Q1 FY2011 Earnings Conference Call
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Moderator: Ladies and gentlemen, good morning and welcome to the HT Media Q1 FY'11 earnings conference call. As a reminder, for the duration of this conference, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need any assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand over the conference to Mr. Ishan Selarka from Citigate Dewe Rogerson. Thank you and over to you sir.

Ishan Selarka: Thank you, Melissa. Good morning everybody and welcome to HT Media's Q1 FY'11 earnings conference call. Today, we have with us Mr. Rajiv Verma, CEO of HTML; Mr. Vinay Mittal, Chief Financial Strategist of HTML and Mr. Amit Chopra, CEO of HMVL. We will commence this conference call with opening remarks from Mr. Rajiv Verma and Mr. Vinay Mittal, which would be followed by an interactive question and answer session. Please note that some of the statements made in this conference call may be forward looking and a note to that effect was sent out to you earlier. I would now like to invite Mr. Verma to share his perspective with regard to the Company's performance during the quarter ended June 30, 2010 and the opportunities going forward. Over to you, sir.

Rajiv Verma: Thank you very much. Good morning ladies and gentlemen, I appreciate your taking time out to understand HT Media and HMVL's performance during the quarter ended June 30, 2010. Over the course of this discussion, we will take you through the results of the Company and will try to answer any questions you might have. If there are certain questions to which we don't have answers readily available, we promise we will get back to you on that as soon as possible.

As you would have noticed, it has been a particularly good quarter for the Company. Our overall revenues have increased by 20%. The advertising revenues were up by almost 22%, which is a trend that we have seen after a long time. As a result, EBITDA margins have expanded from 19% last year to 21% this year, which has led to the overall operating profits of Rs. 85.7 crore. Profit before tax has also improved from 11% to 15% and the net income of the Company is up from Rs. 28.7 crore to Rs. 41.4 crore. Overall, it has been a good performance.

Now, let me try and give you more details of our performance. Almost all businesses of the Company have done well. Our Hindi business continues to outperform the industry with approximately 24% growth in advertising revenues. Other brands of the Company have also continued to get stronger and stronger. Mint, which was launched about three years ago, has become a fairly strong brand as it grew by more than 40%. English business, which had not been growing very well for last three or four quarters, has also now started to see some growth. Apart from the volumes growth, yields have also started to see some improvements. Our English business grew by more than 20%, which was a trend we saw after a long time. HT Delhi showed good performance and so did HT Mumbai, which grew almost 25% during last quarter. In addition to that, we are very happy to report the start of commercial production at HT Burda joint venture last quarter. We have already fulfilled our first quarter of supplies to Ikea, which is a very large customer, to supply the production to European markets. So, the Joint Venture is in the phase of getting stabilized with commencement of commercial production for exports.

Radio business also did extremely well during this quarter. It registered positive EBITDA of about Rs. 1.1 crore during the quarter. The growth of Radio business was almost 40%, which we believe is more than any other radio player in the industry. So, effectively it's been a good quarter for the Company. The cost productivity also has continued to do very well. Our overall raw material cost as a percentage of revenue went down from 36% to 32%, which also helped the margin expansion. We continue to invest behind our brands leading to growth opportunities for quarters and years to come. Our Hindi business continues to see greater levels of investment in the form of increasing print order as does our HT brand in Delhi, as well as in Mumbai. Mint also continues to see expansion. So we are gearing up the Company for greater levels of growth through acquiring new customers and readers. As a result of this, we expect our readership numbers, which is the driver of profitability in this industry, to continue to show robust performance in the coming readership surveys.

Overall, I am pleased with the performance of the Company and I would like to now hand it over to Vinay to give you a little snapshot on the financial performance of the Company.

