HT Media & Hindustan Media Ventures Limited's
Q3 FY2011 Earnings Conference Call Transcript
January 19, 2011 at 12:30 pm IST

www.htmedia.in

Moderator: Ladies and Gentlemen, Good day and welcome to the HT Media Q3 and nine months FY11 results conference call. As a reminder for the duration of this conference, all participants' 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 assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone telephone. 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.

Ishan Selarka: Thank you Melissa. Good afternoon everybody and welcome to HT Media and Hindustan Media Ventures Limited's Q3 and 9M FY11 earnings conference call. Today we have from the management, Mr. Rajiv Verma, CEO of HTML; Mr. Vinay Mittal, Chief Financial Strategist of HTML; Mr. Amit Chopra, CEO of HMVL; and Mr. Ajay Jain, CFO of HMVL.

We will commence this conference call with opening remarks from the management following which there would be 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.

Rajiv Verma: Good afternoon friends. Thank you for joining us to discuss our Q3 FY11 performance. As you would have seen from the results, our Company has had a very good performance this quarter. As a matter of fact, I dare say that this is the best quarter we have had in the history of the Company from every perspective. I understand that the set of numbers provided to you may not be very clearly visible. However, during the course of the call, we will try and address any questions that you may have.

Let me share with you a little bit about how has been the performance of various businesses, what worked for us and where we feel we could have done better. As you would have noticed, our consolidated topline grew by almost 28-29%, which we believe is a very strong growth. Our strategy has been pursuing growth but with profitability at a certain level. Please note that the profit numbers could have been higher had we decided to do a trade-off between our short-term and our long-term goals; however, we did not make those compromises. Therefore, I feel particularly good about the quality of these numbers. The underlying health of each of our businesses viz. Hindustan Times, Hindustan, Mint, Fever, as well as our online properties is looking very good. All the indicators are in a positive direction. While it is true that there is a lot of help coming from the current external environment, where a lot of media consumption is happening, at the same time what we have to keep in mind is that we are growing ahead of competition and ahead of the industry. English business has grown by almost 25% and Hindi business grew by almost 35%. So it is very heartening to see that overall growth has been very strong. The other key point to notice is that both the volumes and pricing has contributed to this growth. It is heartening to see that the price increase has come through yield improvement route. If you recall, there has been a strong growth in readership as per the latest IRS. Therefore, even at the higher price, the cost to advertisers per 1000 readers, which is what they pay for, would actually have been pretty much at parity or lower than what it was earlier. Therefore, pricing is being passed on in the form of efficiency to the advertisers. Another thing what I feel particularly good about is that while the strong growth of top line continues, we continue to focus on bottom line and look at ways and means of making our business more efficient while taking out waste wherever possible, thereby making the Company more and more efficient and productive. You might have noticed that the commodity prices are hardening a bit. However, there are enough actions being taken by the Company to fight this commodity inflation. I do believe that to a certain extent commodity inflation is going to stay, but we are working at finding ways and means of making our cost structure more and more efficient.

Overall, I think the business has done extremely well. We are very happy with the level of profitability at which the business is operating, the kind of growth which the business has seen during this quarter, and we hope to be able to repeat this performance in future quarters as well.

The other important thing that I would like to mention here is that our Company has decided to follow an innovation led model, and with that innovation led model there are lots of enterprise level innovations as well as day-to-day innovations, which are happening. One of the latest innovations that we have embarked on is in the market of Mumbai in creating something called a No TV Day, where we are encouraging citizens of Mumbai to bond with their city, their people, and with this we hope that the bonding between Mumbaikars and Mumbai city will only accelerate. There is another innovation that we have embarked on in our Hindi newspaper called Hindustan Money, which is a joint venture between Hindustan Media Venture and Mint where Mint is the exclusive content provider. Again it has received encouraging response in the Hindi heartland with the readers. So there are a lot of innovations which are currently going on in the Company, the results of which you will see in times to come.

Net-net we feel very positive about the results. Our return on net assets is at an all-time high. Our balance sheet is totally debt free and we currently carry almost Rs. 300 crore net cash on our balance sheet. So overall, I think the model of this Company is working very well because of the decision-making which happened during the downturn as well as the kind of talent which works in this Company. We will be happy to take any questions you might have. Thank you.

