



HT Media Limited

Q1 FY10 Investor/Analyst Conference Call Transcript July 28, 2009 at 1:00 p.m.

Moderator Ladies and gentlemen good afternoon and welcome to the HT Media's Q1 FY10 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 touchtone 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 Q1 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 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 maybe 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 regard to the Company's performance during the quarter ended June 30th, 2009, and the opportunities going forward, over to you sir.

Rajiv Verma Thank you. A very good afternoon ladies and gentlemen. I appreciate your taking time out and being with us during this conference call. My colleagues and I are here to answer any questions you might have about the performance of the Company and how the business has been doing and how we see things going forward. While we may not be able to share with you information which may be speculative in nature; but we will be very happy to share with you the business plans that the Company has.

Just to share with you the performance of industry, the industry has still been under rough weather, contrary to what was expected that the media sector will de-grow by about 2% as per the estimates of all the media planning agencies. The situation has been a little bit worse than that. Media has actually de-grown in the range of 5% to 7%. One of the main reasons for this is that the global economy has gone into a freefall. A recession of this kind has never been seen before. In addition, very high commodity prices had created a commodity bubble due to inflation in commodity which lasted

for over four to six quarters. So all these created a perfect storm in which most media companies came under a lot of pressure.

Now it appears that the economy seems to be coming out of its bad period. However, there is a lag effect between confidence coming back and investments behind marketing and brand building efforts. Therefore, some of the key sectors like real estate, travel, and finance have been a little bit of laggards. IPOs have not still started happening with the same velocity. Real estate is still not appearing very confident. It is tentative. So all this put together, the lag effect is still taking its toll on Media and while the situation seems to be getting better but it is nowhere compared to what we had seen during the heydays of Media about a year or two ago.

Within that overall context, I am very happy with the way the Company has performed in terms of top-line as well as bottom-line. The total income of the Company has grown by about 3%. On the bottom-line, EBITDA stood at Rs. 76 crore which is the highest EBITDA posted by the Company during the last 8 to 12 quarters. So there is a lot of work which happened on the cost rationalization as well as stabilizing our business model. In addition, we have a business model which comprises of English, Hindi and a few other portfolios. We have seen that most of our new brands and investments which were started have started yielding results and we are taking off losses in Mumbai and in Mint.

So on the whole; I am very happy with the performance on the top-line given the context and the environment we are in. Bottom-line is also very healthy. More importantly even during the time of downturn, the Company did not back off in its investment strategy. We continued to invest behind core and several other diversification businesses. Our investment in Mumbai in setting up a state-of-the-art facility has borne fruit, as a result of which we have re-launched and restaged Hindustan Times in a completely new redesigned fashion in Mumbai and Delhi. It is almost a Rs. 150-160 crore investment in a new press which has gone on line in Mumbai during the month of May. Our investment in Hindi seems to have borne fruit because that business is doing very well. We are also investing behind the state-of-the-art facilities in Bihar in Patna, which is a very attractive and a good business for us.

Mint has gone national now. It is present in all metro cities and continues to move at its normal pace. Fever that we had started about 3-3½ years ago has come off age. It is a leading brand in all the cities in which it operates and is almost on a breakeven and has stopped bleeding Company of any losses. More importantly, future businesses where the Media industry will lie in times to come, is the online medium. The Company has a strategy which we are all extremely confident about. Investment in Shine as well as other online properties continues. The traffic on these sites is increasing and all the online businesses in times to come will create another pillar for the Company on which the overall architecture of the Company is being built.

So, in sum, we believe that given a tough environment the performance by your Company has been good.

With that, I hand it over to Mr. Vinay Mittal.

Vinay Mittal

Good afternoon ladies and gentlemen. I will just pick up from where Rajiv left and will discuss the results directly.

As Rajiv pointed out total revenues are up by about 2-3%. They are at about Rs. 3351 million compared to Rs. 3272 million corresponding quarter last year. This increase is primarily on account of a 24% increase in circulation revenues which are now standing at Rs. 444 million up from Rs. 358 million, This is due to increase in cover prices and better realizations as the discounts and the packages are phased out. Also this increase in revenue is partly on account of Radio merger. For this quarter, the revenue that you are seeing, includes Radio which is about Rs. 88 million and these two increases of circulation and Radio are partly offset by a marginal decline in advertising revenue which has fallen from Rs. 2805 million to about Rs. 2781 million.