Vinay Mittal: Thanks Rajiv and good morning everybody. Just to pick up from where Rajiv left , we have had a good quarter and the growth has been on the back of improving advertising environment. As Rajiv pointed out, advertising growth has been a robust 22% and the good part is that the advertising growth has been not only in Hindi but also in English. English had been the laggard for previous few quarters, but that's picked up smartly in this quarter. Also, we have continued to invest behind our brands, therefore the entire growth in advertising has not flown down to our EBITDA and PAT numbers. Both, our EBITDA and PAT margins have gone up, but maybe not in the same commensurate manner. The reason being we have invested in the future across our businesses in increasing print order, people and like investments in sales and marketing costs. So, all these three investments will give us a much higher growth in the future, maybe even in the second half of this year. Also while looking at the results, you should keep in mind two exceptional items, of which one is the foreign exchange rate fluctuation, having an impact of approximately Rs. 8 crores. In the corresponding quarter last year, the Company had a gain of about Rs. 5.5 crores in foreign exchange whereas in this quarter, we have registered a loss of Rs. 2.2 crore, which means a swing of Rs. 7.8 crores at EBITDA level. Also, we have provided for diminution in the value of ad-for-equity investments to the extent of about Rs. 4.4 crores. So, both these factors combined, has led to our EBITDA numbers being pulled down by approximately Rs. 12 crores. I would like you to keep all this in mind when looking at the results.

Thank you. Now we' will move to the question answers please.

Moderator: Thank you. The first question is from the line of Rishi Maheshwari from Enam Asset Management. Please go ahead.

Rishi Maheshwari: Could you elaborate on the growth in the English business as to what kind of profile do you see in advertising and what would be the future trend?

Rajiv Verma: The improvement that we are seeing in advertising in English has come due to two factors, one is the yield and the second is the improved volumes. Let's focus on the yields first, during the last one and a half year; the advertising industry had seen a kind of collapse in volumes, which forced all the participants in the media industry to resort to deep discounting. Now with volumes coming back, we see this trend getting reversed and the yields are coming back. There has been about 10% to 12% improvement in yields across the board. We see improvements coming from not just the real estate sector, but also the financial sector, as well as classified, which is both in the B2B and B2C area, as well as C2C area. We are seeing very healthy improvement in classified growth, which clearly shows that at a consumer level or at an individual level the confidence is pretty high to buy or sell cars or real estate or other items in which individuals participate. . Auto sector is doing very well. The sector which has been somewhat disappointing was the education sector where we did not see the kind of growth that we had witnessed during previous years. However, we saw a fairly healthy growth in the volume, as a result of positivity and good results being posted by all our customers, who are traditional users of media in our industry.

Rishi Maheshwari: . Also, if you could give us a sense of what is the size of your ad to equity division now, the investments in it?

Vinay Mittal: The total size of the assets that we hold is Rs. 287 crore.

Rishi Maheshwari: Give us a trend on how you have been marking to market all these investment? Where is the investment placed and how do we see this going forward? Will you continue to have a negative mark-to-market on this quarter-after-quarter?

Vinay Mittal: No. We don't have negative mark-to-market. Also, while we put various 'pluses and minuses' together with respect to ad for equity, overall it has made a positive contribution to our margins. Reason for the provision is that we are extremely conservative in our ad-for-equity portfolio on all the parameters such as we don't let these revenues go beyond 5% of the total business that we do. That's the kind of cap we keep on for ad for equity business. . Also most of this business is done partly on cash and partly on equity. It is not just all ad-for-equity only and it is done only where it makes very good commercial sense and so far all the assets have been in money. We have liquidated some of those and that has given us returns, which was more than the value of the investment.

Moderator: Thank you. The next question is from the line of Sumit Modi from Emkay Global. Please go ahead.

Sumit Modi: Firstly your employee cost seems to be a little higher this quarter versus your run rate of Rs. 60 to Rs. 65 crores for last several quarters? Also, can you tell us what has been the growth from Mumbai or Mint Edition? Has there been a reasonable contribution by these two businesses in the overall 20% growth in English ad revenues?

Rajiv Verma: Let's touch upon the employee cost first. Employee cost has two components. First is the merit-based increases and the second is the increase in manpower for supporting expansions. In this quarter, while there have been some extra hiring to support our future plans and expansion, majority of the increase is due to wage increase. As you would have noticed there had been no salary increases for the last two years, hence, it was time that we gave our employees their due. Last year, the Company reported a fairly handsome improvement in EBITDA and a large part of this contribution came because of the performance put in by the employees who did not receive any merit increase. So, the increase we gave out was in line with the market and also a part of increase that you see here is for acquiring talent for future growth as well as expansion plans of the Company.

Sumit Modi: So there is no one-off bonus or anything in this?

