HT Media Limited

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Investor/Analyst Conference Call Transcript
October 27, 2009

Rochelle: Ladies and gentlemen, good afternoon and welcome to HT Media's Q2 & H1 FY10 Earnings Conference call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference, please signal to the operator by pressing "*" and then "0" on your touchstone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Ishan Selarka of Citigate Dewe Rogerson. Thank you and over to you Mr. Selarka.

Ishan Selarka: Thank you, Rochelle. Good afternoon everybody and welcome to HT Media's Q2 & H1 FY10 conference call. Today, we have with us Mr. Rajiv Verma, CEO, Mr. Vinay Mittal, Chief Financial Strategist, Mr. Piyush Gupta, CFO, Mr. Keerthivasan, Head – Radio Business, and Mr. Dinesh Mittal, Company Secretary. We will commence this conference call with opening remarks from Mr. Rajiv Verma, 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 sent to you earlier. I would now like to invite Mr. Verma to share his perspectives with regards to the Company's performance during this quarter and half year ended September 30, 2009 and the opportunities going forward. Over to you sir.

Rajiv Verma: Thank you very much. I want to thank everyone who is on this conference call for being with us and taking some time out from their busy schedule this morning. We will share HT Media's performance during the last quarter with you. As you would have seen from the numbers, we have reported a fairly good improvement in our EBITDA and PAT margins. Overall profits have improved noticeably; but behind those numbers, there are a set of actions, which makes me feel that the Company is on a very sound track. Let me try and share some of the key achievements of the last quarter.

We relaunched our flagship brand, Hindustan Times, in Delhi, Mumbai and all the other markets in the month of July. This re-launch was done with a view to make our product a lot more appealing to the younger generation. As you know Hindustan Times is a more than 80-year-old brand and with more and more young people joining the pool of reader; the paper needed a new and a refreshed look, which is what was done. I am very happy to say that all the initial indicators over the last three months show that the re-launch has gone very successfully; the brand has been very well received and the content has become a talking point among our readers. So this entire re-launch effort, which had taken almost 2 years of preparation, has gone extremely well with the readers and therefore the brand is in a very good state of health.

The other element which continues to perform very well for the Company is the Hindi business. As you would have seen from the press release, our Hindi business continues to do very well. The top line grew by about 23% whereas the EBITDA margin stood at about 20%. We continue to outperform other industry players in terms of both top line growth as well as bottom-line improvement. The latest addition in the Hindustan footprint is the start up of our Bareilly press, which covers the western UP region. As you would have noticed, we keep on adding one or two new locations to our Hindi footprint in each quarter and have been expanding our Hindi business in Bihar and UP which has become another strong base on which the Company's architecture is being built.

Let me talk about Radio business. Radio business grew handsomely during last quarter. The top line grew by almost 50%. You would have seen that some of the other listed players in the industry registered a de-growth in revenues, but Fever 104 grew by almost 50% over the last year and as a result of that, it has posted a handsome improvement over last year in terms of the bottom-line as well. We are now among the top two stations in Delhi and Bengaluru, while having a very strong position in Mumbai. Fever 104 as a brand is becoming a very strong brand with its listeners.

In addition to that, our other business like Mint, which has been a recent investment by the Company, continues to do very well. Mint has been gaining traction and is present in almost every large metro city in India. The last edition launch was in Chennai in the month of July. With that, Mint has become a very strong second largest business daily in India.

The internet and digital business, which is in its infancy, continues to track numbers in line with our forecast and projections made during the beginning of the year. We will share these numbers at the end of the year; but suffice to say that we are progressing as per plan in a somewhat difficult scenario where the online job recruitment has not been growing. This is also visible from the numbers reported by the market leader in that segment. Online recruitment as a space has been struggling, but within that space our business has been tracking as per plan. Overall, we are very happy with the progress made by the Company so far.

A lot of improvement in margins has come as a result of improving the cost structure of the Company, which is controllable and where we could act upon. We have taken the cost inefficiencies out, but have not compromised on long-term investments made in our brands. You might have also noticed that our sales and marketing spend continues to be higher as we invest behind our brands to make them stronger for the times to come. As the economic environment improves, I am sure we are in a comfortable position to take advantage of the improving economic environment with strong brands from HT Media.

I am joined by my team here and if there are any questions, we will be happy to take them. Thank you.