The operating margin for the quarter was stable at 22% partly because of a reduced spending on advertising and sales promotion expenses. The advertising markets have been a little flat and also the newsprint cost has been high because of the high cost inventory that we are carrying which should run out by about September.

Consequently the EBITDA stands at Rs. 756 million up from Rs. 745 million. The PAT was recorded at Rs. 324 million down from Rs. 377 million due to a higher depreciation on account of various expansions that had taken place last year. The depreciation on that has kicked in and we provided for an exceptional item which is diminution in value of investment in our joint venture Company. Consequently the EPS for the quarter stands at 1.38.

I will now like to throw it open for any questions.

Moderator

Thank you sir. Ladies and gentlemen we will now begin with the question and answer session. Anyone who wishes to ask a question may press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue you may press '*' and '2'. Participants are requested to use handsets while asking a question. The first question is from the line of Abneesh Roy from Edelweiss Securities. Please go ahead.

Abneesh Roy

We have seen a 1% decline on the ad revenues. Could you just share as to what has been attained YOY segment wise?

Vinay Mittal

Just the English ad revenue YOY has come down by about 12%. Now this was basically on the account of the fall in government advertising because of elections. There was a ban on DAVP advertising. Also the election

revenue was not commensurate enough to take care of the fall in the government advertising. So that really explains the fall in the English advertising. While in case of Hindi, the ad revenues have been robust and have grown close to about 32%. Mint has also been great and has grown at levels of about 24%. So I think the decline is more to do with the election part of it so that is over now. We should see a return of the government revenues in English and Hindi both.

Abneesh Roy What would be the expectation for English in the balance 3 quarters? Would that be broadly flat?

Vinay Mittal Depending on the economy, I certainly think that it would not be 12% down because as I said most of it is due to the shortfall in the government advertising.

Abneesh Roy I wanted to understand the English ad revenues better. What we have seen is in one of the TV broadcasting Company which is also in the news space came out with the results and we saw a 25% jump in ad revenues essentially from political advertising. I understand broadcasting TV channels do not have too much government ad. They do not have too much to lose. But is my understanding correct? Is that the reason or is there something else?

Vinay Mittal First of all, the medias are different. Also, this time the major beneficiary of the election advertising was the electronic media now that is one-off.

Abneesh Roy Why would that be?

Vinay Mittal Here it seems that the advertising agency or whoever was the media advisor went more national than local. So they opted for TV more than the print media. So therefore, whether you take vernacular or you take English in print, the print did not get the kind of election revenue that was thought would come through.

Abneesh Roy Real estate sector is a big sector in Delhi in terms of advertising. Government has given some incentives which are not adequate. But are you seeing some signs of revival in the real estate in the balance three quarters or you think it will be essentially FY11 when we will see real estate advertising getting revived in Delhi?

Vinay Mittal Yes, if you see year-on-year the real estate as a pie of my advertising revenue has come down from 9% to about 5%.

Abneesh Roy Overall?

Vinay Mittal Yes overall. But going forward, if these sops work, I do expect a bit of a pickup but how much of it will come to advertising, it remains to be seen. All of these sops are for affordable housing and by virtue of its nature, affordable housing is tightly priced. So will the builders then come out and spend as much on advertising, I am not too sure on that.