Rajiv Verma: No. There is no one-off bonus component in this. And about Mint and HT Mumbai, they have been significant contributors to the overall 20% growth. Mint has been growing very well and has shown a growth of 40 plus percent. Mumbai has also shown a growth of approx. 25%. So overall, both of these have been the solid contributors to the growth that HT business has seen.

Moderator: Thank you. The next question is from the line of Ritesh Doshi from First Global. Please go ahead.

Ritesh Doshi: Sir, my question is relating to Hindustan Media Ventures. HMVL used to do job work for HT Media before the acquisition of Hindi business. After this shift of Hindi business does it do any other job work for HT Media?

Vinay Mittal: Yes. the agreement is very clear that in all geographies where majority of the printing is done for the Hindi paper, HMVL will print for HTML if HT is printed there. , This is done as a job work in those locations. On the other hand, in Delhi where the main paper produced is HT; publishing of hindi newspaper is taken as a job work by HTML.

Ritesh Doshi: Does HMVL do job work for English business as well?

Vinay Mittal: Yes, it does in up country.

Ritesh Doshi: Does it also do job work for any other companies which are not in the group?

Vinay Mittal: Yes there are certain papers like Telegraph, Business Standard etc, in States of Bihar, Jharkhand, UP etc where we print on their behalf and that revenue goes to Hindustan Media Ventures Limited.

Ritesh Doshi: So there will be job work revenue coming in HMVL going forward as well?

Vinay Mittal: That's right.

Ritesh Doshi: DB Corp is entering the Jharkhand market. So how do you sustain the competition as there are already three newspapers?

Amit Chopra: Yes. I think first of all DB Corp at the moment is restricted only to one market i.e. Ranchi. For developing the market or rapidly growing the market, there has been enough work that has been already done by the incumbent players. We have also done a lot of work in that market for the past few months', be it capacity expansion or increasing copy base or increasing distribution network. So from our side, we are consolidating our position. If you look at the IRS results for the last three years, Hindustan has continued to improve its market leadership in the State of Jharkhand. We remain confident of being able to carry that work forward.

Ritesh Doshi: Have you taken any price cuts in Ranchi?

Amit Chopra: Yes. To grow the market in Ranchi, some price cuts have been taken and that is towards expanding our readership base.

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

Arjun Khanna: You had given guidance that HT Mumbai would probably break even in two years from now. Is that standing or is there any revision to that?

Rajiv Verma: First and foremost, these guidances are only directional. The idea is to make Mumbai business a significant contributor to value creation by the Company and all the actions are going in that direction. As you all know that newspaper is a habit and it takes a long time to displace habits, which have been built over decades and centuries. The market leader in Mumbai has been present for over 100 years in that market. I'm extremely happy with the way Hindustan Times brand in Mumbai has performed. Some of our recent initiatives, which have been in the direction of acquiring consumers and getting consumer loyalty, have been very, very successful. As a result of that the Hindustan Times brand is becoming a formidable player in the market. As far as the financial performance is concerned we are seeing good growth coming into our business. I'm very optimistic that the way things are going, it will soon be that Mumbai business will become a significant value contributor to the Company. To your specific question of break-even for the business in the next two years, that directionally remains the goal and we will strive to get towards that. I am very optimistic that we will get there, but at the same time we have to keep in mind that a lot of this will depend on how the external markets behave. We would have possibly achieved it sooner had it not been for the slowdown that happened during the last two years. But that slowdown has helped us strengthen our brand even more in Mumbai market and as I said, I am very optimistic about the future of our Company in Mumbai.

Arjun Khanna: One of the connects, which you just mentioned I would assume would be the annual subscription offer that we had for some time, we removed it and now we have reinitiated it a couple of quarters back. Is this to stay, or are we looking at removing this in terms of increasing circulation revenue?

Rajiv Verma: It is not entirely the case. The effort is to constantly acquire new readers and give the product for trial and then try to make them loyal and habituated to the brand. This is a constant ongoing endeavor. As a result of that, we are now almost creeping to become the number two player in terms of readership. So we will continue to acquire newer and newer readers thru a combination of schemes and promotions. This is something that is a constant ongoing endeavor for us and our effort is to then slowly translate that into loyalty and start charging cover prices.

Arjun Khanna: Major competitors removed their scheme that started in Mumbai, so I was curious whether we would follow that. Do we still have schemes in Delhi or have we withdrawn them?

