

Q2 FY2011 Earnings Conference Call
October 28, 2010 at 11:00 am IST

Moderator Ladies and gentlemen good morning and welcome to the HT Media and Hindustan Media Ventures Limited Q2 and H1 FY11 Earnings 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 any assistance during this conference, please signal an operator by pressing * and then 0 on your touchtone telephone. I would now like to hand the conference over to Mr. Ishan Selarka of Citigate Dewe Rogerson. Thank you and over to you sir.

Ishan Selarka Thank you Farah. Good morning everybody and welcome to HT Media and Hindustan Media Ventures Limited's Q2 and H1 FY11 earnings conference call. Today we have from the management, 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. Amit Chopra 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 regards to the company's performance during the quarter and the opportunities going forward. Over to you sir.

Rajiv Verma: Good morning everyone. I really appreciate your taking time out this morning to be with us. It will be our endeavor, over the next one hour to share with you the results of this company and how the performance has been, as well as to try and answer any questions that you may have with regards to the results and the performance of the company.

As you would have seen from the results that we declared and sent to you, all things considered, they are very strong results and we are very pleased with the performance of the company. You would have noticed that the total income of the company has gone up by 28%. Our goal is to grow this company and make it one of India's largest media companies. So this 28% growth which we would want to pursue in coming quarters also, testifies that our strategy is working. It is also a reconfirmation of the strength of our brands as well as the fact that the growth drivers which we had put in place during the last one year and before are all working.

Specific to that is the performance of our Hindustan Times brand which is a large part of our business Hindustan Times brand is working very well whether in Delhi or Mumbai or other parts of Northern India. Hindi business which we got listed some time ago and is reported as a separate company now, its performance has also been heartening with almost a 30% growth, which relative to industry performance is 2 times than what the industry peers have been growing at. In addition to that, our

other businesses like HT Burda, which is a new business and started operations only in March 2010 and our online business are all performing very well. Our Radio business as I had shared with you earlier is also now coming of age. In the four cities where we have licenses, our Radio business is doing extremely well on the back of several innovations. We do not have an all India footprint, but the four key cities in which we cherry picked the licenses are all doing extremely well. The entire radio and entertainment businesses have grown by 44% on the top-line. So in nutshell, it is a growth agenda which we are pursuing, and we believe that it will lead to enormous shareholder value creation in times to come. But having said that, it is not that we are trading off a lot of growth with profitability. Our overall EBITDA margin increased from 15% last year to 19% this year as a percentage of sales; PAT also went up from 7% to 9%. So it is a profitable growth even though there has been continuing investment in growth opportunities . The benefit of this will be visible in coming quarters and coming years. Overall, I am very pleased with the performance of the company and as we said, it is a ratification of our strategy of investing behind brands, and building up a robust company for shareholders value creation. With that, I would like to pass the conversation to my colleague, Amit Chopra who heads the company HMVL to offer some comments about how the performance of our Hindi business has been.

Amit Chopra Thank you Rajiv and good morning to everyone and welcome to the HT Media Limited and HMVL call.

Like Rajiv mentioned, we continue to remain extremely pleased about the top-line growth on the Hindi business. It has been a business which has been growing way ahead of the industry for the last few years and in the current quarter as well. ,That was well exhibited in the nearly 30% ad revenue growth. We also need to see this ad revenue growth against the backdrop that Q2 last year is not comparable to Q2 this year because last year we did have some festival impact, while all of festival advertising this year has been shifted to Q3 and also the fact that the Bihar elections were declared in the month of September which dried up the government advertising while the election advertising only started from the beginning of October. So keeping that entire context in mind, we have grown extremely well on the ad revenue. But that is not the only heartening part. The quarter also saw an important milestone being achieved for Hindustan in terms of the readership as declared by the Indian Readership Survey. For the first time, we touched the daily readership of 1 crore and a total leadership of 3 crore. If you look at the last 2-2.5 years, Hindustan readership as reported by IRS has grown by about more than 20% from about 80-83 lakhs to about 1.01 crore now. That is a heartening trend and one that we see continuing into the future.

The growth has again come across all geographies even as we continue to hold share in Bihar. We have already improved our position in Jharkhand where we hold a 58% readership share. UP readership for the last two rounds has grown at 12% every round. So the readership growth continues to be on track. We also continued to invest substantially behind growing our readership franchise. In the quarter gone by, our footprint was further strengthened. We added more copies in Jharkhand. We

continue to grow our franchise in Bihar. We continue to grow our franchise in UP and Uttarakhand and that is an important input into the future growth of the business. In fact the circulation and expansion effort will continue with the Gorakhpur launch which is scheduled towards the end of the coming quarter. We are also extremely happy with the way businesses progressed in the state of Jharkhand as all of you are aware that market has seen entry of new competition. I think we not only held our position extremely well, we also strengthened our share in terms of connecting with the readers, our overall presence in that state and therefore we believe that business is poised for further growth as well. So on an overall basis; we continue to see tailwinds for the Hindi business and because of the strong investment that we have made, we believe that the business is poised to grow in the foreseeable future as well.