- Abneesh Roy** One question on the advertising front, Mint you have gone national, 2 lac readership, very strong. 3-years down the line what is the kind of potential you are targeting because there is a lag phase in media. Economic Times does get robust revenues whenever IPO advertising is robust. So what is the kind of number you see in a mature phase, say 3 years down the line?
- Rajiv Verma** It is hard to speculate. It would not be fair to give 2 years down future facing numbers. Enough to say that Mint has become a very enduring brand for all the readers who read Mint and arguably it has been considered as one of the best business papers launched out of India which meets global standards and is comparable to best newspapers in the business genre anywhere in the world. So such a brand will create enduring value and shareholder value for all times to come.
- Abneesh Roy** We have seen a 24% increase in circulation. So could you give us some idea of how much was the cover-price increase and for which segments have you done this kind of increase. Also, is it sustainable; can you please give some sense on that?
- Vinay Mittal** If you recall, we raised the prices in Hindi around the last week of December. That price was raised by about 50 paise basically in different geographies. Places where it was at Rs. 3.50, it went up to Rs. 4.00. Other places where it was Rs. 3 went up to Rs. 3.50. So that was on the Hindi part. Prices for HT Delhi went up in May from Rs. 3 to Rs. 3.50.. In addition, there is a conversion in Mumbai of subscription to line copies. It is all those packages, etc., which were very low priced, now they became Rs. 2.50 in Mumbai, so the realizations have increased in Mumbai.
- Abneesh Roy** for the existing customer, who has a subscription offer, when he goes for renewal, do you deny him that offer or how does it work?
- Rajiv Verma** Yes, so there is a new offer which is priced higher.
- Abneesh Roy** Is there any cover price increase possible in the near future in Mumbai or is it difficult?
- Rajiv Verma** Yes it moved to Rs. 2.50.
- Moderator** Thank you Mr. Roy. The next question is from the line of Pawan Sadarangani from Dipan Mehta Share & Stockbrokers, please go ahead.
- Pawan Sadarangani** Could you throw some light on the performance of Mint in Kolkata and Chennai?
- Rajiv Verma** Very strongly received by the readers both, in Kolkata and in Chennai. Mint Kolkata has been very positively received by the readers and the early signs in Chennai also are that people are finding differentiation of Mint very compelling. The content is also world class and it is a truly differentiated

paper which provides news from an angle which no other newspaper in India does.

Pawan Sadarangani Any circulation numbers you would like to share?

Rajiv Verma I am sorry this data is not something that we will be able to share with you. In Bangalore, it is the second largest paper already in the business genre and that is the intention in Chennai as well as in Kolkata. In the next six months it will be second largest paper in both these cities where it has just been launched.

Pawan Sadarangani When do you expect your internet business to breakeven?

Rajiv Verma Online businesses have a pretty long gestation period and it is about having a consistent strategy, building the traffic, building enduring brands and slowly trying to bring the businesses to breakeven. They have a long period during which you need to continue to invest and build those brands. There are various parts to the internet business we have. One part is news, the content related part. The other is classifieds where we have started jobs and online jobs about a year ago. And the third part is mobile telephone-based marketing as well as social networking. It has already started making money. We are currently in investment mode in other parts. Mobile telephone-based marketing that we have started in a joint venture with a Company called Velti Plc. should be profitable within its first year itself.

Pawan Sadarangani Any new portals you plan to launch in the internet vertical?

Rajiv Verma Yes, there are a few more verticals which are in the offing.

Moderator Thank you Mr. Sadarangani. The next question is from the line of Percy Panthiki from HSBC, please go ahead.

Percy Panthiki Is there any method by which you track your revenue market share in English genre?

Vinay Mittal Yes. For instance, you say that in Delhi between Times of India and us, we garner about 54% of the advertising market. But you will not have probably a third party like an IRS or an ABC validating that claim.

Percy Panthiki Is there anyway that you can give some kind of idea as to how your market share has moved over a period of time and especially this quarter vis-à-vis the other players?

Rajiv Verma In this business it is a little difficult to come up with how the market performed in revenue terms. Volumes can be measured, but how much discounts and rebates were offered and the market operating price in terms of unit rates are difficult to know. However, on basis of that you do keep getting to know an approximation of how the market share would have been behaving.