Moderator: Thank you. Ladies and gentlemen we will now begin with the question and answer session. We have the first question from the line of Abneesh Roy from Edelweiss, please go ahead.

Abneesh Roy: We have seen good ad growth in both English and Hindi, and now that FY11 is coming to an end, the sense we are getting from the broadcasters is that ad growth in FY12 could be in the range of 14-15% What is your interaction with advertisers suggesting as we are seeing a margin pressure across all industries, there is liquidity pressure, interest rates are going up, especially for real estate and auto sector which are interest rate sensitive, where do you see the overall ad growth for both English and Hindi for FY12?

Vinay Mittal: The ad growth is not stalling inspite of the interest rates hike and the liquidity pressure. Taking the example of real estate, that segment has done well for print industry, but going forward also there are enough launches on the drawing board. So I believe that the segment will sustain in terms of advertising push. So as of now we do not see any slowdown either in the Hindi belt or even in the metros. We continue to see the kind of ad growth that you have witnessed till date.

Abneesh Roy: Sure, so you would not like to share the numbers for FY12?

Vinay Mittal: No, I would not like to, but this push in advertising will sustain, and our numbers are not indicative of the rate at which the market is growing. On the contrary, the market is growing probably at a lesser rate. For instance, the Hindi market has grown about 15% to 20%. English markets have also grown around 15% to 17%, and we have grown above market rates.

Abneesh Roy: My second question was on the circulation. We have seen a Q-o-Q growth of 13% in overall circulation and 5-6% in Hindi business. Where does this growth come from? Is this because of the higher circulation in some of the markets which you have done recently and we have not seen commensurate increase in the raw material cost in HT Media.

Vinay Mittal: No, in circulation, the PO as well as realization has increased, and therefore you see the revenues are increasing. Also, traditionally you will find if you do a trend analysis, the third quarter revenue in circulation is always better than the other quarters. That’s one. Two, if you analyze the raw material piece, you will find the raw material impact is there partly because of the PO increase, and that's actually the biggest component of the raw material increase. So it actually correlates with the raw material piece and the PO increase in circulation.

Abneesh Roy: We have seen the ad growth jump from say 24% to 30% to now 35% y-o-y growth in the last three quarters in HMVL. There was an impact of elections in Q3 FY11. However, this trend still continues to move up in terms of growth rate. Can you give us an update on how DB Corp’s entry into the Jharkhand market impacts you?

Amit Chopra: Rather than looking at only a quarter's picture which may not be real from a comparison perspective because of seasonality factor and last year festival period being higher, I think YTD we've grown at about 30%, which is the HMVL growth. Our own view and as Vinay also shared earlier, we believe that around that number is something which is sustainable for a while till of course the macroeconomic situation changes. On the second point on Jharkhand, no, we are not witnessing any impact on our ad revenues because of another competitor's entry in Jharkhand at this point in time.

Abneesh Roy: And could you quantify the Bihar elections impact?

Amit Chopra: I think it is very difficult to segregate the two pieces in Q3 FY11 because on the positive side we had a festival period fully in Q3, but on the negative side, the government revenues vanished due to Bihar elections and advertisement spending by the candidates was not as much because there was already a wave in favor of a particular party. So, I would say that it did not give any kind of large increase

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

Amit Kumar: On a consolidated basis, your raw material costs have not grown. I just wanted to understand in this respect that last time you had about Rs. 24 crore of raw material cost on account of Burda. Can you just throw some light on how Burda has done this quarter in terms of revenue, raw material costs, and overall operating performance?

Vinay Mittal: Burda revenues have been about Rs.15 crore this quarter. The raw material cost is about Rs.12.5 crore and we had a negative EBITDA of about Rs. 5 crore.

Amit Kumar: Can you throw some light on the new product i.e. Hindustan Money? Is it a standalone product? Is it a supplement? What is the nature of this product?