In terms of the forthcoming events, as we announced earlier, of the upcoming launch of our Gorakhpur printing facility which will give us an almost complete footprint in the entire state of UP which is an important landmark for the business and will further help our monetization efforts in UP . Thank you very much and now we will be happy to take any questions that you may have.

Moderator Our first question comes from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy I want to understand the breakup of revenue growth . If you could tell us how we have grown in Delhi, how we have grown in Radio, and even Bombay? Hindi has done quite well and in Q3 when election revenues will also be there, how do you see Q3 for your Hindi business?

Vinay Mittal The English advertising has grown at about 13%. Mumbai and Delhi have been growing about par and the Hindi advertising has grown at about 29-30%. . In addition, Burda has contributed to the total revenue in a big manner this quarter. So that is the breakup of the revenue growth as to how the different geographies or segments of our company have performed. The second question you said was about Hindi?

Abneesh Roy Yes. Especially, how do you see Q3 for Hindi with the upcoming elections?

Amit Chopra I think at a broad level, we continue to experience tailwinds in the industry and strong demand across the geographies where we are present. Like I said earlier, Q2 is not comparable period because the festival season this year is in Q3, while part of the festival season last year was in Q2. Further, there was only a negative impact due to elections in the current quarter as government advertising stopped in the September month., Regarding Q3 expectation, we would not like to issue forward guidance per se, but we do believe that Q3 should be a good quarter.

Abneesh Roy With interest rates going up, do you see that interest rate sensitive segments like auto and real estate slowing down particularly for English business because I think real estate

advertisements are major contributors to the growth. So is there any slowdown you think that can happen in the English from these two segments?

Rajiv Verma I do not think we are going to see a slowdown immediately because it is my belief that both, for auto as well as for the real estate, there is a high demand in India. There are so many people who still do not own housing, so many people who still do not have cars and as the economy continues to grow at between 8% and 9%, this income is going to reach the hands of people who do not have cars, who do not have housing. In fact most of the housing growth that we saw during the last 3 quarters or so post the slowdown has come in the low cost housing or middle income housing and that growth in my view is secular. It is not something which is going to slow down any time soon. While interest rates may have some role to play, but 1% here or there is not going to dampen demand. For someone who needs a house, it is a basic need and as a person migrates up in his living standard; a car is something which is aspirational for Indians. So, I think the growth should continue.

Abneesh Roy Any view on the newsprint in terms of the next 2 quarters. Where do you see it going for both domestic and international?

Rajiv Verma I think there is a generic view and there is an opinion here. The generic view is that the newsprint prices will go up over the next 1 or 2 quarters which is coming from the experts whereas our opinion is slightly different. It is my opinion that newsprint like other commodities is a typical commodity and commodities see cycles, but the overall demand for this commodity worldwide is not increasing. U.S. and Europe who are the biggest consumers of newsprint their overall demand is not likely to grow. Most of the people compare it with oil, which I think is not comparable. As far as oil is concerned, the overall demand for oil is going to grow and the world will see an increase in oil consumption. Newsprint on the other hand, will not see an increase in consumption especially in U.S. and Europe. If anything, the consumption is only going to taper down further in these two economies. So my opinion is that in the long-term, newsprint prices will not go out of the roof, but for the next one or two quarters, there might be some hardening of pricing, but overall on a long-term basis, I do not think newsprint is going to see enormous increase or escalation in pricing. India will continue to be a large consumer of newsprint so this industry has a much better opportunity here than what is there in Europe and U.S.

Moderator Our next question comes from line of Keshvinder Suri from Span Capital.

Keshvinder Suri Could you break up the increase in advertising revenue in terms of value and volume?

Amit Chopra There has been equal contribution both in terms of volume and also in terms of yields for the Hindi business and more of volume growth for English business.

Kesvinder Suri What is the kind of daily run we have on the various issues if we could have a number for that?

Rajiv Verma We print roughly about 37 lakh papers as a company, last year the same number was 31 lakh. We have added almost 6 lakh newspapers everyday relative to the same period last year which is almost a 20% growth in our print order. As I said in my opening comments, we are pursuing a growth agenda in this company. Our goal is growth, even during the downturn we grew at a much healthier pace relative to our competition and it will be our endeavor to continue to grow the company and as you saw 28% growth in the total income is fairly robust. It will be our objective to continue to remain on that growth trajectory.

Kesvinder Suri Besides the Gorakhpur launch scheduled for the end of this quarter, any more launches in either HT Media, or any expansion or new presses coming up?