- Percy Panthiki** In that case as you are saying that since volumes are easier to measure, could you give some kind of idea about your volume market share and how that has moved?
- Rajiv Verma** Our volume shares have been pretty good as we have been almost at all-time high and we are in the region of about 50 plus percent in English and in Mumbai our volume shares have been highest during the last two or three months compared to what it used to be earlier.
- Percy Panthiki** Also I heard you say that there would be a Rs. 150 crore kind of investment for the Mumbai re-launch of HT which you spent in July. So just wanted to understand whether this Rs. 150 crore will hit the advertising and sales promotion expenses in Q2?
- Rajiv Verma** It is capital investment and what we see is the depreciation on this capital investment which is already factored into this quarter results which you have just been presented with. That is why you would see a slight increase in the depreciation charge.
- Vinay Mittal** So Rs. 150 crore was spent over a period of about 1½ years to install the press including the advance in terms of cash flow, capitalization that took place in May and so that is how the depreciation will flow. The Mumbai re-launch is separate and the expense of that is separate but certainly not of that magnitude.
- Percy Panthiki** In terms of your volume versus value mix for this quarter, can you throw some light on that? How does that 1% reduction in ad revenue stack up in terms of volume and price?
- Vinay Mittal** Yes, you mean to say in terms of yield. That is very difficult because you have got three or four different businesses that contribute. But suffice to say that yields have been hit a little bit and that is why the ads are down. But the volume of ads has not really come down except for the government part that I told you.
- Percy Panthiki** Volume is flattish?
- Vinay Mittal** Yes.
- Percy Panthiki** What kind of losses can we expect on the internet and Radio businesses for FY10?
- Vinay Mittal** Internet as I told you that we should be able to restrict the EBIDTA losses from Rs. 48 Crore last time to around Rs. 35 Crore. Radio on the other hand should break-even at EBIDTA level.
- Moderator** Thank you Mr. Panthiki. The next question is from the line of Vikash Rungta from Reliance Mutual Fund, please go ahead.

- Vikash Rungta** What is your overall capex plan for the current and next year?
- Vinay Mittal** We plan to spend about Rs. 80-odd crore of which Rs. 40 crore is capital expense and the balance Rs. 40 crore is an investment in a joint venture called HT Burda which is a publishing joint venture that will start production in December. Rs. 40 crore will be our share of 51% equity holding that we have in that venture. That will be the cash outflow in terms of our capex and investment. For the next year, we are still firming up.
- Vikash Rungta** What is your outstanding debt as of now and how much is payable within this year?
- Vinay Mittal** About Rs .175 Crore net debt, out of which short term would be about Rs. 205 Crore, that is on the gross level.
- Moderator** The next question is from the line of Sangameshwar Iyer from Alf Accurate Advisors Pvt. Ltd, please go ahead.
- Sangameshwar Iyer** Could you give me some idea on the details of the higher cost newsprint inventory that you hold currently?
- Vinay Mittal** It would be washed out by September. And our general policy of inventory is to hold about 3 months of inventory in English.
- Sangameshwar Iyer** What would be the current levels at which the inventories is being held?
- Vinay Mittal** It keeps moving. But today the spot levels at which the newsprint is about USD 550 a ton. So we made some purchases at USD 550, some of it is historical but it keeps moving as the consumption keeps happening.
- Sangameshwar Iyer** What is the outlook like for this newsprint? Do you see the downwards stream still continuing for sometime or do you see that the prices would kind of firm up and what would be your view internally?
- Rajiv Verma** It has come from a historical high of USD 950 to about USD 550 now and we expect that it will hold for a while and also the dollar environment should improve.
- Sangameshwar Iyer** What is the outlook for the radio business going forward say in FY11-12? Would you like to give some guidance?
- Vinay Mittal** I do not want to make any comments on FY11.
- Sangameshwar Iyer** How about FY10?
- S Keerthivasan** We are expecting a revenue growth of about north of 50% for the full year which should help us breakeven at EBITDA level.