Rajiv Verma: To be very honest, in Mumbai market or in Delhi market, we are not very competition focused. We are actually reader focused. We look at reader's behaviors and we look at our own expansion strategy. We look at the areas where there are opportunity pockets that exist and if we have any weaknesses in our brand we try to fix them. Competition is only a part of equation because if the brands are very strong, we will be able to do things, which are relatively different from what our competitor can do. So the effort is to make strong brands and create reader loyalty. But as I said, our business is such that it takes long time before you can change reader habits. In Mumbai, we are seeing extremely positive results from the brand at this point of time. In Delhi also, the approach is not dissimilar, except that we are a very mature player here and we've been present in this market for many decades. Therefore, here the effort is to acquire new readers who are moving in from different cities and different places and those are the kind of readers that we try to address..

Moderator: Thank you. Our next question is from the line Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Where do you see the newsprint cost moving and can you give us the inventory levels for both sets of businesses i.e. the English business and the Hindi business?

Vinay Mittal: The newsprint cost is hardening and stands at about USD 700 a ton. For English, we are covered up till about December for imported newsprint and for the domestic newsprint, we usually have an inventory policy of about a month.

Abneesh Roy: So you are not planning to change that?

Vinay Mittal: It's dynamic. It can change if we feel that the newsprint prices are going to run away. **Abneesh Roy:** Could you comment on the other two segments of business? Radio and Burda, how have they done and how do you see them for the year?

Vinay Mittal: Yes, radio has done extremely well. It is grown at 40%. It has a positive EBITDA of Rs. 1.1 crore for this quarter. So it's doing well and every quarter you will see it grow sequentially and on a Y-O-Y basis. On Burda, the commercial production has started, the first export order is in the process of being exported. So you will see a good set of numbers flowing through this quarter onwards.

Abneesh Roy: In English section the Ad Revenues from the education sector is low, why isn't this sector performing even though the economy is picking up? **Rajiv Verma:** We are all just trying to analyze this because the season has just about ended or is in the process of ending now. There may be a couple of things which might have led to this. It could be that the business models of our customers who are the education institutes and Education Companies maybe under stress and as a result of which they have decided to reduce the advertising spend. The other reason could be that during downturn, the students thought that they will get a lower return on their investment if they went to education. Therefore they decided to stay in jobs. This is because if you have a job, you don't want to go away for education and come back and find that you don't have a job. Therefore that could have also led to reduced traffic into the education institutes. So there could be a combination of reasons. What is the exact underlying reason, I wouldn't be able to put my finger on that now

Abneesh Roy: This was in English and Hindi both or more in English?

Amit Chopra: In Hindi also the early part of the quarter did begin slowly. Though we did see little bit of ramp up post that. So it's grown, but growth is low as compared to what it has been in the past two-three years. .

Moderator: Thank you. The next question is from the line of Amit Kumar from Kotak. Please go ahead.

Amit Kumar: I just wanted to understand the HT Edge product, which has been launched by HT in Delhi. Can you give us some sense of what will be the incremental expenses on account of this in the particular quarter?

Rajiv Verma: I don't expect them to be more than Rs. 2 to Rs. 3 crore a quarter. And let me try and clarify this because this issue keeps coming up again and again. There are under developed segments of our society where the readership is not at the same levels as it would be for mature segments.. So this is a product, which has been created for an underdeveloped segment. It's an innovation done by our Company and I am very proud. We are one of the first companies to be doing that innovation. In addressing some segment gaps, which existed, we saw that after students passed from school and they went into job, there was a gap and we were not addressing that gap. So this is a product, which has been launched to address that particular segment so that the youth do not go away from reading newspaper habits. As you all know, youth today is not adapting to newspaper reading and we would like to address that risk. Also, there is an underdeveloped market segment, which is a segment of vernacular and Hindi users who are slowly moving towards adopting an English paper. They don't want to go straight away to a full line paper. It's a trial paper created for them, so that they can get used to an easy paper and then over a period of time adapt to the more mature offering from the Company. So it's a great innovation and I am very optimistic that in times to come this will strengthen the overall brand portfolio of HT Media even more.