Amit Chopra On the HVM side, Gorakhpur is our next port of call. When we had gone for an IPO, we clearly elucidated the fact that we have funds earmarked for expansion into newer territories as indeed capacity augmentation in the existing location. So in two of our facilities, one in Banaras and one in Meerut, we are augmenting the capacity as well. We have clear plans to keep moving forward towards our goal to have an increased and larger and larger footprint.

Rajiv Verma As far as other HT businesses is concerned, you will see in the forthcoming future, our expansion of Mint portfolio in other geographies. HT is also improving its presence in some of the Northern markets, in small towns like Lucknow and Kanpur and also Punjab. So it is the tier II towns in which we are going to continue to push with the Hindustan Times brand.

Kesvinder Suri Any specific number on the amount of CAPEX earmarked for these expansions?

Vinay Mittal For the Hindi business, we have earmarked about Rs. 25 crore for this financial year. We have already made investments of about Rs. 15 crore till date, and the balance, will be invested in the next coming quarters.

Kesvinder Suri And on the other HT properties like Mint and other smaller town expansions, any amount you have earmarked for that?

Rajiv Verma We are reasonably well capitalized; we have enough capacities in most of our markets in Delhi as well as Mumbai. The view will be taken on the basis of 3-year strategic road map of the company and that is an exercise which will be undertaken now. However as far as next one or two quarters are concerned, I do not see any need for adding additional capacity.

Kesvinder Suri In your presentation on HT Media, there is a mentioning that you had lower realization on the circulation. Is that because of more addition on the subscription model or how is it?

Rajiv Verma As I had alluded to in the opening comments, the strategy of the company is to be on a growth trajectory and that is the strategy we will pursue for next several quarters and years if I may, because our vision is to be one of the largest media companies in India. We are building readership, we are investing in growth. One of the reasons why you are seeing lower circulation realization is because we have introduced new copies and those new copies are at trial phase on a negative realization where we give paper for trial and you do not see circulation revenues to begin with. However, as readers become more and more used to, we start charging certain amount of pricing for that which turns into net positive contribution as far as circulation is concerned. Then there are markets like Mumbai in which, in order to increase our market share, we have offered newspaper on lower realization, so that we grow our market share. That is the strategy which has helped us in getting top-line growth. So you have got to look at the overall top-line growth. Circulation expansion is one of the drivers. So circulation revenue is not something which is as critical for us as the overall top-line growth of the company.

Kesvinder Suri If you could broadly breakup your circulation revenues into how much percentage would be coming from subscription base and how much would be just off-the-shelf. You reported Rs. 42 crore of circulation revenue, just annualizing it; let us say Rs. 170 crore for the year. How much would that be of Rs. 170 crore would accrue from subscription based revenues and how much would be just buying off-the-shelf?

Rajiv Verma We actually do not look at the matrix you are talking about. We can analyze the data and share with you as to how the data looks, but, as I said I think the better way of looking at it is that last year we were circulating about 30-31 lakh copies, now we circulate about 37-38 lakh copies which is an increase of about 6-7 lakh copies – that is what 20% plus growth. Now this growth is ultimately going to lead to readership and that readership is the currency which leads to advertising revenue. Therefore, this is an investment in future. Now the way we measure our progress is as to how our circulation expansion taking place? What kind of future readership we expect and how would that turn into growth in terms of top-line as far as the advertising revenues are concerned. The total revenue of the company is a function of how you are investing in circulation and you should look at the way the company is investing into circulation which will lead to readership. The investment today is the future parameter of growth.

Moderator: Our next question comes from the line of Ritesh Patodia from Almondz Global.

Ritesh Poladia English had a growth of 13% and Hindi of 30%. Can we have a similar figure of EBITDA in English print and Hindi print?

Vinay Mittal In English including Mint, we have an EBITDA of about Rs. 77 crore compared to last year which was Rs. 47 crore and in Hindi the EBITDA is about Rs. 20 crore as compared to last year which was Rs. 21 crore.

Ritesh Poladia Looking at the half yearly balance sheet of HT Media standalone, your inventory is almost of 2 quarters and if I see in HMVL, the inventory is of only one quarter. Why such contradictory policies for both the companies?

Amit Chopra The English paper which has been in the metro market essentially, we use imported paper. In a situation when the prices are going up, it makes sense to really build inventories to be able to have better consumption prices. In the Hindi paper, we use essentially domestic newsprint where the large scale inventory is not hedged. So therefore the inventory levels are much shorter. Only some bit of tactical buying we do in Hindi as and when opportunity arises to be able to lower the cost.

Ritesh Poladia I believe this quarter, we have increased some pagination in Hindi. Would that follow in English also for coming quarter because festival would be there?

Amit Chopra There is a marginal increase in Hindi and English pagination as the advertising volume growth has been extremely robust. As Mr. Verma mentioned the circulation has also gone up and that is our endeavor to continue investing behind our growth in readership franchise which will enable a better monetization and faster growth in our advertising revenues..

