to me.

Vikas Mantry I just wanted to know about the ABC circulation numbers that has come for the Company for HT Hindustan and Mint?

Vinay Mittal Well, I will give you the internal circulation numbers as we see for all India, Hindi is about 16.5 lakhs, English is about 15 lakhs and Mint about 1.1 lakh.

Vikas Mantry Have you signed any other deal in partnership for growth model this year and what is the value for the same if any?

Vinay Mittal we keep signing them, it has not stopped.

Vikas Mantry What is the value that we have signed for this year?

- Vinay Mittal** The investment figure for the years FY08 and FY09 is about Rs.200 Crore and the revenue we booked in Q4 FY09 is Rs. 19 Crore.
- Vikas Mantry** As you said that we have reduced number of pages across all the papers. So, will it be possible for you to share with us the average number of pages that we are currently carrying in HT and Hindustan?
- Vinay Mittal** We can send the data to you, if you can just put the question on email, I will give it to you for English, Hindi, and Mint.
- Moderator** Thank you Mr. Mantry. The next question is from the line of Ashi Anand of Kotak Institutional Equities, please go ahead.
- Ashi Anand** You mentioned that we made Rs. 30 Crore of revenues and Rs. 30 Crore of EBITDA loss in the Radio business which seems to indicate that operating expenses are about Rs. 60 Crore per year. You also indicated that about Rs. 10 to Rs. 11 Crore of revenue per quarter, so therefore Rs. 40 to Rs. 44 Crore of revenue for the full year; you would be breaking even. Just trying to understand how the Rs. 60 Crore of operating expenses are likely to come down to Rs. 40 Crore in FY10 or am I getting something wrong?
- S Keerthivasan** It is very simple, we were at a brand building phase last year and if you look at the overall expenses, our marketing expenses is about Rs. 20 to Rs. 25 Crore. Now, that we have achieved our objective of gaining listener ship; obviously, going forward we will not be required to spend as much money as we have. Secondly the substantial part of about 20% of the cost booked in marketing was also relating to the ads we taken in Hindustan Times, now that the merger has happened, this will possibly become at zero cost going forward. So, the structural running cost, stands at about Rs. 40 Crore.
- Ashi Anand** In terms of Metro Now, you are saying that it is broken even in the fourth quarter of FY09?
- Vinay Mittal** Yes. Metro Now has been revamped in February and is published on a weekly basis instead of daily. Therefore going forward as I said, you will not see the drag in Metro Now in FY10.
- Ashi Anand** If you could give some more insights into the Burda JV. You said that we are putting in about Rs. 40 Crore in FY10. After the Rs. 40 Crore of investment, would there be any other investments and roughly what is kind of top line and EBITDA margins are we expecting. Can you give a broad understanding of the business model and how it is likely to work?
- Vinay Mittal** The commercial production would be in December 09. But for FY10, I will be investing approx Rs. 40 Cr into Burda. Burda has captive revenue because it is basically like a publishing BPO in partnership with Burda. Therefore, in the first full year of commercial production, we expect a breakeven.

- Ashi Anand** How is the deal structured? Is Burda also putting in money or are they basically getting in the business and we are putting in the money?
- Vinay Mittal** The way that deal is being structured is that we are putting in small money, but they are getting in the printing presses. The same project if I had put up new printing press would have cost me close to Rs. 250 odd Crore. But these guys are bringing in the existing machinery that they have in Germany and are installing it out here.
- Ashi Anand** What would the money that we are investing be utilized for?
- Vinay Mittal** Well, I would love to take you when the Mumbai press is inaugurated in the next 15-20 days; you will see that apart from just a press, the money goes into a lot of leasehold improvements and putting up a structure.
- Vinay Mittal** Thank you Mr. Anand. The next question is from the line of Miten Lathia of HDFC Mutual Funds, please go ahead.
- Miten Lathia** On the newsprint front how much would prices be off from the peak in your opinion or as a matter of fact rather?
- Vinay Mittal** In October, they were hovering around USD 920 a ton and spot today they are somewhere around USD 600 to USD 620 a ton. So, basically it is down to levels of January 2008 when it was USD 615 a ton.
- Miten Lathia** I am not able to reconcile why the overall newsprint average cost per ton should be flat in FY10 or FY09 because for a large part of the whole of FY09, we would have been booking cost close to USD 920 a ton. While for a large part of the current year we should be closer to USD 600 or USD 650 a ton.
- Vinay Mittal** The high cost of newsprint really started kicking in towards September, October 2009, because if you see my average cost in Q1 was about Rs. 29,000 a ton, in Q2 it went up to Rs. 35,000 a ton, in Q3 it went up to about Rs. 38,700 or close to Rs. 39,000 a ton. So, therefore the low cost newsprint which we had managed to take into inventory held us in good stead in the first two quarters. Similarly, what is happening in FY10, my high cost inventories will affect me at least till August and then low cost kicks in. So yes, it will be slightly lower than FY09 and I just do not want to commit to a quantification of it.
- Miten Lathia** Will it be a single digit decline or will it be a substantial decline on an average then?
- Vinay Mittal** No, you see also what is happening is the usage also will go up as the Hindi expansion is happening and more circulation kicks in.
- Miten Lathia** No, I am not talking about the absolute cost, I am saying the cost per ton, we understand that there might be pagination differences, there might be