Rochelle: Thank you. Ladies and gentlemen, we will now begin the question and answer session. At this time participants who would like to ask a question may please press "*" and then "1" on your touchtone telephone. If your questions have been answered and you wish to withdraw from the queue, please press "*" followed by "2." You are requested to use your handsets while asking a question. Participants with questions may please press "*" and "1" at this time. Our first question is from the line of Percy Panthaki of HSBC. Please go ahead.

Percy Panthaki: Can you give us an idea as to what is the existing cost of newsprint in the market, our cost for Q2 and what is the outlook for the future?

Vinay Mittal: For Q2, the blended cost was about Rs. 32,800 to about Rs. 32,700 and we believe that should go down into the third quarter to about Rs. 28,500 to Rs. 29,000.

Percy Panthaki: Would you remain at that level in Q4 also?

Vinay Mittal: No. Newsprint prices seem to have strengthened a little bit. So maybe slightly higher.

Percy Panthaki: I would imagine that the cost you had averaged in Q2 has been lower than Q1. Is that right?

Vinay Mittal: Yes, it is lower than Q1. Q1 was about Rs. 35,300.

Percy Panthaki: What is the split up of sales growth between volume and rate increases? What is the total volume growth and do you expect any changes in the rates going forward?

Piyush Gupta: Are you talking about the ad revenues or circulation volumes?

Percy Panthaki: No I am talking about ad revenues. Within that assuming that your ad rates per column had remained the same, what would your sales growth have been?

Piyush Gupta: Volume growth has been in double-digit; however, on the rate side there is a certain amount of softness, which the industry is witnessing right now. So with that, you see a top line growth of about 4%. As far as the ad revenues are concerned we have volume growth in double digit, but the yield has not increased in this quarter.

Percy Panthaki: But I recall that last time you changed your rates; it was on the upside and not on the downside?

Piyush Gupta: It was on the upside a while back; but right now, given the industry situation, no one is revising the rates upwards. There are people who are dropping the rates. There is a lot of competition and the competitors have really slashed their rates. However, we are still holding them at the moment but there is a downward pressure on the pricing.

Percy Panthaki: Could you give me a sense on what is the ad revenue growth for the Hindi segment?

Vinay Mittal: The Hindi revenue growth was about 25% Y-o-Y.

Rochelle: Thank you Mr. Panthaki. Ladies and gentlemen before we take the next question we would like to request participants to limit their question to two so that all participants have their turn in the question queue. Our next question is from the line of Abneesh Roy of Edelweiss, please go ahead?

Abneesh Roy: My question is on the ad revenue growth in Delhi market, which is a very big market for us. When do you see growth coming back because Real Estate, BFSI, Auto and all these sectors are definitely showing an uptake in advertising? So when is Y-o-Y growth expected to come back for you in the Delhi market?

Rajiv Verma: All of us are very well aware that around the same time last year, the economy went into a slowdown which got accelerated with the global financial meltdown. The whole picture became very bleak for the entire industry and companies across industries went into a cost management mode because no one knew how long the downturn was going to last. There was a lot of uncertainty as a result of that. Now, while the economy is getting better and some positive news is coming from different segments of the economy, it will take some time before that improvement in sentiment translates into confidence among people to buy media again because they have recently done a rationalization of their cost structure in the last one year, put a mechanism for control in ad buying whether it is the Real Estate sector or Financial sector. For the newly gained confidence to translate into media buying again, it takes a little bit of time. Our hope and belief is that, soon enough we will start seeing this entire improvement in sentiment resulting into advertising buying.

Abneesh Roy: The reason I am asking this is that improvement in sentiment is now being accepted by almost everyone. The problem is that the biggest player Bennett Coleman has cut rates in many markets. So on one side sentiment is coming back and on the other side the biggest player has taken a cut, so on the net, how does it translate, because last year November-December advertising had been hugely impacted. So anyway your second half base is low. So taking all these three things into account don't you think growth should come back?

Rajiv Verma: You need to ask Bennett Coleman this question, I cannot comment on their strategy, but we believe very clearly that a wrong strategy can land a Company into trouble.

Abneesh Roy: My second question is on your Hindi ad revenue 25% growth. You have entered some new cities in UP in the last couple of years. If I take ex-UP what would be the growth in terms of advertising?