Amit Chopra: From our understanding of the market, we believe that there is a lot of free money in the hands of people in the tier two towns and therefore people are looking for avenues to invest. However, there has been a lack of high quality content being available. I think HT Media Group's biggest advantage is availability of very high quality content created by a very high quality team, and under a very credible and probably the best in class brand. So we believed in that opportunity and created a weekly chronicle which is called Hindustan Money which is going along with Hindustan at the moment. It has been started about two weeks back; it's a new innovation we've done. We've also seen good response from the advertisers and the readers alike. I think as we move along and over next three to four weeks' time, we will get further clarity on how it is really trending and how much more we want to build in this initiative. Overall, very interesting response and we believe it could help us open up high net worth individual segment in the Hindi belt.

Amit Kumar: Is this across the Delhi NCR, UP, Uttaranchal, Bihar, Jharkhand belt or have you launched it in any specific market?

Amit Chopra: We felt the need only in the tier two cities. Delhi anyway is the best served in terms of that kind of content by Mint. Hindi belt didn't have any such product, so in the initial round we have only concentrated on the top 12 towns in the Hindi belt like Patna, Lucknow, Kanpur and Jamshedpur etc. to name a few.

Moderator: Thank you. The next question is from the line of Pawan Ahluwalia from Laburnum Capital, please go ahead.

Pawan Ahluwalia: Can you provide some clarity about the rise in other manufacturing expenses that we've seen in this quarter in HMVL. Secondly, as we take up circulation over the next couple of years, clearly there is going to be a cost increase, and I was wondering what your own projections or targets are for that sort of cost increase that we are going to see?

Amit Chopra: First of all, if you were to compare sequentially then the cost hasn't gone up too much. Also, as Mr. Verma said earlier in his opening remarks, the Company is trying to find waste and undertaking various cost optimization measures in an increasing commodity scenario. So our pagination has come down a bit, our print production cost per page has stabilized and hence there has been no increase at all. In terms of the second point that you raised with respect to circulation, I think clearly we have articulated that time and again that we continue to remain extremely positive about the growth of revenues and opportunities in the Hindi belt, and towards that end there is very clearly a road map for expanding our presence. Towards that entire objective, fair deal of ground has been covered this year as indeed in the last three years, and continuing with the same strategy of expanding our presence especially in the lucrative market in UP and Uttarakhand, we will continue to do that as well; but there will be a continuous focus on cutting all inefficient costs and eliminating any kind of waste so that we continue to be a cost effective producer.

Pawan Ahluwalia: I guess what I'm trying to get at over here is to understand the raw material cost increases, it could be largely due to the newsprint, and there is still an increase overall probably driven partly by newsprint and partly by circulation. What I'm curious about is what's going on with the other manufacturing expenses, and as you take circulation up forward, should we be expecting any linear increase in cost, i.e., the circulation increase times whatever the general inflation rate is or do you think you would be able to do better or worse?

Amit Chopra: You are indeed right. The increase that has happened in last two quarters has also been because we've commissioned higher capacity. It has happened in Bihar Jharkhand and in a few locations in UP. As we really move forward because now we have capacity, you will not see linear increases, because it would be utilization of the same assets towards producing more copies.

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

Siddharth Goenka: Can you tell us how much quantity has been consumed till December 2010 in both Hindi and English and what kind of quantity consumed can we end up by the end of March?

Vinay Mittal: Yes, for the whole year, we would probably be consuming around 180,000 tonnes. In Q3 we consumed about 46,000 tonnes.

Siddharth Goenka: How much of it will be for Hindi?

Amit Chopra: About 75,000 tonnes will be for Hindi.

Siddharth Goenka: What has been your average cost of newsprint price for this quarter?

Vinay Mittal: The average newsprint price for this quarter is about Rs. 30,900 per tonne.

Siddharth Goenka: How much will be for Hindi approximately?

Vinay Mittal: It’s about Rs. 29,000 for Hindi.

Siddharth Goenka: Can you give us a break up of circulation copies for English, Hindi, and Mint for this quarter?

Vinay Mittal: Mint is about 1.4 lakh copies, Hindustan we had about 21.1 lakh copies and in terms of Mumbai and Delhi combined we are at about 13.5 lakh copies.

Siddharth Goenka: How much circulation have we achieved in Mumbai till now?