- Moderator** Thank you Mr. Iyer. The next question is from the line of Amit Purohit from Motilal Oswal Securities Ltd. Please go ahead.
- Amit Purohit** I wanted to understand as you said this time during election print was not a preferred choice by the advertiser and the politician. So is there a structural shift you are seeing? Is print losing to other medium say a radio, your comments on that? Secondly, our advertising and sales promotion expenditure fluctuates a lot, so any guidelines or do we have a fixed allocation yearly as to what do we spend on that?
- Rajiv Verma** The fact of the matter is that 12 or 18 months ago, print media was seen as the best thing to go after, which is testified by the number of new titles which were being launched, the number of newspapers which came. Now the world does not change in a year. Readers do not leave a newspaper in a year. Their reading habits do not go away in a year. For advertisers also, choices do not shift radically. Globally we saw recession and a slowdown of a magnitude, that has never been seen, at least in my working career. Since last 40-50 years we would not have seen this kind of a freefall in the global economy. These are unprecedented events which happened and as a result of that all marketing investments went into a hold mode in a lot of sectors, on which print media conventionally depends and vice versa. I think they saw a massive amount of pushback. Real estate as a sector came under a lot of pressure. India's top 2 real estate companies struggled for survival because of their leverage. So, real estate sector was facing crunch. Your own sector, the IPOs, kind of completely vanished during the last six to nine months. So, these were events which were letting us down at a point in time, but we are pretty sure that economy will recover; India will recover sooner than the global economy. There are all good, positive signs about all these sectors recovering from their freefall and with that, you will see print media also becoming a very attractive sector for these companies to invest in.
- Amit Purohit** Are you giving any guidance for the advertising revenue? It would be difficult, but what would be your comfortable estimate for this year on advertising?
- Rajiv Verma** No. We have done our highest ever EBIDTA profit as a Company. The margins are back to 12 month old level at 22% operating margin. We do not have any serious capital need; so I think HT Media is pretty well poised to take advantage of the up turn in the economy which is around the corner now.
- Amit Purohit** I just wanted to check on the expense side especially advertising, which has helped us to show a strong margin expansion this quarter. What is the yearly target for this, because it fluctuates every quarter?
- Vinay Mittal** It is fluctuating in the range of 4% to 6% of our revenue, depending on what activities have we carried out. For instance in this 2nd Quarter we have done a re-launch of the Hindustan Times so whenever you have a re-launch of this magnitude it spikes up a little bit. And it will go towards 6% level. But

if there is no re-launch or something then you would be more like at 4% levels.

Amit Purohit But this cost is sequentially and on Y-on-Y basis down around 34%?

Vinay Mittal Yes, because last year what happened was that we were re-launching a lot of stuff there. And we had launched HT Café and your Hindi re-launches were being done, internet was launched etc. so that is why you had higher numbers last time.

Amit Purohit On a yearly basis an 8% should be taken at that?

Vinay Mittal No. As I said 4% to 6% and average of about 5% to 5.5% of revenues would be the right figure to take.

Moderator Thank you Mr. Purohit. The next question is from the line of Neerav Dalal from Capital Markets. Please go ahead.

Neerav Dalal What was the share of DAVP in the Q1FY09?

Vinay Mittal It was 12%.

Neerav Dalal And this time there was none, because of the election?

Vinay Mittal It was again at 12% but the whole pie had shrunk also.

Neerav Dalal So how should we take it on an annual basis?

Vinay Mittal Anything in the range of 10% to 12% is good. But in Hindi, the DAVP is more towards 30% level. In English the DAVP is more towards your 10% to 15% level.

Neerav Dalal Can we get the share of English and Hindi in advertising revenues?

Vinay Mittal Ballpark what happens is, 1/3rd of the revenue is Hindi and the balance is English which includes Mint.

Neerav Dalal What is the import to domestic ratio for newsprint?

Vinay Mittal Imported is about 70% for this quarter.

Neerav Dalal What would be the difference in the prices of domestic and international newsprint?

Vinay Mittal International spot rates are at USD 550 and domestic is around USD 450 a ton.

Moderator Thank you Mr. Dalal. The next question is from the line of Lalit Khanna from Global Capital Markets. Please go ahead.

Lalit Khanna Would you be able to tell us how much investment has actually gone into the re-launch of Hindustan Times and has the same been already charged in this particular quarter itself?

Rajiv Verma We do not share this marketing investment details. The spending that has happened during the last quarter has been charged off, but this is a long drawn effort which will continue for a while.

Moderator Thank you. The next question is from the line of Miten Lathia from HDFC Asset Management. Please go ahead.

Miten Lathia Could you give us some sense of how English advertisement behaved on a quarter-on-quarter basis compared to Quarter 4 of last year?

Rajiv Verma It is flattish compared to Q4 FY09. DAVP advertising completely dried out for almost a month or, two months as a result of election. Other than that, commercial advertising was flattish.

Miten Lathia So if we build DAVP into English advertising, it would have declined quarter-on-quarter?

Rajiv Verma Yes indeed.

Miten Lathia Can you throw some light on the EBITDA loss in Mint?

Rajiv Verma We do not share that numbers separately, but it is enough to say that our objective is that Mint should breakeven in the last quarter of this year. It is doing pretty well.