Ritesh Poladia And even in this quarter, HT Media has booked some Rs. 32 crore of advertisement and sales promotion. Would that trend continue even for coming quarters?

Vinay Mittal Yes that is about 6% to 7% of the turnover,, that should be the normal expense in advertising and sales promotion.

Ritesh Poladia When do you see that this would taper off?

Vinay Mittal As a thumb rule, you would find media companies spending anywhere around 6-7%, but as most of our editions starts maturing in a year or two may be you will see a bit of tapering down to 5- 6% per year.

Rajiv Verma You need to invest behind your brands in order to keep your brand robust and as you are aware last year Hindustan Times brand was relaunched in Delhi and Mumbai and you know you must invest behind your brands in order to make sure your brand equity is getting stronger and stronger which is what leads to increase in circulation and preference in readership scores. So that level of investment is required to keep your brands robust and healthy.

Moderator The next question is from the line of Chitragata Kapoor from Angel Broking.

Chitragata Kapoor Sir I have divided my questions in two parts, one is regarding your core business and second would be on Radio. First when we talk about the core businesses, the consolidated numbers have come out to be a total of about Rs. 431 crore, out of which we see about

Rs. 329 crore of advertisement and about Rs. 42 crore of circulation. Then radio and internet total contribute about Rs. 17 or Rs. 18 odd crore. How much was the Burda contribution to this sir?

Rajiv Verma Burda contribution was about Rs. 28 crore.

Chitragata Kapoor So the remaining Rs. 15 crore of orders are from the others. Sir apart from that, I also see that the other income which is your other operating income and the other income component has increased tremendously year-on-year, and is Rs. 21 crore vis-à-vis Rs. 3 crore other income last year.

Vinay Mittal You see one line item is your "other income" , because of our cash generation, we have higher interest and dividend income coming through and the other line item is "other operating income" which has gone up because some of the investments in ads for equity, they are now being sold profits being booked there.

Chitragata Kapoor Okay so this is a one-off thing. It will not be repeated again for the remaining quarters. Or do I take a similar trend for the remaining quarter?

Vinay Mittal The amount of profits being booked may differ, but we have a book of Rs. 290 crore of investments now which is ad for equity investment and those are now will now be sold off in a regular fashion and spread over the year. The effort would be, not to have spikes, but depending on the market sometimes, you could have a spike in profit booking. It is a regular feature of our business. When the provisioning was also done, it was done in a similar fashion.

Rajiv Verma And these investments which have been made in the past will keep maturing, we will keep divesting out of them and then booking the benefits of those.

Chitragata Kapoor I come to Radio, your Radio has done very well. But this question on Fever is that I believe management has come on board sometimes back and said you have incurred about Rs. 5 crore as operating expense for Ramayan series that is going on in it right now.

Rajiv Verma No, I think the number is not correct. It is a completely wrong number. Ramayan is a great innovation and we are very happy with the way that innovation is panning out because that is what differentiates us from other radio companies.

Radio is a business in which it is very difficult to differentiate. Our content is our differentiator and our ability to produce unique content which others cannot is what differentiates us from others, but the investment in producing that content is not even close to what you said.

Chitragata Kapoor So the investment in Ramayan would be accounted in Q3 and not Q2?

Rajiv Verma See part of it is already booked. As more and more episodes keep getting produced, the cost is getting booked according to the production of those. It is a program which is supposed to run for 6 months and it has been booked as and when the expense is happening.

Chitragata Kapoor Okay sir how much expense has already been booked?

Rajiv Verma It is a small number.

Chitragata Kapoor How much is the EBITDA for Radio?

Vinay Mittal Total EBITDA for Radio business is about Rs. 1.6 crore.

Chitragata Kapoor When we talk about the newsprint, there is an increase in the newsprint volume and you have also mentioned that the circulation for English if I see, the revenue got impacted because there were more of discounts given in Mumbai. But in this newsprint cost how much is the Burda contribution?

Vinay Mittal Rs. 24 crore.

Chitragata Kapoor That will continue for the remaining quarters?

Vinay Mittal Absolutely, it is a going concern; however the quantum would depend on the size of the order executed.

Chitragata Kapoor When we talk about the tax rate for this quarter if we see, there is a sequential decline in the consolidated tax rate numbers. So, the tax rate is 28% this quarter vis-à-vis 33% last quarter. So could you tell me why has this decline happened?

Vinay Mittal The tax rate is declined because issue expenses are allowed as deduction in tax over 5 years where as they are deducted against securities premium in accounting books. So therefore the tax rate has come down.

Moderator Our next question comes from the line of Siddharth Goenka from JM Financial.

Siddharth Goenka On the newsprint side, can you tell me what kind of pricing we did from our Hindi and English spaces, for this quarter and in the first half?