Piyush Gupta: Though we have not cut out the numbers like that but I can tell you that in Bihar and Jharkhand our growth has been in high double-digits. Since we are in dominant position, we have been getting our market shares, but given the fact that we already have dominant market shares, there is not too much of headroom available for gaining further market shares.

Abneesh Roy: Can you share some details on the revenue front especially for Mint. Also when do you expect Mint to become profitable because now IPO revenues are really coming back in a major way?

Vinay Mittal: We would share Mint numbers at the end of current fiscal year.

Rajiv Verma: Mint is still in an investment mode, as you know, in the last 12-14 months we added Kolkata, Bengaluru and Chennai. So the fact is that we are not looking at Mint from a quarter-on-quarter perspective. Mint is a very robust brand, which is being dealt with from a long term view of next five to ten years. The reason we continued to make these investments even during the downturn was a) because we were seeing the emergence of a very strong brand that was coming out of all the research with the readers we had done and b) because our advertisers are liking the segmentation that we are doing and thereby we are seeing a tremendous growth in our ad volumes as well as revenues. So, if we start to look at Mint from a short term point of view, we can make it profitable immediately, but then that will be at the cost of growth whereas we want to build Mint for a long term play.

Vinay Mittal: Just to give you a idea on the numbers, the top line growth in Mint is in the high 20% and EBITDA level growth is in high 30% on a year-on-year basis. But suffice to say what Rajiv is saying, it is very easy to make it profitable just by doing a few set of actions which we are not willing to do at this point of time.

Rajiv Verma: So we don't want to see Mint as a niche player but want to see it as a mass player and therefore we will continue to invest and build a very strong brand.

Abneesh Roy: Have you managed to get ahead of the erstwhile second player?

Rajiv Verma: Yes. By a wide margin.

Abneesh Roy: Radio, just a quick comment on profitability?

Keerthivasan: In terms of profitability you have seen the numbers. At EBITDA level we are virtually close to break even. If you remember last year, we had revenues of about Rs. 6 Crore a quarter. We had Rs. 8 Crore of revenues in the last quarter and Rs. 10 Crore in the current quarter and are hopeful that the same trend continues. The first half has been pretty challenging for all of us especially on the radio front. We have registered a very healthy yearly growth of 50% on the top line; where as the competition has de-grown. So in a declining industry we have actually taken the maximum share. Radio is predominantly a second half play; i.e. split of revenue between first half and second half is 40% and 60%. So we have done about Rs. 19 Crore in the first half and hopefully we should be able to do far better in the second half as compared to the first half, which will result in being profitable in the second half.

Rochelle: Thank you Mr. Roy. Our next question is from the line of Shalini Gupta of SG Pai Equity Research, please go ahead.

Shalini Gupta: My question is with respect to the Radio business. There is a view among people who watch this industry that, Phase 3 would be a game changer for the market leaders. Could you comment on this? Also If I understood correctly, you have decided to stay away from Phase 3.

Could you comment on your decision as well because as I understand the licenses are going to become very cheap, at less than a Crore per city or per region?

Keerthivasan: To be honest, there was a question mark about the success of our business model when we got into this business. Many people commented that we are very small in terms of size and therefore we will possibly not be able to survive and today, what has happened is that we are very close to the market leader in terms of our profitability. Look at the market leader who has 30% revenue share and still posts a couple of crore of profit while I do Rs. 10 crore revenue a quarter and I am pretty much at the same profitability or a marginally different profit number as compared to the market leader. So our strategy has really worked. As far as Phase 3 goes, I do not want to divulge anything about our moves as of now, but I do believe that it will be a game changer.

Shalini Gupta: You believe it will be a game changer because radio will have a pan India kind of presence and therefore you will be able to sell better to companies who want advertising on a pan India basis, is that so?

Rajiv Verma: I do not want to talk about our strategy. As we speak, we are looking at various options and I do not think this is the right forum for me to divulge our strategy.

Moderator: Thank you Ms. Gupta. Our next question is from the line of Madhuchanda Dey of Kotak. Please go ahead.

Madhuchanda: There seems to be a very marginal sequential growth in ad revenue this quarter. This is in contrast to the ad revenue growth, which has been seen in some of the broadcasting media companies. I just wanted to understand is there anything in particular with your Company? Do you see a trend reversal or is it something to do with print media per se or something, which is going to continue?