Miten Lathia Including the new launches as well you are saying?

Rajiv Verma No. I do not think, that is fair because new launches will take a little time before they come in to that, but we are talking about the investments made by the Company during the initial part of Mint launch.

Vinay Mittal Just to add, whatever were the losses last year, the total loss for this year will be half literally. So there is progress being made.

Rajiv Verma The new launches are not very expensive because they are all marginal cost and you do not have to invest as much as you had to when you started Mint as a business. It is only very small marginal cost which is largely news print

Miten Lathia Is there no further geographical expansion in Mint that you have for this year?

Rajiv Verma There would be some more. We will be expanding footprint to at least two more cities.

Miten Lathia This provision for diminution in the value of our Metro Now JV investment; is it a precursor to really curtailing those operations or what was the rationale for taking that write off?

Rajiv Verma Metro Now was launched in a new market. In the first year, we realized that, that market segment is well served by all the brands of Hindustan Times and Times of India. Therefore Metro Now needed to undergo a change. We have moved it from a daily to a weekly and the footprint of this will be expanded on a very different distribution format.

Miten Lathia Does this write off represent a part of the investment or is it the whole equity investment that was made?

Vinay Mittal It is part of the investment, so we will keep evaluating it as we move forward.

Miten Lathia I mean should we expect more of these for the rest of the year?

Vinay Mittal Even if it is it will be marginal, and nothing to be afraid about.

Miten Lathia While staff cost are flat quarter-on-quarter as in after Q4, I believe Q4 had a lot of extra-ordinaries. So is there something exceptional this quarter as well as there is a Y-o-Y increase in staff?

Vinay Mittal We did not have the accrual of the bonus last year. It was charged off on a paid basis so therefore the accruals were not there in Q1 FY09. Whereas the bonus accrual has taken place in this quarter so that is an extra bit. Also the radio adds up in this quarter compared to corresponding quarter last year.

Miten Lathia Radio staff cost should be Rs. 2 to 3 crore?

Vinay Mittal Yes . Approximately.

Moderator Thank you Mr. Lathia. The next question is from the line of Pankaj Agarwal from Barclays Bank. Please go ahead.

Pankaj Agarwal My question is regarding your non-cash advertisement business basically, your partnership for growth model. What is your future plan for this model?

Vinay Mittal We will continue with this model and I have pointed out to you the effort is to restrict the revenue at 7% to 8% of our total revenue so that the liquidity is not affected and to make adequate provision if there is any diminution in value. Therefore every quarter we do take a stock if we need to provide and at the end of the year we will take a third party evaluation and true up the provision if any.

Pankaj Agarwal How much would be the part of this non-cash ad revenue this quarter?

Vinay Mittal About Rs. 11 crore.

Pankaj Agarwal Last year you booked around Rs. 11.5 crore on account of diminution in the value of the investment, is there any provision this quarter also?

Vinay Mittal Last quarter we have done about Rs. 6 crore but that was done sometime in the middle of May wherein we had estimated what the provision should be. And since May, the markets had only become better, so therefore we did not do another exercise of estimating the provisioning at all in the June quarter and we will do so for the September quarter.

Pankaj Agarwal You have some exceptional items of around Rs. 4.5 Crore this quarter. Is that the diminution in the long term investment?

Vinay Mittal Yes..

Pankaj Agarwal What is your plan to invest in subsidiaries in FY2010?

Vinay Mittal As I pointed out we have a subsidiary called HT Burda a BPO in publishing. Burda is the second biggest media Company in Germany after Bertelsmann. So we plan to invest about Rs. 40 crore in that JV. In addition, there will be some funding for the internet venture.

Moderator Thank you Mr. Agarwal. The next question is from the line of Ram Patnaik from Religare. Please go ahead.

Ram Patnaik We have seen substantial jump in operating profit margin this particular quarter, because of the reduction in the ad spends and other marketing spend. So do you expect this trend to continue going forward and do you see this kind of operating profit margin for the whole year?

Vinay Mittal Yes. Our aim is to have an operating margin like this quarter and we do want to come back to levels of 22% for the whole year.

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

Rohit Dokania What would be our average cost of newsprint this quarter?