Vinay Mittal The consolidated cost of newsprint for us is in the region of about Rs. 30,000 a ton. The domestic newsprint is about Rs 29,000 whereas the English newsprint is about Rs 31,000 and the usual mix that we have is of imported to domestic is about 52% to 48% in this quarter. Now this is for the consolidated company as a whole, but as Amit explained to you that most of the newsprint that

the Hindi business uses is domestic newsprint – more than 92% of it. With the growth in Hindi business, we have been bringing down our dependence on the imported newsprint more and more.

Siddharth Goenka Sir what kind of pricing can we expect in the second half. For this first quarter is Rs. 30,000 and what kind of pricing can we expect for the next half you can say that in 2H?

Rajiv Verma The outlook is that the pricing is likely to harden and depending on how dollar exchange rate goes, you will see a little bit of upward pressure on pricing, but it is not something that should be significantly material.

Siddharth Goenka We did have some low cost inventory on our books, so are we done with the low cost inventory or is it still there on our books?

Rajiv Verma That is a relative thing because if your outlook for the next 6 months is that newsprint is going to go up from – let us say for an argument sake, \$ 700 to \$ 740, then you stock today and again in 6 months' time you will find you got low cost inventory relative to the pricing prevailing at that point in time. So we keep working towards optimizing and hedging our position. We do not speculate as a company.

Siddharth Goenka My second question is on the contribution from various sectors to both our English and Hindi space, I believe you are saying that there has been very-very strong revival in volume pickup. So which all sectors have shown the maximum growth in both English and Hindi?

Rajiv Verma I think the growth is across sectors. There is no sector which is lagging behind. We are seeing a lot of improvement in classified revenue, jobs, financial sector. We are also seeing huge spending by real estate as well as government. So overall I think all sectors are showing good level of growth. There may be an element of seasonality to one versus the other, but it is on the back of improving GDP, the improving confidence of all participants in the economic activity that you are seeing a growth. But there are some sectors which are seeing more growth than others, like real estate typically is seeing more growth than others.

Siddharth Goenka Can you define a number by which the real estate sector has grown on Y-o-Y basis?

Rajiv Verma Real estate is up almost 50%, but again I would take it with a pinch of salt because there is a bit of base effect in the last year's numbers.

Siddharth Goenka We are seeing very high competitive intensity in the Jharkhand market for which we have already reduced our cover prices from Rs. 4 to Rs. 2. So what kind of other strategy are we adopting to get maximum reach or at least maintain our reach in Jharkhand market?

Amit Chopra In the Jharkhand market, I think cover price is only one of the weapons or the strategies we used. I think most fundamentally, readers buy the paper and connect with you for the kind of content and the quality that you give to them in terms of news and perspective. Our entire focus has been on really strengthening our news gathering system, strengthening our editorial system, strengthening our distribution network over there so we are able to reach out to people, we are able to connect with people better and are able to strengthen our brand. So that continues to remain an overarching thing. I think we did realize that the market was relatively underserved. Before somebody else came and created and served that market we felt that it was the duty of the incumbent player which we are, as indeed the dominant and the largest player. It was our responsibility and indeed we felt that is the way to defend our business to strengthen our footprint there. We are very happy with our Jharkhand progress. The competitor has not still panned out everywhere, but I think we have already done all the expansion in that state which would serve extremely well in being able to improve our ad growth momentum in times to come on the base of readership growth.

Siddharth Goenka In the endeavor to do all this, do we incur high cost probably in this quarter and if we have, then what could be the amount? Can we expect it could be one-off thing because our Hindi EBITDA margin has been significantly down to around just 14% levels? If you can just throw some light on that?

Amit Chopra We will not call it an EBITDA decline or anything of that sort, because of better than expected advertising revenue growth that we continue to experience at the moment. We are only accelerating our investments towards growing the business even faster. I think Mr. Verma articulated that right upfront, and we do realize that great product and a better readership is the way to be able to grow the business faster and faster which really has been our strategy. I would not even call the Jharkhand expansion or putting more copies as expense in that perspective. I think that Jharkhand market is seeing resurgence in terms of economic growth. Now Jharkhand also has a stable government which was an issue till about 3 months back. We therefore believe these are investment which will hold us in good stead and will allow us to continue making the business more profitable in times to come.

Rajiv Verma As I had mentioned earlier, we have added almost 6 lakh plus copies compared to last year. In Hindi business, it is our endeavor to trade off growth with profit. We are trying to expand our reader franchise and we are investing heavily in that because we believe we have got a very strong brand. We are still under penetrated in the market of UP as well as there is need to expand the market of Bihar. So the whole idea is to expand our reader franchise because Hindustan business has got enormous potential in years to come and we are investing behind that.

Moderator Our next question comes from the line of Ashish Matani from Bajaj Allianz Life.

Ashish Matani Just a follow-up question on the Hindi advertising revenue, do we see that the first half would generally tend to be close to around 40% to 45% of the full year's revenue?