circulation level differences which obviously as we grow will increase our circulation. But just saying that on a pure cost per ton basis, should the decline Y-o-Y be very, very nominal in your opinion or should it be of some order to recon?

Vinay Mittal

So, if you take into account the FX part, there could be more savings. For instance if today USD is at Rs. 47.50 and if it comes down to levels of Rs. 46, you will see savings; but at Rs. 50 you will see a small decline in my cost per ton that could be single digit for FY10, or let us say the average price.

Moderator

Thank you Mr. Lathia. The next question is from the line of Harrish Zaveri of Deutsche Equities, please go ahead.

Harrish Zaveri

One issue with the Internet investment is monetization of Internet. Companies across the world are finding it extremely difficult to monetize whatever they are offering on the Internet. So how do you plan to tackle that? And the second is that there would be phase 3 of Radio licensing at some point in time. Would you participate in that? You know a lot of Radio players are in trouble and they come up for acquisitions at some point in time. So, has the Company thought through those budgets and what would they be?

Rajiv Verma

Let me take that one, you are right; Internet businesses or online businesses which are in the matured markets like Europe and US are also struggling at this point and time. I do not know if you have been following some of those statements being made by people who play in that market; like Rupert Murdoch said that there is going to be a massive paradigm shift on the way content gets sourced from the net. The consumers have been bred in a manner that content on the net comes for free; that is going to shift. Already, there is a lot of talk about New York Times, which is a challenged organization financially at this point and most of these media companies are talking about charging for content on the net. So, in some ways the consumer will move to the online space, because of the convenience and ease and all the reasons that we know, but there will be a monetization model, which will emerge out of the west, wherein the content will start getting charged. Currently, I do not think that model is there yet, other than Wall Street Journal which charges for its content on the net. But that model is going to emerge. Hopefully, it would have emerged before the market in India for online becomes matured. This is something which is more or less a certainty that the consumer will move online and as the consumer moves away, the advertising also shifts. Therefore, for companies, this is a choice they have to make now, as to how do they prepare for the future and the future arises here.

The second question was about Radio. In Radio, our strategy was to cherry-pick the markets and we cherry-picked four key markets when the last round of auctioning happened. Going forward, strategy will be a combination of cherry-picking out of licenses which get re-auctioned in phase three or if it

becomes possible to buyout distressed assets and the distressed licenses. So, it will be a combination of the two, but yes we will cherry-pick more markets and scale up this business.

Harrish Zaveri Have you thought through of budgets that you would require for expanding into those?

Rajiv Verma We have to always remember once your strategy is working and your core model is performing, which is what has happened in our Radio business, then it becomes a lot easier to leverage and scale up. Unfortunately, for most other companies who went into Radio business in the second round of licensing are losing money. none of them have started making money yet and that is the function of two things, the strategy pursued, as well as the competency that they embedded to make that strategy work. In our case, the strategy was right that we did not go for picking up licenses left, right, and center and also the fact that we had a very good global partner in Virgin, who brought in all the competencies to be able to create a great Radio business.

Harrish Zaveri What will be their role, suppose if FDI were to get liberalized further, would they be interested in the majority, would you be interested in giving off a bigger stake to them or would they become your investment partners?

Rajiv Verma We see that business as core to us and that was very clear even at the stage when Virgin came in as partners. Virgin is very proud of the great partnership and also that HT Media as a Company has ability to manage global partners, whether it is Virgin or Wall Street Journal, or Burda or Red match. So, I think we managed our partnerships and relationship with our partners extremely well, which is why; I have no doubt that Virgin will continue its relationship.

Moderator Thank you Mr. Zaveri. The next question is from the line of Sidhharth Goenka of JM Financial, please go ahead.

Sidhharth Goenka The average cost of consumption for the year is approximately Rs. 35,000 a ton and what should be the quantity consumed for this year?

Vinay Mittal It would be about 147,000 tons of newsprint consumed for this year which includes domestic as well as imported.

Sidhharth Goenka What kind of trend are you expecting in the next year?

Vinay Mittal Quantity could be a little higher due to increase in circulation, but because of my pagination cut it may be about the same.