Vinay Mittal Rs. 35,000 a ton.

Rohit Dokania And in Q4 if I am not wrong it was around Rs. 39,500 per ton?

Vinay Mittal Rs.38,500.

Rohit Dokania Have we had any kind of FOREX gains in the other income that we have reported this quarter?

Vinay Mittal Yes. Rs. 6 crore. It is in other operating income line

Rohit Dokania I mean the other income itself is Rs. 6 to 6.5 crore. So all of it is FOREX gains, is it?

Vinay Mittal No, it is in other operating income and not other income.

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

Amit Kumar What will be the total circulation of Mint at this point in time?

Vinay Mittal The circulation of Mint is about 1.2 to 1.25 lakhs copies.

Amit Kumar There is a really marginal increase given that both Kolkata and Chennai would be at least around 10,000 odd copies. So is that, am I missing something there?

Vinay Mittal You will have 10,000 odd copies; we are starting with 7,500 to 8,000 copies in both the places. And slowly will start building up till 10,000. It is a tradeoff. We are still into the high cost inventory part of the year and the advertising has not really taken off. But now, things are changing because since November, Mint's official numbers of IRS round have started coming out.

Amit Kumar In the previous IRS round we had seen a large gap between Delhi and Mumbai numbers in terms of Mint. So are you looking to push Mint a little bit more in Mumbai?

Vinay Mittal Absolutely with Hindustan Times re-launch, Mint will also be pushed along with it.

Amit Kumar Could you just give us the sense of what has been the response of the HT re-launch. I believe you were doing about 3.3 lakh to 3.4 lakh copies with the previous version. So with the new version, what kind of an uptake can we expect for the full year?

Vinay Mittal I would not like to have a guess on that one because the re-launch is only about week, week and a half old. So it is too early to say, but the prints order that in Mumbai used to be about 3 lakh. So it is about 3 lakh and as the re-launch gathers momentum, we will increase the print order as the readership grows. So probably a right time to look into this would be after to 6 months, once there is some stability in the increased number etc.

Amit Kumar How has the cost structure of the radio business changed because on a quarter-on-quarter basis your revenue has gone up, but your operating level

losses instead of going down they have actually gone up. So what piece has increased on the radio side, if you could just give us a sense?

- Vinay Mittal** Radio, we expect to breakeven in this year.
- Amit Kumar** For the full year.
- Vinay Mittal** Yes. See, if I achieve about Rs. 10.25 crore of quarterly revenue, I will breakeven at the EBITDA levels. This quarter I basically have an EBITDA loss of about Rs. 1.4 crore only and I hope that it should breakeven in the next quarter or latest next-to-next.
- Amit Kumar** Yes. That is a point which I am making. Your operating loss in radio has actually has gone up on a Q-on-Q basis despite your revenues being higher. So instead of cost rationalization there seems like your cost is going up?
- Vinay Mittal** I think, On a like-to-like basis comparison, the EBITDA loss is Rs. 1.5 crore as compared to Rs. 7 crore corresponding quarter last year.
- Amit Kumar** No, I am not saying year-on-year, I am saying 1st Quarter of 2010 versus 4th Quarter of 2009. 4th Quarter was a first quarter when you consolidated your radio numbers. So if you compare these two quarters, it shows that losses have increased marginally from Rs. 2.09 crore to 2.63 crore
- Vinay Mittal** That is right. Loss has marginally increased due to increase in sales and marketing expenses.
- Moderator** Thank you Mr. Kumar. The next question is from the line of Prashant Kothari of ICICI Prudential. Please go ahead.
- Prashant Kothari** You mentioned the EBITDA loss in Radio is Rs. 1.5 crore and the EBIT loss was Rs. 2.6 crore. So there is a difference of Rs. 1 crore which I think is the depreciation part, but there should have been some kind of amortization also on the license fee, where would that be?
- Vinay Mittal** When the merger took place, the one time license fee amortization was set off against the reserves.
- Prashant Kothari** What would be the average salary increase you would have done in this year?
- Vinay Mittal** Zero.
- Prashant Kothari** Because it is quite difficult to explain this 30% Y-O-Y and sequential increase in employee cost because I think you mentioned that about Rs. 8 to 9 crore was the bonus provision in 4th Quarter last year for the full year. So I am not able to reconcile all these numbers.