Vinay Mittal: Rajiv did touch upon this when he was speaking that the sentiment has improved and as you yourself have been pointing out that it needs to get translated into Ad revenue. The regional markets or the Hindi markets are doing well as you see from the 25% growth in their ad revenue. It is only the English market or the metro market that we are waiting for it to turn and we expect it to happen anytime now especially if the sentiment keeps becoming better.

Madhuchanda: You mentioned in the call that you expect to break even in the radio business. I just wanted to understand how and when is that possible?

Keerthivasan: As I said earlier, if you look at the EBITDA level we are very close to break even. In fact, we have an EBITDA loss of about a crore and the net loss is about Rs. 2 crore a quarter. If you look at my cost structure, my current cost structure is about Rs. 10 crore a quarter; so anything over and above Rs. 10 crore of revenues is profit. I have done Rs. 10 crore this quarter and hopefully my next quarter numbers should be better than Rs. 10 crore and at that level I will make some money. The question is not when I break even. I am anyway very close to the break even; a crore here or there does not really matter. The question is when will I start doing 20% or 30% margins and that is what we are currently working on.

Madhuchanda: Is that possible given the current regulatory structure of the industry?

Rajiv Verma: Yes, it is possible. We have shown that it is possible. From last year loss of about Rs. 30 crore from radio business, this year we have a loss of about Rs. 3 crore so far.. That is a huge swing.

Madhuchanda: What are the levels of margin improvement that you expect going forward given that the newsprint prices are not going to be as benign as they have been in the second quarter?

Vinay Mittal: In terms of newsprint prices; the third quarter will be the most benign one for us. As I was telling you that for the second quarter we were at about Rs. 32,700 and we expect it to be down to about Rs. 29,000 in the third quarter. We also expect the newsprint prices to remain within the range of Rs. 29,000 to Rs. 31,000 going forward. With respect to inventories, we are covered up to March and if you are looking at operating margin earnings; suffice to say that versus the same period last year, operating margins have increased by about 7 percentage points and PAT also increased by about 4%. So bulk of that has been contributed by newsprint which is the single biggest cost element,

Madhuchanda: Is it a right conclusion to draw now that you are covered with Rs. 29,000-30,000 kind of cost till March and if the second half sees better traction in terms of ad revenue, there is upside to the margin that you have reported?

Vinay Mittal: Absolutely without a doubt.

Moderator: Thank you Ms. Dey. Our next question is from the line of Vikash Mantri of ICICI Securities. Please go ahead.

Vikash Mantri: One question on the ad outlook in the English market; while we are seeing a sequential or a continuous decline there, Hindi seems to be doing well. So what is the dynamics which is different for these two markets?

Rajiv Verma: The fall that the economy saw last year was almost precipitous and various companies reacted by brutally taking cost out, reducing manpower, controlling all controllable variables within their businesses and as a result of that now you are seeing corporate profitability coming back again. You will now agree with me that companies have got inherent huge inertia in the way business gets done. So it takes a little time for unfreezing those decisions which were made some time ago. So currently, there is a huge cost control which is being exercised by all companies in terms of the amount of money they want to spend on advertising. Packaged goods companies, FMCG companies were least affected, therefore they continue to spend and that is why you are still seeing continued spending on TV. But those companies which are more print centric i.e. which use print advertising more like Real Estate, Financial sector, government and so on, had decided to apply brakes. Government is in austerity mood right now, Real Estate has partly recovered from the massive setback that it saw last year. Also, the Financial sector has just started creeping back; but with some sense of cynicism. As you start to see confidence coming back, you will see metro markets and English markets also gaining traction back in terms of advertising What you are seeing currently is oversupply of media in metro markets and a depressed demand side, hence players are resorting to discounting. This situation should get corrected with improving corporate profitability. I think in the next six months, you should see reversal of that.

Vikash Mantri: What is the reason behind more than 40% growth in English subscription revenues and why is the tax rate so low this quarter?

Rajiv Verma: When advertising declined; we took cover price increase across the board and added a lot of new locations in Hindi. These additions of new locations also increased our overall revenue from cover prices. So a combination of these two has shown us the number that you are seeing in terms of improvement in revenue for circulation.

Vinay Mittal: On the tax side, the reason for the rate being so low is that we still got some radio losses that are being absorbed this year.