Vinay Mittal: Mumbai is about 3.5-3.6 lakh copies.

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

Ritesh Poladia: Just continuing on the circulation, from Mumbai I believe there won’t be any circulation revenue, does that premise hold true as of now also?

Vinay Mittal: At the moment yes, we're pushing copies.

Ritesh Poladia: What would be the nature of advertising S&D expenses, (selling and distribution) in HT Media standalone which is about Rs. 30 crore for the last four-five quarters?

Vinay Mittal: The advertising and sales promotions will remain between 6% and 7% of the total revenue.

Ritesh Poladia: Would it be pure advertisements or would this have any bearing on the subscription led expenses?

Vinay Mittal: No, it isn't subscription led, you have got advertising, and then you have got some events that are done to publicize the brand, anything that enhances the brand.

Ritesh Poladia: But there is no connection with the expenses related to the subscription led revenues, like if I'm paying like Rs. 299 per year for Hindustan Times in Mumbai. So are there any expenses booked in this advertisement and sales promotion?

Vinay Mittal: Yes. Some of these are gifts, etc., which get booked out here.

Ritesh Poladia: Are you comfortable in quantifying that?

Vinay Mittal: No.t we do not give that separately.

Ritesh Poladia: In the online Opex which is about Rs. 11-12 crore, what will be the major heads of the operating expenditure in the online business?

Vinay Mittal: Basically salaries and marketing. In online businesses, you've got salaries, marketing, technology, and rental as the main cost and they remain more or less in line as the sales pick up. That is the primary reason why you've got higher selling and distribution expenses.

Ritesh Poladia: Any further investment in online business?

Vinay Mittal: Yes we'll continue to invest in that business, last year we had about Rs 28 crore of EBITDA losses and a similar amount this year.

Ritesh Poladia: When do you see a break-even coming in this online business?

Vinay Mittal: There is traction in the business, and whatever extra revenue that we are gaining in this is being reinvested in this business. With respect to break-even, I think we'll be in a better position to answer that probably in six months to one year down the line.

Rajeev Verma: Let me clarify that part a little bit because what we have to understand is that online businesses are somewhat new to India.

And even if you look globally at online businesses like Facebook, which today has been valued at a little over $ 50 billion or for that matter Google which is a $ 40-$ 50 billion Company, break-evens have come much later. These are businesses which are based on parameters that are about audiences, that are about what kind of traffic is building there and then eventually you start to monetize them.

So the investments which are going on are in building certain properties online and acquiring those capabilities which will allow us to be able to build very strong online vertical from Firefly e-Ventures. We are very pleased with the success we're seeing in our job portal called Shine.com, and in our online education portal called htcampus.com, and desimartini.com, which has been relaunched as movie ratings and review site . We're seeing some strong traction. Also in that part is another business in partnership with Velti called HT mobile, where we do a lot of mobile telephone based marketing. We're seeing huge revenue traction as well as audience traction there. These are future facing businesses which will lead to shareholder value creation in the next few years. From there, instead of looking at break-even we should be thinking about when will the model lead to a strong shareholder value creation as a result of the nature of business. .

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

Vikash Mantri: We talked about a volume-driven growth, so going forward how do we expect that growth and will we be able to push in a rate hike given that volumes are strong, and secondly in the Mumbai market we have had a significant improvement in our readership share. Have we been able to monetize this, and how do we see it going forward.

Vinay Mittal: With respect to driving price increases in the increasing volumes scenario, I would say that. price increases are always first led by volume growth. Once we have the volume growth then only we can try and take the prices up. So to answer your question, yes we should be able to get pricing power as we go ahead. We have already seen part of it coming through, but we expect some more of it to come through over the next six months to one year. Secondly, on Mumbai, we're seeing traction there, and the volume growth in Q3 in Mumbai has been very heartening. So those IRS numbers are translating to higher advertising revenue in the Mumbai market.

Vikash Mantri: What are the savings that we expect in the radio business because of the change in copyright, royalty share formula, and secondly if any ad-for-equity that we would have booked in this quarter?

Vinay Mittal: On the savings on this copyright thing I will come back to you. For ad-for-equity, the revenue that we've booked this quarter is about Rs. 12.5 crore. This is the advertising revenue that we've booked because of ad-for-equity and there is no cost on any investment in ad-for-equity.