Amit Chopra Yes. That was not the situation last year because it is very heavily festival dependent. Festival having shifted to quarter 3, we should see higher growth in remaining six months.

Ashish Matani We should be close to somewhere around Rs. 450 crore to Rs. 500 crore of advertising revenue for HMVL in full year?

Amit Chopra It would not be fair to comment on that as it is a forward looking statement, however, if you total the numbers in the first two quarters, we have already done advertising revenue of about Rs. 186 crore and our growth in second half should be higher.

Ashish Matani And sir we have said that currently we have done an EBITDA of close to around Rs. 20 crore on Rs. 125 crore of top-line which is close to around 16%. This is because we have been investing heavily in the brand we are trying to increase the overall circulation levels, may be some trial runs going around in Uttar Pradesh for promoting our brand in a much better manner. Do you think that such investment would go on for another year, year and a half and we will see the margins at close to around 18% to 20% levels. Obviously the moment our advertising picks up, you would see a better top-line and thus the margins would be in the range of close to around 18 to 20% for a year, year and a half?

Amit Chopra I would not like to make forward looking statement, but if you would look at our advertising revenue growth, Q1 we grew at 24%, Q2 which was not a comparable quarter, non-festival period, we grew at 30%. We continue to remain focused on growing advertising revenue because we believe that is the best way to grow the margins for the business by making investments.

Ashish Matani Have we reached the peak of circulation revenue for the medium-term and then may be a year or 2 years down the line the moment everything has stabilized then we will be able to increase our cover prices as well as charge a bit more to the newer guys who right now are on free period or on trial basis. Basically at that point of time our circulation revenues would go up or we will be close to around Rs. 30 crore range in the medium-term?

Amit Chopra I think we need to look at that entire season in two three parts. First, number of copies are growing per se. So despite the Jharkhand drop etc., we pretty much held on to our circulation revenues and that trajectory will keep moving forward. Even in the newer markets that we have launched at various times, we have seen that over a period of 12 months to 18 months' time, our realization per copy starts improving as we are able to convert people from subscription model to the full cover price kind of a model. If you look at the last 6 quarters, the circulation revenues as percentage of total revenues have gone down, as the growth for the business has been 30% on the back of advertising revenue growth. Most happening part has been that 3 years back advertising was

only accounting for 55% of our total portfolio, today it is 75%. I think advertising will continue to remain prime driver of the bottom-line of the business.

Ashish Matani And sir what would be the average cover prices currently in different markets if you could may be give a breakup between the markets or may be for HMVL as a whole what would be the average cover price?

Amit Chopra I think average cover price across all markets put together, will be around Rs. Rs 2.7-2.8 and that is at a very broad level.

Ashish Matani That is all on the Hindi business. Just small question on HT Burda – sir you mentioned the top-line was close to around Rs. 28 crore, Rs. 24 crore was the newsprint. So your gross profit was close to around Rs. 4 crore. At EBITDA level, what was the contribution of HT Burda if I can ask?

Vinay Mittal Rs. 3 crore negative on EBITDA.

Moderator The next question comes from the line of Ruchit Mehta from SBI Mutual Fund.

Ruchit Mehta If I look at your subscription revenues, if you look at the Hindi, it does not decline too much on a Y-o-Y I think was 5% or 6%, but if you remove Hindi from overall subscription, English seems to have declined by some 25% on Y-o-Y basis, so if you can explain little bit more on that and also what is the outlook for subscription in the second half. Should one budget for even further decline considering that there could have further price pressure in the quarter?

Rajiv Verma In our company we do not look at circulation revenue as a source of profits. We look at circulation revenues as a driver to growth and profitability. Circulation leads to readership which ultimately drives top-line growth. As you have seen, the top-line growth of the company has been about 23% as far as the income from operations is concerned and the driver of that is the circulation growth. We have had a total copy growth of almost 20 plus percent over the same period last year. So basically what this means is that we are investing for growth, we have been investing for growth in the past and we will continue to invest for growth in the future. The current investment which is going on will give you benefits in the next 2, 3, 4 quarters in times to come because this circulation will lead to readership growth. So agenda of the company is investing behind growth. Now typically looking at circulation revenue in English that you are referring to, it goes into various markets in North India in upcountry, it goes into Delhi market, it goes into Mumbai, and it also goes into Mint. So we try and increase sampling and we try and acquire new and more readers by investing behind circulation and once the readers become used to reading the paper, we start charging money from them and that turns into circulation revenue. So please look at the overall growth of the company rather than just circulation revenue reduction.

Ruchit Mehta What would have been the bigger contributor; would that have been the efforts behind increasing Mint circulation or would that have been behind the overall HT?

Rajiv Verma It is a combination of Mint, Mumbai, Punjab, upcountry and somewhat in Delhi.

Ruchit Mehta And would these sort of strategic investments, as one can call them, continue in the coming few quarters again?