Vikash Mantri: What could be the tune of the Radio losses?

Vinay Mittal: About Rs. 30 crore.

Vikash Mantri: Will this continue for the next two quarters as well?

Vinay Mittal: You basically adjust it for the whole year and then you pay your taxes accordingly.

Dinesh Mittal: We will be adjusting the advance taxes for December as well and besides what Vinay has just said, there is a provision reversal of Rs. 1 Crore which we had recognized on account of FBT in the last quarter before the budget was notified. That is the reason for a lower effective tax rate as compared to what it was in the same period last year.

Vikash Mantri: For the next two quarters we will continue to have that radio benefit?

Vinay Mittal: Yes.

Moderator: Thank you Mr. Mantri. Our next question is from the line of Ritwik Rai of MF Global. Please go ahead.

Ritwik Rai: What would be the total negative contribution on the circulation revenues on account of the attractive schemes that you offer on Mint and HT Mumbai?

Vinay Mittal: let me come back to you on that.

Ritwik Rai: Considering that things are turning around for media players, there is news that DNA is rolling back salary cuts etc. Do you expect any major moves in the costs of personnel expenses or otherwise going forward?

Rajiv Verma: It is very hard for me to comment on the strategy of competitors, but as far as HT Media is concerned, we had never cut salaries even during the downturn, therefore the question of rolling back salary cuts does not arise. We do not believe that these kinds of actions augur well for a Company in its long-term play. As far as the manpower cost is concerned, the strength of this Company is its quality of people and therefore, depending on how the additions take place, how the growth is happening, talent investment in this Company will continue.

Ritwik Rai: Sir, any updates on the de-merger of Hindustan?

Vinay Mittal: We are moving towards it, that is why we have given the results of Hindustan separately for the first time. With respect to the timing it all depends on the market.

Moderator: Thank you Mr. Rai. Our next question is from the line of Amit Kumar of Kotak Securities. Please go ahead.

Amit Kumar: As far as the English market is concerned, one is that on a year-on-year basis I understand that Delhi business would be down around 6-7%.

Could you help me break into what was the volume decline and pressure on pricing?

Piyush Gupta: Delhi is a very big market. Just to give you a sense of the market volumes in Delhi, the volumes for the industry were about 13% higher. However the yield came down quite drastically led primarily by our biggest competitor. So that is the whole perspective. As Rajiv also articulated these kinds of pricing pressures are being witnessed more in the English market but also in the Hindi market. However, Delhi being the biggest ad revenue market, is heavily impacted.

Amit Kumar: As I understand, BCCL cut these rates almost at the fag end of the quarter, and I am sure the effective realization for you would also be down for an equivalent level. Is this just a case of basically formalizing the ad rate cut that were being taken earlier in the form of increased discounting during the last one year?

Piyush Gupta: I really cannot comment on the strategy that the competition is deploying here but, what I can tell you is that they have really cut rates before the start of Diwali which according to us is not a prudent strategy. But, they must have their sound reasons and we cannot comment on what was the driving factor behind that.

Amit Kumar: On the market, the BFSI and Real Estate have just started to see some sort of an uptake but Autos is one category where we have seen uptake almost for the last six to nine months. So could you just give us some color on how that particular category has performed for HT Media in the second quarter and if you could give us some color on the festival season as well?

Piyush Gupta: The industry volumes have grown by about 16% in the Auto segment, but as I told you that even they are witnessing pricing pressure. There has been an uptake in the ad volumes, but the price volume elasticity has played out in the Auto sector as well.

Amit Kumar: Sir, on the Hindi business, besides your UP, Uttaranchal and Bihar, Jharkhand edition, you have a pretty large and a very strong presence in Delhi market as well. Could you give us some color on what sort of revenue growth have you seen on that particular side?

Vinay Mittal: We do not give state wise revenue on Hindi business as such. This is the first time that we have given numbers on Hindi business overall. I would like to desist from giving you region wise, because what will happen then is that you will go into a state, different editions etc and it becomes too micro.

Amit Kumar: But would it be fair to assume that revenue growth would be very much in line with the readership gains over Navbharat Times that you have seen in that particular market?

Vinay Mittal: Absolutely, very much.

Moderator: Thank you Mr. Kumar. Our next question is from the line of Siddharth Goenka of JM Financial. Please go ahead.