Vikash Mantri: There is no write-off this quarter?

Vinay Mittal: No, there is no write-off this quarter.

Moderator: Thank you the next question is from the line of Hiren Dasani from Goldman Sachs Asset Management. Please go ahead.

Hiren Dasani: What is driving the growth in circulation revenues on Q-o-Q basis?

Vinay Mittal: As I said what happens is that circulation in Q3 anyway picks up because you've got school copies, etc., that gets introduced. So if you do a trend analysis you'll find the Q3 circulation revenue will always be higher and therefore you will see an increase in circulation in Delhi and also PO has been increased over some of the Hindi geography.

Amit Chopra: I think the point that Mr. Verma made earlier on, I mean the bottom line could have been better, but we continue to invest behind growing our footprint especially in the market where there is an opportunity, whether it is Mumbai, whether it is consolidating our presence further in Delhi NCR, whether it's investing in UP. So there has been a conscious effort on part of the Company this year to add copies and towards grabbing more and more eyeballs which we can monetize better as we move along.

Rajeev Verma: Our readership in Hindi 3-4 years ago used to be about 85, lakhs whereas today it stands at 1.08 crore. On the other hand, if you look at the readership of our competition, it has been more or less hovering around the same number they had at that time. Now, we've grown our readership by almost 25-30% and we believe it is a fairly strong growth. Obviously for this growth to happen, we would have invested in copies, because it takes time for those copies which you give to the readers to convert into readership. Now, we are still continuing that strategy. We are still investing in copies, the benefit of which you'll see in the next one to two years. So in 2-3 years' time, you might find Hindustan newspaper as the second largest read newspaper, or the top newspaper in the country. You have to invest today to be able to reap the benefit tomorrow.

Hiren Dasani: I understand that the quantum of changes on a quarterly basis was slightly not explainable. The other thing is that if you look at consolidated revenue break up, you have advertising, circulation, radio, and the rest of it will be others if I were to just call it that. Again there, last quarter it seems the others was about Rs. 60 odd crore, and this quarter it is about Rs. 30 odd crore, so is there any reason for this variability there.

Vinay Mittal: The other revenues captured the revenue from Burda. Actually it's a part of it, and the job work revenue.

Hiren Dasani: Shouldn't Burda be more or less steady state kind of a business

Vinay Mittal: No it is not, because if you see Burda revenue was about Rs. 29 crore in Q2 and Rs. 15 crore in Q3 because it's still stabilizing, and you've burst of job work that happens out there but it will even out as time passes by.

Rajeev Verma: Burda currently would be running at about 40-45% capacity utilization. It will reach 85-100% capacity utilization in the next three to four years' time. So you will see a certain volatility coming in on account of more business coming in some quarters and a less in a few. Overall, it will take a little time before Burda will reach its full capacity utilization.

Hiren Dasani: What is the rationale of merging this job portal back with the standalone Company because it would muddle up the financials of this standalone as well?

Vinay Mittal: Essentially it is financial reasons because the job portal business will require funding from what we see for at least the next two years, and we found that trying to fund a subsidiary is a leakage of revenue, and service tax etc., things like these, so we thought best for it to be merged. And also it works well from the tax efficiency perspective because I'm a maximum marginal rate taxing entity in HTML and am incurring losses in Firefly. So these are the two reasons why we thought best to merge it back into the parent Company.

Hiren Dasani: But if you take that thought process logically forward then all the internet businesses would be currently loss making, right so why not everything in this same sense?

Rajeev Verma: We also have a job newspaper called Shine supplement where we accrue some synergy benefits. Therefore it is logical to keep it together with Shine print where you have that newspaper supplement under the same brand as Shine. The synergies work out much better there.

Moderator: Thank you. The next question is from the line of Bijal Shah from IIFL. Please go ahead.

Bijal Shah: I have one question on circulation. Now, it seems on the Hindi side we are already over two million, and that it is what we were targeting as far as peak circulation was concerned. And in English I don't know what is the target, so I just wanted to understand, is circulation likely to grow from here on as well and how long that will continue, say probably one more quarter or in the rest of FY12 also we're likely to see an increase in circulation.