Amit Kumar: The subscription scheme that you have launched in Mumbai is quite lucrative. It is much lower than what the resale value of the scrap itself would be and we have seen that happen in some of the other Hindi markets as well, that when the scheme is launched, a lot of people just take the newspaper because of the resale value is higher than the scheme which is offered, and not actually renew it as and when we increase the price. So is that a risk that we see in Mumbai as well?

Rajiv Verma: Let me try and address this question by first of all assuring you that the amount of internal checks and balances and controls which exist in the Company to ensure that a wrong practice like this does not happen, are extremely strong. There is a very, very strong controls system, which is in place to ensure that an abuse like that of our brand does not happen. Now, as I said, you got to have enough inducement for the readers to try the product for a long period of time before they adopt your brand. We constantly monitor the price of scrap in the market, which is what you call as Raddi and keep the pricing above the Raddi threshold. Also, in addition to that there is a very large back end call center, which ensures that the product is reaching the readers and it is not going into any parallel stream of scrap and so on. Last but not least there are constant checks in place to monitor readership to see that the product, which is being printed, is ultimately leading to higher readership. As you saw from last readership survey results, HT readership grew fastest in Mumbai market ahead of its peer group, which clearly goes to show that the product is reaching the hands of the readers and they are accepting it and reading it.

Amit Kumar: But in a city like Mumbai, Rs. 199 translates to almost half a rupee per day. Do you think the benchmark given the fact that we are looking at relatively premium positioning in Mumbai, at least that was the idea when we launched. Don't you think that the brand is going fairly down market so to speak in a market like Mumbai, which is a fairly high-end consumer and high-end reader market?

Rajiv Verma: Not really. Rs. 199 scheme was launched earlier. Now the scheme is at Rs. 299. So what you do is, you launch the scheme at Rs. 199, get the readers used to it, then the next time you are offering the scheme, it is at Rs. 299, and then you go to Rs. 399. So it's the ladder approach that we use to make sure that you get in the readers and then you slowly get them habituated to it and then you take up pricing. So, the pricing ladder keeps moving up, as the readers get used to reading the product. As far as your question about the down market of the brand is concerned due to discounting, all our surveys show that the image of the product is so strong that in this case prices do not translate into brand image. The image of the product is very strong and therefore people hold it even at a pretty high esteem , given the quality of the content they are experiencing every day. And it is not the pricing, which is resulting into brand image. But it's the content, which actually is resulting into a very strong brand image.

Moderator: Thank you. The next question is from the line of Vikas Mantri from ICICI Securities. Please go ahead.

Vikas Mantri: There seems to be a steep increase from sequential last quarter in the newsprint consumption. What led to this increase and how do we see it going forward?

Vinay Mittal: Basically as I said that we are investing into the future across our businesses. So, consumption increase is across the board, whether it's Hindi, whether it's Mint, whether it's upcountry HT edition, whether it's Delhi, or Mumbai. We are expanding across the board and all of this consumed paper. Therefore you will see a steep jump compared to Q4 last year and then also Y-o-Y.

Rajiv Verma: In addition, the volume in advertising has gone up a lot, as you would have seen, our revenues have grown by 22%. So the moment you get more ads, you need to consume more paper and those ads need to be supported by equivalent amount of content to keep your ad edit ratio in the same proportion. Otherwise if you only put ads and no content, then what happens is that your paper starts to look much cluttered and the brand image goes down. So, the extra volume also means greater consumption of paper.

Vikas Mantri: Can you quantify the pagination increase maybe sequentially from last quarter onwards, especially in your English paper?

Rajiv Verma: I don't think on q-o-q the pagination level has increased. At best it would have been a page or two that would have gone up and mostly due to advertising volume and content coming in.

Vikas Mantri: Our losses in Internet and the mobile parts have increased a bit. Will there be any further increase in investments in those segments?

Rajiv Verma: No, I don't think those have increased. The Internet business is showing extremely robust performance. Both in mobile, as well as in Internet, our traffic is up. We have five-million resume databases on our site now.. Last year we had a PBT loss of about Rs. 9.5 crore and this year is about Rs. 8.2 crore. If my memory serves me right, I think we have a Rs. 2 crore revenue from our online site.. As we all are aware mobile-based businesses and the online businesses take some time for a Company to develop competencies and to develop brand. I'm very happy with the way this whole thing has gone and there are more sites, which are being launched at a very marginal cost. In fact, today we have launched one more site called htcampus.com, which is a site that will address the needs of students who are looking for colleges. Now this has been done at a very, very low cost internally by the Company because of the overall competencies that we have developed, and I am very optimistic for the future of this site. So, you will see increased action in the online space given that the base level investments have been done. We'll be able to do more and more in that space now.