Siddharth: Other income is down quarter-on-quarter basis, any particular reason behind it?

Vinay Mittal: Number one, we have utilized the money to pay off debt, and secondly, they were into high-yielding FMP investments earlier, now they have gone into lower yields as interest rates have gone down. All the FMP's matured for us in March/April. That is the reason why you see the fall in other income.

Siddharth: What is the debt and cash position as of now?

Vinay Mittal: We have a net debt of Rs. 99 Crore and a cash position of Rs. 246 Crore. Total debt, short term plus long term is Rs. 345 Crore.

Siddharth: What could be the average rate of interest on the debt?

Vinay Mittal: The average rate of interest is about 7.5%.

Siddharth: In terms of newsprint consumption; what are we likely to consume by the end of FY10?

Vinay Mittal: We would end up consuming around 34-35,000 tonnes.

Moderator: Thank you Mr. Goenka. Ladies and gentlemen before we take the next question we would like to request that participants limit their questions. Our next question is from the line of Priyadarshan Jha of Standard Chartered Capital Markets. Please go ahead.

Priyadarshan: Can you throw some light on your Internet business?

Vinay Mittal: We give the Internet numbers only at the end of the year but we are reiterating the fact that we would be in line with our projections of an EBITDA loss of about Rs. 35 crore for the whole year.

Priyadarshan: How much of that is with respect to Shine?

Vinay Mittal: Basically, Rs. 35 crore loss that I am telling you is on Shine. It has done well and continues to make progress . But it will take time to break even because of the general way the job markets have been and the fact that it is just about a year old.

Moderator: Thank you Mr. Jha. The next question is from the line of Mr. Miten Lathia of HDFC Mutual Fund. Please go ahead.

Miten Lathia: The fact of English business EBITDA margin being lower than the Hindi business EBITDA margin is something that is not very digestible. This is despite the fact that there are numerous new launches in the Hindi business and the proportion of editions being under gestation period is more than the English business. Could you explain?

Rajiv Verma: I think there are a lot of simplistic assumptions which are going into this particular statement. First and foremost, you have to understand that English business comprises of several geographies. It includes Mint business which is in growth stage and is not profitable at the moment. It also has losses on account of Mumbai, which is a great market to be in from a long term perspective. And do not forget that we have relaunched an 80-year-old paper in this quarter. There is a huge amount of effort which goes into re-launching of a paper. So there is massive amount of marketing, sales promotion trial which happened and that is what has made the brand a far more robust brand. It is much more than a very simplistic way of just looking at numbers and doing a number based exercise

Vinay Mittal: Also if you look at Hindi business, though, there are numerous new editions that have been launched, but in totality majority of the revenue comes from Bihar, Jharkhand, and Delhi etc., and it more than makes up for the losses on account of new launches in UP and Uttaranchal as the losses are small. However, in case of English, the drags that we have because of Mumbai and Mint are quite large.

Miten Lathia: Is it fair to say that HT Delhi plus HT Mumbai would have an EBITDA margin of less than 20%?

Keerthivasan: Within Delhi, we have the highest operating margins; though I do not want to comment more about it.

Miten Lathia: Combined Delhi plus Mumbai is at 20% EBITDA margin currently. Is it a fair assumption to work with?

Vinay Mittal: It will be around level of 20%. **Moderator**: Thank you, Mr. Lathia. Our next question is from the line of Mr. Jas Simran of HDFC. Please go ahead.

Jas Simran: According to the IRS survey, in Bihar market, every major player is losing readership. Is it because the overall market is shifting to Internet, or is there a temporary setback in the market?

Rajiv Verma: You know there seems to be something wrong with the way readership numbers are being measured in Bihar market. We have taken it up with research agencies to tell us what exactly would be the anomaly with the measurement system, because I agree with you that there is no reason why Bihar market should be showing a reduction. It is not that lesser number of people are reading newspapers now or literacy is going down or anything like that. I agree with your comment. There seems to be something wrong with the research methodology there.

Jas Simran: Depreciation in Hindi business appears to be slightly on the lower side in comparison with the overall HT Media depreciation figure. So is there any reason behind that?

Vinay Mittal: Yes, all of the Hindi machines are depreciated machines whereas in English, they are relatively new, both in Delhi and Mumbai.

Moderator: Thank you. The next question is from the line of Mr. Arjun Khanna of Principle Mutual Fund. Please go ahead.