Rajiv Verma Absolutely. We will continue to invest behind readership. As I said, we have grown almost 20% in our circulation relative to the same period last year. These investments made now will result into benefit for the company and shareholder value creation in the next coming quarters. In this business, it is very easy to cut down your circulation and show high profits, but we are investing behind growth.

Ruchit Mehta And just a final query on ad revenue, for Mint, what would have been the sort of revenue run rate in this quarter vis-à-vis Q1 and Q2 last year?

Rajiv Verma The growth is almost 35% in that, Mint standalone numbers, we usually do not share them, but it is growing at a rate of more than 30%.

Moderator Our next question comes from the line of Vikas Mantri from ICICI Securities.

Vikas Mantri Three set of questions, what is the outlook for Burda business and what is the run rate we can expect on a quarterly basis in terms of revenue and profitability?

Rajiv Verma Regarding Burda business, this was the first quarter in which the factory is being stabilized. It is still under stabilization and commissioning because this is a very large plant. I do not know if some of you had the opportunity to go and have a look at it, but we expect both global business as well as domestic business to come. Also, as you know these are German machines and the facility is being managed by Germans so the quality of output is extremely high. It completely maps to global quality standards and it has a huge cost advantage in terms of cost of production especially for long run and we expect this business to kind of come to 3 shift utilization in the next 4 to 6 quarters, but it will depend on how quickly we can stabilize the factory.

Vikas Mantri But this Rs. 28 crore that we reported were for the full quarter or it was partly operational?

Vinay Mittal It was for the full quarter.

Rajiv Verma Of course because there are different trials being done, there is an element of cost right now which will go away in future.

Vikas Mantri And what kind of profitability should we factoring for this line of business?

Rajiv Verma Globally,, this business runs at anything between 15% and 20% operating margins.

Vikas Mantri On the private treaty, can I get the number that we would have booked for this year both in terms of divestment and in terms of advertising revenue?

Vinay Mittal We have booked about Rs. 14 crore of revenue in the quarter and the divestment was Rs. 14.5 crore.

Vikas Mantri On the Hindi business, just wanted to know how has the competitor done in Ranchi market, in terms of both readership circulation and advertising collection on the retail part?

Amit Chopra First of all, I think it is too early to be able to comment on that because Bhaskar which is a competitor that you are referring to has already launched in the Ranchi market. We know very well that large part of revenues into the markets of Bihar, Jharkhand including UP and Uttaranchal, are national which come on the back of IRS etc. Building a track record in IRS is a very long term time consuming process. So I think it is very-very early for me to comment and I think it is unfair to comment on their performance as well. Like I mentioned earlier on, we have grown our own footprint in Jharkhand. If you look at the last 3 years IRS numbers, from about 35-40% share of readership, we have grown today holding a 58% share of the readership. This has made us the most prominent player in that market. We are very-very happy with whatever we have done over the last 6 months' time and we believe we will continue to hold readership dominance in that market and therefore continue to grow revenues there as well.

Vikas Mantri What would be our circulation on the Ranchi market, only for Ranchi city?

Amit Chopra I would not want to give you that information as it is competition sensitive. But in the state of Jharkhand, we are circulating somewhere around 3.5 lakh copies at the moment.

Vikas Mantri Bhaskar is circulating close to 1,50,000 copies in the Ranchi market. So they would be the leader as of now in terms of circulation in that market?

Amit Chopra This is the number which they claim, it will be unfair for me to comment on what they claim. We circulated about 3.5 lakh copies in the Jharkhand state. We have 15 lakh readers which have gone up by 30% over the last 3 years' time. We have invested behind growing readership franchise further and we are very-very happy with whatever has happened in Jharkhand. I think that is all I would like to stick to.

Moderator Our next question comes from the line of Yasmin Shah from Aventus.

Yasmin Shah I had a couple of book-keeping questions Firstly you gave a breakup of EBITDA for different businesses, can you please come again for English?

Vinay Mittal EBITDA was about Rs. 77 crore – that includes Mint and English.

Yasmin Shah And what was it last year?

Vinay Mittal It was Rs. 47 crore.

Yasmin Shah And what is it for Hindi?

Vinay Mittal Hindi is Rs. 20 crore compared to Rs. 21 crore last quarter Y-on-Y.

Yasmin Shah And internet?

Vinay Mittal Internet was Rs. 2.7 crore and Rs. 1 crore.

Yasmin Shah EBITDA was Rs. 2.7 crore?

Vinay Mittal No we are talking about revenue.

Yasmin Shah No, I am talking of the internet EBITDA?

Vinay Mittal Internet EBITDA we do not disclose, however, EBIT for this quarter is about negative Rs.9.5 crore compared to Rs. 10 Crore last year. So our investment into this business continues. The traction is good, the revenue run rate is increasing. The number of registrations is nearly equal to what the leader in this field gets. The number of jobs on this site has grown about five folds in last 6 months.