Sidhharth Goenka Can we have some quarterly trends of your Internet business, because there is no such revenue, but there is very high cost? So, can we get some sense probably what could happen next quarter or the half year?

- Vinay Mittal** I would certainly try and give you more clarity over the next 6 months as it reaches a certain critical mass.
- Moderator** Thank you Mr. Goenka. The next question is from the line of Srivatsa Murli from Doric Capital, please go ahead.
- Srivatsa Murli** Over the last few conference calls we have heard the management is saying that the cost will come down, but on ground the operational cost have not really seen a significant drop. But can we see some optimization of cost going forward. i.e. in Q1 & Q2 FY10. Would you still hold on to that or will it again lag up for next two quarters and then will come in Q3 and Q4 FY10?
- Vinay Mittal** I will hold on to it because most of the effort on cost optimizations took place in January-February 2009 really; although some pagination cut started in Q3 FY09, but the real effort on overheads or manpower rationalization took place in Q4 FY09. So, going forward in Q1, Q2 FY10 you will see the full effects of it.
- Srivatsa Murli** How much of margin improvement you see on the EBITDA level on the consolidated numbers as most of your investments are actually now breaking even. Will there be any significant improvement in the margin or somewhat in the same range what we had last year?
- Vinay Mittal** I do expect improvement for the simple reason that, a lot of my investments for instance Radio, Mint and Hindi are now going to give me more and more contribution. So you will see an improvement. However, I just do not want to quantify the improvement that I am aiming for, but you will see an improvement.
- Moderator** Thank you Mr. Murli. The next question is from the line of Ritwik Rai of MF Global, please go ahead.
- Ritwik Rai** How have the advertising expenses been coming in for the past few quarters? I understand that there are lots of new editions and new papers, however I would like to know what is your view on when they could start reducing on the publishing side and two that in spite of incurring these expenses for a fair amount of time, we still have to reach number two position in Mumbai. So what is your strategy for Mumbai going ahead? Is this the way we would be going forward or could be also considering a sudden increase in circulation?
- Vinay Mittal** No, I think it is certain that we can expect an increase in circulation. Every quarter Mumbai is performing slightly better Q-o-Q. So, FY09 has been better than FY07 & FY08, now that maybe marginal because the markets went down. But we do expect to increase in circulation, readership, and profitability of Mumbai going forward. It will probably take another two years for breakeven atleast, but the fact is that the EBITDA loss in Mumbai is coming down Q-o-Q.

- Ritwik Rai** How much could one expect in terms of circulation increase in the case of Hindustan and HT Mumbai?
- Vinay Mittal** HT Mumbai we will see how things pan out, I do not want to commit to a number. Hindustan as the readership surveys come out, we are hopeful that the uptake in our readership will continue more than the competition, which is being the case in our R2 2008 and R1 of 2009.
- Ritwik Rai** Looking here at the case of the Mint, it has quite a fan following really, but the numbers in terms readership like Amit was saying on the conference call that it is not too much in Mumbai. So, are you considering the idea that you could substantially raise your circulation revenues from there?
- Rajiv Verma** The circulation revenue in Mint already have been increased quite a lot, earlier the paper was launched at, if I remember correctly, Rs. 2 price point, now the price point is Rs. 3 and also it was fully subsidized in the form of some gifts or other items , now it is a totally paid model. So, you are absolutely right that you will see massive swing in Mint, as far as the circulation revenues are concerned because it has got fan following and the readers will be willing to pay a price for the content that they get.
- Ritwik Rai** So that is something you are considering.
- Rajiv Verma** Yes, it is already done as a matter of fact.
- Ritwik Rai** If I buy Mint in Mumbai, I still pay Rs. 2 and as far as I am concerned the subscription continues whether I am getting it for free or not.
- Rajiv Verma** Yes but there is a period of time for this type of subscription. However, as the subscription gets over, the consumers have to pay full price and only then they get it because the loyalty is getting formed.
- Moderator** Thank you Mr. Rai. Ladies and gentlemen that was the last question. I would now like to hand the floor back to the management of HT Media for closing comments, please go ahead Sir.
- Rajiv Verma** I would like to take this opportunity to thank everyone who joined us on this conference call. I know you all are very busy people and I appreciate you taking time out and being with us to discuss about the Company performance. I would like to re-iterate that this year has been one of the most challenging years for media industry. Hopefully, with the stable government in place now, if good decisions get done and that kind of improves the investment climate, I expect the future of the Company to be much brighter. Also, I do believe that we are much better poised to take advantage of the upturn, when the upturn comes. So thank you once again and I hope to speak with you again next quarter.

Moderator

Thank you gentlemen of the management, thank you Mr. Selarka. Ladies and gentlemen on behalf of HT Media that concludes this conference call. Thank you for joining us and you may now disconnect your lines.