Vinay Mittal Literary Rs. 5 crore is because of the bonus provision and Rs. 3 crore for Radio. So if you add that two, it comes to Rs. 8 crore and then you had Hindi expansion, three new centers and editions which were launched in Hindi. So, even that has been taken into account.

Prashant Kothari I am seeing Rs. 57 crore as employee cost.

Vinay Mittal These are including the radio bit.

Prashant Kothari So Y-O-Y if I exclude the radio business, there is a net addition of employees?

Vinay Mittal I will have to get back to you on that.

Prashant Kothari But it is an increase.

Vinay Mittal Yes. Absolutely.

Prashant Kothari We are looking at your annual report, there is something called as website development charge which you capitalize on this fixed asset side. Just wanted to understand as to why is it there. Also, I could not really see the amortization related to that development charge?

Vinay Mittal Yes. it probably got merged with the depreciation lines. So it has to be there.

Prashant Kothari But I could not understand that policy also, a thing like a website development, why it should not be taken from the P&L itself?

Vinay Mittal It must be with respect to the internet site.

Piyush Gupta It is a bundled contract apart from the website development. There are a lot of other backend services with the service providers providing for that website, We believe that it is for enduring value and hence it has been capitalized and it would be depreciated over extended period.

Vinay Mittal If it was just corporate website of HT I would agree with you, but what probably you are saying is something for Shine.com etc.

Prashant Kothari I am seeing in the standalone balance sheet, so it should not be Shine.com.

Piyush Gupta It will be pertaining to our news websites like hindustantimes.com. The whole thing of development etc is discussed with the auditors and they also believed that it is enduring in value so you basically write this off annually and do not charge it as one time expense in P&L.

Moderator Thank you Mr. Kothari. The next question is from the line of Siddharth Goenka of JM Financial. Please go ahead.

Siddharth Goenka Sir I would like to know what is your outlook on newsprint for FY2010?

- Vinay Mittal** For FY2010, the average should come down to about Rs. 32,000 to Rs. 33,000.
- Siddharth Goenka** Last year we consumed approximately 1.5 lakh metric tons of inventory into 2009. So how much is it expected in 2010?
- Vinay Mittal** It will probably be at the same level because we will increase consumption in Hindi as we expand in UP, but overall the pagination in English etc and Hindi also would have come down compared to last year..
- Moderator** Thank you Mr. Goenka. The next question is from the line of Rishi Maheshwari of Enam Asset Management. Please go ahead.
- Rishi Maheshwari** Have you bought any inventory in the month on June or July?
- Vinay Mittal** Little bit, yes.
- Rishi Maheshwari** So this is against your policy of holding inventory for three months Secondly doesn't this inventory get a little older if you keep it for six months?
- Vinay Mittal** Do you mean in terms of quality?
- Rishi Maheshwari** I am indicating towards a quality of the newsprint, does not that deteriorate if in case you hold it for a longer period?
- Vinay Mittal** If you hold it for a long term, yes it will deteriorate but over the six months periods you can manage. If it was so rusty I would certainly not be holding it and let it deteriorate then. Six months inventory which we are talking about were extended to eight months because of pagination cuts etc. since we have stocked up. However, we will not have inventory for more than three to three and half month for English going forward.
- Rishi Maheshwari** So which means that if at all, we would look at decrease in the consumption of raw materials that have been post Q3 onwards, right?
- Vinay Mittal** Yes. That is right. You will have a decrease in consumption starting January because that is when those pagination cuts got implemented over a three month timeframe, because you cannot certainly turn off from 50 pages to 42 all of a sudden, you have to cut the pages slowly.
- Moderator** Thank you Mr. Maheshwari. Ladies and gentlemen, due to time constraints that was the last question. I would now like to hand the floor back to management of HT Media for closing comments. Please go ahead sir.
- Vinay Mittal** Thank you, ladies and gentlemen for sparing the time. If anybody has got left out please feel free to email me or Prateek and we would be most glad to answer all your queries.. So if you can e-mail me those questions, I will

make sure that I provide you the data and satisfy your query on that. We hope to look towards a better year going forward, thank you.

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.

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