Yasmin Shah And just to clarify again on this ad to equity. Last year you had booked 40 million as diminution in the value against that, now there is Rs. 14 crore return of investment, right?

Vinay Mittal We have not booked any diminution, but I think you are talking about a provision last year which was for diminution in value of investments, and this Rs. 14 crore that you are talking about is sale of an investment on which we made a profit of Rs. 12.5 crore which is getting reflected in other operating income.

Yasmin Shah And what would be the newsprint cost for last year you said Rs 30,000 as an average for this quarter?

Vinay Mittal For the full year, it was same, about Rs 30,500.

Yasmin Shah Q2 last year?

Vinay Mittal Q2 last year was about Rs 32,500.

Yasmin Shah And my last question would be on if you could give me breakup of circulation for Hindi, English, and Mint in terms of copies this quarter?

Rajiv Verma we have already answered that question initially, versus the same period last year, we have grown total company's copies by about 6.5 lakh copies. Now with that, the total company's average copies per day is about 38 lakh and we can tell you at this point in fact, that Hindi copies are more than the English copies. We would not like to give you breakup by markets and additions because that is competitive information and we would not like to share. You can pick it up from the website of Audit Bureau of Circulation.

Moderator The next question is from the line of Amit Kumar from Kotak.

Amit Kumar I am looking at your standalone financials and your employee expenses for English business on a Q-o-Q basis have declined by about Rs. 5 crore. I just wanted to understand what is the driver behind this and is this sustainable?

Vinay Mittal Amit, we do true up our provisions every quarter in terms of gratuity, leave encashment, so this could be the impact of those true ups. Why don't I come back, I am just going through that number, I can see where you are coming from now.

Amit Kumar Not a problem, I will ask my second question by that time you can take your time. Sir my second question was that overall advertising growth has been 13%, you mentioned that Mint was almost at 35% Y-o-Y growth. Could you just give us a ballpark, how the HT Delhi and the HT Bombay advertising growth have been?

Rajiv Verma As I said, the overall English business has grown by almost 13%, as we are seeing a huge amount of volume growth. overall HT Delhi plus Bombay plus Chandigarh everything has grown by about 13%.

Amit Kumar I just wanted to have a better sense of this, in the Bombay market right now we have a readership share which is upwards of around 20%, but broadly our understanding was that our share out of the advertising in that market – and that is a very large Rs. 1,200-1,300 crore advertising market, that is potentially either in still high single digits or low double digits. Basically to say that there is almost 10 per cent point fairly large gap between our readership share versus our advertising share. So one is that, why such a large gap, we are increasing our readership numbers in the Bombay market and we have seen a consistent trend over the last 2, 3 IRS rounds, but that does not really

seem to be translating in terms of advertising growth or in terms of bridging that gap between the advertising share and market share. I just wanted to understand what is really missing there?

Rajiv Verma There are two things there. One is, that is the potential opportunity for the company. And you are absolutely right on that. The second thing is that it has to do with the maturity of the brand and how mature is the brand. HT in Bombay is still a very young brand. It's been there only a few years and as far as the advertisers are concerned and the readers are concerned the brand equity is only becoming stronger and stronger with the passage of time and this readership will translate into revenue, that you will see in the forthcoming years. Hence the company is continuing and persisting with investing, strengthening the reader franchise more and more and as these readership numbers inch up further, you will see this translating into revenue.

Amit Kumar Just to add on to that, what will be the inflection point I mean in terms of either our readership number or in terms of our circulation number, what in your view would be the inflection point? And when you are talking about the maturity of the brand, how much time still do you think will take for us to actually cross that point where the gap between our advertising and readership shares at least starts to bridge and we start to grow at a faster pace in that market?

Rajiv Verma That is an inexact time. There is no science behind it that when you reach this number, the revenue will start coming in. What you have to track and that is what we try to track as a company is our readership number and the growth in revenue as it is happening and we keep investing as a result of that. Last year, we were almost half of the number of copies that we had in Mumbai now and these investments will only continue to go further North. Therefore Mumbai is not a market that we are looking at from a short term point of view, it is a long term play and we expect this to be a significant value creator in the overall HT portfolio in years to come.

Moderator Thank you. Ladies and gentlemen due to time constraints that was the last question. I would like to hand the floor back to the management for closing comments.

Vinay Mittal Thanks everybody for joining the call. I would like to just sum it up by reiterating some of the points that Rajiv and Amit had pointed out in the beginning that our ad growth remains very strong. We remain focused on it. It will remain strong given the sustained improvement in the macroeconomic environment. We continue to reap returns from our new businesses that we are investing into namely HT Mumbai, Radio, Mint and we continue our investments into digital space for a long-term growth, but the focus of the company will remain on ad revenue growth and we will keep investing behind circulation. Thank you.

Moderator Thank you. On behalf of HT Media that concludes this conference call. Thank you all for joining us and you may now disconnect your lines.

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