Vinay Mittal: We will see increase in circulation especially in Mumbai. We do want to take up the circulation in Mumbai to a figure of 4 to 5 lakhs, and hence during the whole of next 12 to 18 months in Mumbai as the readership catches up, and as the product does well, we will keep increasing the circulation in Mumbai. Similarly in Mint, we do want to go up to a figure from present circulation of about 1.4 lakh to about 2.5 lakh at least in the near term of one year to 18 months. So in these two properties, you will see an increase in circulation coming through. Maybe in Delhi it will not be to the same extent, but in Delhi also you will find circulation going up especially in Gurgaon & Noida, NCR areas.

Rajeev Verma: You know some of these brands are getting increasingly accepted by the readers, and we want to make sure that we expand the market now. Also we are seeing tremendous revenue growth in some of these brands. Take a brand like Mint for instance. It is growing at almost 50% each quarter. Similar kind of acceptance Hindustan Times is receiving in Mumbai now, and we want to make sure that we do market expansion and try to make our product available to more and more readers.

Bijal Shah: Are we likely to see an increase in Hindi as well?

Amit Chopra: Yes, the expansion in UP and Uttarakhand continues to be a lynch pin for our Company's strategy. We still believe there is an opportunity to add more copies in the market in UP and Uttarakhand. Everywhere else, we are above critical mark. So we will continue to expand over the next 12 to 18 months horizon.

Vinay Mittal: Our goal is to become number two in Hindi in UP, and we are not far from that, therefore we will only stop when we have reached that objective.

Moderator: Thank you. The next question is from the line of Girish Raj from IFCI. Please go ahead.

Girish Raj: We actually witnessed a very robust growth in the English ad revenues. Do you see any cyclical impact in the fourth quarter that may hamper this growth

Rajeev Verma : The only thing we have to be concerned about are bubbles forming in the economy, and I would always be very wary of any bubbles forming. One of the bubbles that we should always be concerned about in our economy is that of real estate. So we should remain cautious about a bubble which may suddenly shrink some of the revenues that we are seeing for the last few quarters now. That would be a cause for concern that we should always watch out for.

Girish Raj: Otherwise we can maintain a similar level.

Rajeev Verma: Structurally, there is nothing that is likely to change as far as the internal factors are concerned in HT's brand portfolio. The only risk which remains are purely external and the environment led wherein any bubble which may create stress or slowdown in a particular sector in the economy, be it financial or be it real estate or so.

Girish Raj: My second question is on Hindi. The geographical expansion would be more or less done after the Gorakhpur launch or commissioning. I would assume the profit margin should ideally go up in

FY'12 or so to say, however, the competition may impact it, which I'm not able to guess. What is the management assessment on the margin as compared to FY11 or FY12?

Amit Chopra: Let me break that in two parts. Number one, I think we continue to see robust growth in our revenues. The ad revenues continue to grow well, I think which is a positive story, and that indeed has been the story for Hindustan or HMVL for the last three or four years now. So that give us a lot of hope and like Rajeev said unless something changes in macroeconomic factors, we expect that to continue. In terms of copy edition or therefore addition of cost, we still believe there is work to be done in the UP and Uttarakhand belt. . I think from our perspective we continue to remain committed to building our footprint in the geographies where we are still not above critical mark as indeed strengthening or consolidating our position in the market that we have been already very strong in terms of Bihar or Jharkhand or Delhi NCR.

Girish Raj: So is it safe to assume that margins would marginally go up next year.

Amit Chopra: I won't like to give any forward-looking statement, but if you look at the last three to four years track records, the strong investments typically are followed by a few quarters of margin expansion because fundamentally the top line growth story has been there.

Moderator: Thank you. The next question is from the line of Aashish Upganlawar from Spark Capital. Please go ahead.

Aashish Upganlawar: Just wanted to know what is the blended card rate hike that we've taken in English and in Hindi, which is effective from January 15th?