Arjun Khanna: Our net debt is down to around Rs. 99 Crore from Rs. 175 Crore as of the last quarter. did we have some liquidation of inventory or debtors or did we receive some amounts?

Vinay Mittal: Yes. We had liquidation of inventory and there is an effort to collect debtors also across the board which led to the improvement in the cash situation.

Arjun Khanna: Could you give us the debtor days currently.

Piyush Gupta: Well currently in terms of debtor days, we are sitting close to about 65 days. What you should also understand is that a large portion of debt is the government debt, which is slightly long-term. The debts from real accredited agencies are typically at 60 days by virtue of the principle. So that effectively means that we have been managing debtors much more aggressively as in spite of the government debtors being long we have debtors days 60 to 65 days.

Arjun Khanna: You did mention that the forward booking of newsprint would be ranging around Rs. 29,000 to 31,000. Do we have any forex hedges for the same or do we have this in the dollar amount.

Vinay Mittal: This is in rupees and there were no forward bookings. What I was telling you was what the average cost would be that will hit my P&L.

Arjun Khanna: Sure, but obviously the rupee would be moving say from here till March.

Vinay Mittal: Yes, if that rupee moves, that will come separately as FX gains and losses under other income.

Piyush Gupta: For all FX, we have got our FX policy in place already. Just to give you an update on that, about 90% of the foreign exchange exposure has been hedged appropriately within the purview of the policy. Effectively, they have worked out at a cost of about 3.77% to be precise. But yes, all the FX hedges are held as per the Company policy, which has been approved by the board.

Arjun Khanna: So then we could be reasonably confident of the newsprint prices going forward say till March at least.

Piyush Gupta: Yes, of course.

Arjun Khanna: We converted Metro Now to a weekly newspaper. Given newsprint at these prices, do we plan to relaunch it as a daily newspaper?

Vinay Mittal: We are not doing that. Converting Metro Now to a weekly was a strategic move and it will remain as weekly.

Arjun Khanna: Could you give us the quantum of losses that would have come down with this move?

Vinay Mittal: We will disclose them at the end of the year, but suffice to say that it will be much lesser than what it was last year.

Arjun Khanna: What are the Capex plans for this year and next year? Could you give us some numbers?

Vinay Mittal: Yes in terms of Capex, we would do a Capex of about Rs. 50 crore for the whole year and an investment of about Rs. 75 crore in our subsidiaries, which is basically broken up as Rs. 40 crore into JV with Burda for publishing business and close to about Rs. 30 to Rs. 35 crore into our subsidiary Firefly.

Arjun Khanna: When would we actually start seeing revenues from this Burda joint venture?

Vinay Mittal: You will see that in the first week of January itself.

Arjun Khanna: Would it take time to ramp up?

Vinay Mittal: We will take time to ramp up, but it is assured revenue. So even in the first quarter itself we will try and achieve a near to break even situation But for the full 12 months of working, we will have a break even.

Arjun Khanna: I understand this would be a cost plus basis?

Vinay Mittal: No, there is a margin element out there. But let us try and discuss it when we give our first quarter results on the JV.

Moderator: Thank you Mr. Khanna. Ladies and gentleman due to time constraint, last question is from the line of Nirav Dalal of Capital Market. Please go ahead.

Nirav Dalal: I wanted a split of the volume and pricing for the subscription revenue.

Vinay Mittal: The circulation revenue is about Rs. 48 Crore and the balance will be advertising revenue.

Nirav Dalal: No, I wanted a split in the circulation as to what was the pricing and volume growth?

Piyush Gupta: On the circulation, I would say it is more or less to about 50:50. The price increase is primarily coming from our biggest market which is Delhi and there has been a ramp up in new locations in UP which Rajiv explained to you a while back.

Moderator: Thank you Mr. Dalal. Ladies and gentlemen that was the last question. I now hand the conference over to the management for their closing comments.

Vinay Mittal: Thank you ladies and gentlemen for attending this conference call. I would like to recap what was said during the call. The Company seems to be making good progress. All our businesses seem to be contributing positively to profitability and I hope that the third quarter results will vindicate this statement. Thank you.

Moderator: Thank you. Ladies and gentleman that concludes this conference call. Thank you for joining us on the Chorus Call Conferencing service and you may now disconnect your lines. Thank you.

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