Moderator: The next question is from the line of Siddharth Goenka from JM Financial. Please go ahead.

Siddharth Goenka: In the minority interest component we reported a loss of around Rs. 12 million and I believe most of our minority is coming from the subsidiary HMVL and there we reported a profit of around Rs. 193 million.

Vinay Mittal: The minority that is coming is from Burda and not HMVL. As HMVL got listed on July 21, it was not in minority as on June 30. .

Siddharth Goenka: Right, but going forward as a subsidiary it will come in as a minority profit ?.

Vinay Mittal: That's correct.

Siddharth Goenka: What is the average newsprint cost for this quarter?

Vinay Mittal: It's about Rs. 28,250 a MT.

Siddharth Goenka: Is there any guidance that you can give for the full year? This newsprint prices as you see now was at around USD 700 levels, but we are already booked till December. What kind of levels can we see for FY'11?

Vinay Mittal: Look, there are two parts to it, one is the newsprint price and the other is the newsprint cost that we bring into our P&L. You have various things that can be done to reduce the impact of the increase in the newsprint price like change in mix, grammage, paginationetc. So therefore let's see how the newsprint price behaves. We do expect it to harden, but we do not expect it to run away. And accordingly the industry as such will also take measures to reduce this impact on the P&L.

Siddharth Goenka: Can you also give us some volume and value growth for your English and Hindi business for this quarter?

Vinay Mittal: For this quarter the advertising volume in the English grew about 20%. So that 20% growth could be split evenly into volume and on yield basis.

Siddharth Goenka: What about the Hindi business.

Amit Chopra: Similarly, the advertising revenues grew 24%. Nearly half came from price increase and half from volume increase.

Moderator: Thank you. The next question is from the line of Ruchit Mehta from SBI Mutual Fund. Please go ahead.

Ruchit Mehta: Just a clarification of the Hindi business. You had 50% volume growth and a 50% pricing revenue in the 24% growth that is of the date, is that correct in terms of the split?

Amit Chopra: Broadly yes.

Ruchit Mehta: in Hindi specifically, out of the Rs. 133 crore of revenues, you have reported; what could be the core subscription revenue?

Vinay Mittal: The advertising revenues were Rs. 96 crore and the circulation revenues were Rs. 32 crore.

Ruchit Mehta: And in terms of margin, you had a 25% margin for the quarter as a whole, but going ahead on two fronts, one is now the way newsprint has been increasing and secondly the price cuts that you have taken, what could be the impact in the subsequent quarters?

Amit Chopra: Hindi business's last full year margin was at about 20% level. The stable state margins for this industry lies around 28% to 30% level. We believe we will continue to see margin improvements as our investments mature, till the time we reach up to stable state margins.

Ruchit Mehta: So despite all this for the year as a whole, you could still see 25% of the margins?

Amit Chopra: I would not like to give any specific numerical guidance. But yes, we are looking at improving our margin profiles for this financial year compared with the previous financial year.

Ruchit Mehta: A broader question on revenue growth, a lot of the media buyers or the ad spenders just talk about English being flattish in terms of advertising growth. But I think you had a 20% odd volume growth, how do you see the year as a whole for us and general for industry for English?

Rajiv Verma: English, we expect the buoyancy to continue certainly for the next two quarters. A lot is going to depend on the liquidity environment and the way inflation is panning out, whether this will lead to any commodity bubble or not. So I would say that at this point in time I remain optimistic, but cautiously optimistic that the advertising traction is not going to go away anytime soon. So my approach would be not to let our cost structure balloon up and make sure that we are taking advantage of our strong brands and continue to invest behind making robust brands. Because, ultimately even in slowdown, if things don't go very well it's the strong brand, that will help us outperform the competition.

Ruchit Mehta: Okay. And when you said that you are not looking at increasing cost is it from the Q1 level of cost? If so, then would this level be broadly the indication of how the next three quarters would pan out?