Amit Chopra: Actually there are two parts to the card rate. First is that which should translate into pricing improvement in terms of realization. Other is the fact that we have actually acquired more than critical mass across most of our geographies, whether it is for Hindustan Times in Mumbai, or for Hindustan in UP, Uttarakhand, Bihar, Jharkhand. There has also been an effort to unbundling of packages i.e. move away from the practice of selling combined packages. So that's a very, very fundamental change that we have made in our rate card which should help us monetize our properties better. If you look at that that should hold us in good state, otherwise, the normal increase is to the tune of 10% to 15% only.

Aashish Upganlawar: This job portal that is being merged with the standalone entity, there is some note in the release that you'll be having some tax savings because of that. So is that going to be realized in this financial year and what is the quantum of that?

Vinay Mittal: It can be realized within this financial year, but it will not show up in the tax computation on the P&L because of corresponding reversal of deferred tax asset, but in terms of cash flow, there will be cash release from the tax outflow.

Aashish Upganlawar: So the overall tax rate for this year should be 27%-28%?

Vinay Mittal: Should be in the region of about 28%-29%.

Aashish Upganlawar: In Mumbai, as we are looking at readership growing every quarter, so is the advertising revenue flow higher than what the readership increase suggests?

Vinay Mittal: Yes, the advertising inflow or let say volume of advertising is going upas well as the yields are also showing improvements, so the rate of increase in advertising is keeping in step with the increase in readership.

Aashish Upganlawar: On Hindi, I just wanted to understand that our readership as per IRS is about half of what Amar Ujala would have in UP, and the rates as I understand are also at similar levels, maybe half of what Amar Ujala is, so how do you get greater pie of the ad market there. How much scope is left there because I think circulation overall is similar to Amar Ujala that we're targeting now? So is it that your readership per copy is less compared to what Amar Ujala would have?

Amit Chopra: That's a pertinent point that you have raised. First of all, we still do not have as much readership or yields as Amar Ujala, but yes getting close to it. I think at present, we will be more in the 70% to 80% of their readership and ~40-50% of their yields. The problem is that the only available currency which can be monetized is IRS, which is a trailing 12 months average, and as you would know Hindustan has been expanding in UP consistently for the last three years' time including the last Gorakhpur launch which actually happened on 15th of December, So, for a growing brand, IRS never captures the real situation in the market. We believe as has happened in the last 12 months' time, the IRS growth story on Hindustan in UP will continue to show in foreseeable future because of the strong investments that we have made, and that would allow us to keep increasing our yield and growth in the UP market in terms of pricing. The second important part there is the launch of Gorakhpur edition with which we have also plugged a pretty large geographical gap that we had in our coverage there. Advertisers buy an entire state so if you're not delivering a totality of the state you do end up having issue in being able to attract all the campaigns. With Gorakhpur, we are pretty much done to a level of about 90%-95% of UP, so it's only one small zone which is not done, so better geographical coverage coupled with improving IRS will come through over the next three, four, five, six quarters which should continue to give us pricing improvement in the markets of UP.

Aashish Upganlawar: What is the circulation gap between us and Amar Ujala?

Vinay Mittal: Currently we are about 2.5 lakh copies behind them in the market of UP.

Moderator: I would now like to hand the floor back to the management for closing comments. Please go ahead sir.

Vinay Mittal: Thank you everybody for taking the time out for this call. Just to conclude I would like to reiterate that the advertising growth has been extremely good, with Hindi growing at 35%, English at 25%, Mint at 45%, and radio the best of all at 80%. With this kind of an advertising growth led by volume, we are seeing pricing power coming back, and so both volume increase, and pricing improvements bodes well for the print industry. The IRS figures are trending well for us in the Mumbai, Hindi and in the Delhi markets, of course in Mint also. Both these things allow us not only to deliver a healthy bottom line, but also gives us flexibility to keep investing, and sow the seeds for future growth. The brand health has also comes out to be very nice with Hindustan Times and Mint being ranked as number one media brands by the Pitch Media BrandOmeter study. So, all in all I think we should be able to keep up this performance going forward over the next few quarters. Thank you, once a.ain for attending the call.

Moderator: Thank you gentlemen of the management. Ladies and gentleman that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

This is a transcription and may contain transcription errors. The Company or the sender takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.