Rajiv Verma: You know when I speak about cost structure I mean unnecessary cost, wasteful cost, wasteful expenditure. If you see the performance of the Company during this quarter, our raw material productivity and its consumption have been much better than the last year. Relative to last year, where we were consuming 36% of our revenues as raw material, we are down to 32%. This is a combination of buying efficiencies, procurement efficiencies, as well as consumption efficiencies. The other area of productivity is manpower productivity and people productivity. We try to get maximum output for a given cost structure, and that is the direction in which we try to push the Company.

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

Rohit Dokania: Please tell us why the Hindi business was not demerged completely from the entity. Any specific reason for that to have it as a subsidiary, because once you start doing the valuation for HT Media you'll have to start giving the holding Company a discount?

Vinay Mittal: Basically, we interacted with our bankers evaluated various options. As you rightly said, one of the ideas was to demerge it completely, but on a consensus basis it came out that it's best to subsidiarize it and accordingly we took it forward. **Rohit Dokania:** I believe DB Corp should be probably launching a edition in Bihar somewhere in FY '12. So do you expect any price cuts or any other strategy?

Amit Chopra: If I outline our strategy I guess that would not remain the strategy at all. The Hindi states more specifically Bihar and Jharkhand territories continue to see very strong advertising revenue growth. Being the dominant player in that state, we will leverage all the opportunities that exist. As part of that we believe the state is also right for some readership development and recognizing that, we've already enhanced our printing capacity in both the state in terms of pagination as well as color. We will continue to do all that's required to ensure not only we maintain our leadership position, but continue to strengthen our dominant position.

Rohit Dokania: Could you please give us the circulation details of all the three editions Hindi, HT and of Mint, of the daily copies sold?

Vinay Mittal: Yes. Mint circulation is about 1.2 lakhs. Hindi is 18.6 lakhs and for English it's in the region of about 16 lakh copies.

Rohit Dokania: So how much it has gone up on a y-o-y basis?

Vinay Mittal: this quarter versus last quarter circulation numbers have gone up by about 7 lakhs, which is primarily about 3 lakhs in Hindi locations of UP, Bihar and Jharkhand and Uttarakhand where we are investing for the future and remaining in English, be it Mint, upcountry markets and Mumbai market **Rohit Dokania:** Sure. So you're saying that on an average it's gone up by about 7 lakhs on a q-o-q basis?

Vinay Mittal: On a Y-o-Y basis.

Rohit Dokania: What was that figure on a q-o-q basis?

Vinay Mittal: Approximately 3 lakhs on q-o-q basis

Moderator: Thank you. The next question is from the line of Ritesh Poladia from Almondz Global. Please go ahead.

Ritesh Poladia: Sequentially raw materials have grown by about Rs. 20 crore, would Burda venture contributed in this?

Rajiv Verma:. Yes, it would have contributed but not in a significant manner. I think it goes back to the last question where we said we are investing in newsprints. So there is high level of pages, which are getting printed, which has contributed, primarily in all our major geographies.

Ritesh Poladia: Our ad to equity is about Rs. 287 crore. So this would be booked in our revenue over what period of time?

Vinay Mittal: Basically most of these contracts are for a three-year period. And what you are looking at is the investment. So part of it would already have been booked. When you book it, the entry that gets recorded is up front of an investment and a advance against advertising on the credit side. And then, as the advertising gets consumed, you keep booking the revenue and the advance against advertising keeps reducing. This investment only reduces when the investments are actually sold, which could be either property or equity.

Ritesh Poladia: Okay. So, of Rs. 287 crore, how much has already been booked?

Vinay Mittal: It's about Rs. 136 crore that we've already booked till last year and another Rs. 16 cr has been booked in this quarter.

Moderator: Thank you. Ladies and gentlemen, due to time constraints 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'd like to thank all of you for taking time out once again to spend your precious time with us. The performance of the Company after almost four slow quarters has been very good from the top line point of view, but I'm very happy that overall the brands of the Company continued to outperform. The readers like our brands. With further work done in our core markets of Delhi, Mumbai as well as Hindi markets, iIt is going to hold us in great stead in times to come. We look forward to your continued support in taking this Company forward. Thank you very much for your time.

Moderator: Thank you gentlemen of the management. 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.
