**HT Media and Hindustan Media Ventures Limited's**

**Q3 FY2012 Earnings Conference Call**

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**Moderator:** Ladies and gentlemen good morning and welcome to the HT Media and HMVL's Q3 FY12 conference call hosted by UBS Securities India Private Limited. 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 any 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 now like to hand the conference over to Ms. Nupur Agarwal from UBS Securities India Private Limited. Thank you and over to you ma'am.

**Nupur Agarwal:** Good morning everyone. UBS Securities is glad to host the Q3 FY12 call for HT Media and HMVL. We have with us Mr. Rajiv Verma, CEO of HT Media, Mr. Piyush Gupta, CFO of HT Media, Mr. Vinay Mittal, Chief Financial Strategist, Mr. Amit Chopra, CEO of HMVL and Mr. Ajay Jain, CFO of HMVL in the call today. I now hand over the call to Rajiv for his initial comments.

**Rajiv Verma:** Thank you Nupur and good morning everyone. I welcome you to the call and appreciate the time you have taken out to be with us this morning. Over the course of next one hour, my colleagues and I will answer any questions that you may have on our performance during this quarter.

Let me begin by giving you a broad overview of financial performance. As you might have seen from the results provided, that the total revenue has gone up by about 16% to Rs. 543 crore compared to Rs. 470 crore in the corresponding quarter last year. This performance needs to be looked at keeping in mind the current external environment which continues to be difficult for the last four to six months. Though we were hoping and would have liked to see a 20% growth; a 16% top line growth during these times is not something that we are particularly disappointed with especially given the fact that GDP has not been growing and all the advertisers are suffering from a crisis of confidence in the economy and in their businesses. In such a situation, it is heartening to register a growth like that. Our advertisement revenue increased by 11% and the circulation revenue went up by 7%. EBITDA in this quarter was stable relative to last year at Rs. 95 crore. There were various headwinds during the quarter that impacted the print industry as a whole. These headwinds were in the form of a sharp rise in raw material prices as the global commodity prices continued to hold at the high levels as well as adverse exchange rates. Total raw material consumption went up from Rs. 166 crore to Rs. 188 crore which does not include the full impact of exchange rates. Also, we saw an increase of about 23% in the employee cost. This is because we have provided for some variable incentives to be paid to our employees for achieving their targets at the end of the year given that our top line is doing well. Further, there is also an increase in other expenditure by 25%. This rise is primarily on two accounts. Firstly, the fluctuation in rupee-dollar exchange rate i.e. from Rs. 48 to north of Rs. 53 has resulted in Foreign Exchange losses. Secondly, we have taken a provision pertaining to our investments relating to ad for equity business. This is because, with the decline in stock market, some of these assets needed to be provided for as there had been a diminution in their value. All put together, the profit after tax stood at Rs. 48 crore and EPS was similar to last year at Rs. 2 per share.

Let me move on to share the underlying health of each of the businesses. Some of you must have noticed that as per the latest round of IRS, we have held our position in most of the markets. In Delhi we have increased our lead with respect to the competition and have grown quite well in Mumbai as well. Readership in Mint also witnessed a fairly good growth. So, in the readership term, which is a reflection of how readers appreciate various titles in different parts of India, we have performed quite well and have held onto our position or improved our position.

In the digital business, where the Company is investing quite aggressively, it is our belief that the time for digital era is not too far for Indian media companies. They continue to do very well on the revenue front as well as on the profitability front as we have seen lesser amount of losses this quarter as compared to last year. I am glad to announce that we launched iPad applications for Hindustan Times as well as Mint and both of them are being received well in the market. Our other website like 'Shine', 'Desimartini', and 'HT Campus' are making steady progress and we continue to see increasing traffic as well as traction on these sites. The page views and the number of unique visitors are going up and these businesses are therefore seeing increase in revenue and reduction in losses relative to last year. We believe these businesses are going to reach a maturity point in not too distant future.

HT Burda a subsidiary of the Company also pitched in good progress with revenue going up by almost 50% and the losses coming down from Rs. 5 crore last quarter to almost Rs. 1.7 crore this quarter. So, HT Burda continues to show good progress.

Overall, in a relatively difficult environment, I think our Company performed very well. We are very happy with the progress made as all of us realize that these are strong results given the external environment and the economy in which we are operating. I am particularly proud of the achievement of HT Media and I am now going to hand over to Mr. Amit Chopra to take us through the performance of HMVL during this quarter.

**Amit Chopra:** Thanks, Rajiv and good morning to all of you. In a very challenging environment, as Rajiv articulated, Hindustan continued to make progress. We continue to be strong No. 1 in readership terms in both Bihar and Jharkhand markets. It is important to note that even in these tough times, we have continued to invest in the UP market in building a much stronger footprint and the launch of the Aligarh edition in the quarter is a testimony to that. Now with the expected launch of Moradabad edition in next quarter, Hindustan will exit this financial year with a strong presence in all the markets of UP which is very critical for Hindustan's future growth.

In terms of advertising revenues, Q3 registered a subdued 9% growth. However we need to remember that in Q3 last year, we had elections in Bihar resulting in a high base. Discarding that, the underlying advertising revenue growth was about 14% in Q3 which is very similar to the YTD growth of about 16% that Hindustan has seen for the first three quarters. These are challenging times; however we continue to cautiously invest in growing our foot print in the critical markets and holding our strong dominant position. We continue to focus on getting better monetization of the strong readership growth that we had seen in the last few quarters and therefore we remain cautiously optimistic for the future. That brings me to the end of my discussion. We will be happy to take any questions that you may have. Thank you.

**Moderator:** Thank you so much we will now begin with the Q&A session now. We have our first question from the line of Ashish Upganlawar from Spark Capital. Please go ahead.

**Ashish Upganlawar:** The growth in the Hindi business has been sluggish compared to what has been witnessed in the previous so many quarters. Has something changed very drastically?

**Amit Chopra:** Let me address that in two parts. Like I mentioned earlier, while the visible growth is 9%, the underlying growth for the quarter was 14% because Q3 last year was aided by the Bihar elections where we got reasonable monetization. However, at an overall level the environment is more challenging compared to what it was in the first half. We have seen the environment getting more challenging particularly from November onwards as some of the price increases that we were able to easily get in the first half have been more difficult to come by in the second part of this financial year.

**Ashish Upganlawar:** Do you expect the environment for advertisement change especially given the UP elections?

**Amit Chopra:** I think it is a little early to comment because UP elections are still month and a half away. We believe Q4 will be better but aided by a onetime event called UP elections. At an overall level, I think it is more challenging and uncertain times. We still believe that the economic problem may not last beyond three to four months' time and things should improve as we move forward.

**Ashish Upganlawar:** Do you see ad revenue growth in FY13 and this year at all across Hindi markets. How much would you peg as a conservative number because in terms of readership you have been doing pretty fine?

**Amit Chopra:** I think it is a bit premature for me to guess in terms of how the market will pan out given the uncertain environment. We believe that this kind of slowdown will not last too long because fundamentally the rural economy, the tier 2 towns continue to do well. They continue to be driven by consumption and we believe things will become better as we go along.

**Ashish Upganlawar:** What are your thoughts on the Mumbai operations as to how the market is shaping up and will the increase in the readership be reflected in the advertising revenues going ahead in the next six, nine months?

**Rajiv Verma:** I do believe so. First and foremost Hindustan Times in Mumbai, and I am sure those of you who are logging on to this call from Bombay and live in Bombay would also agree with me, that Hindustan Times as a title in Mumbai has begun to do very well. All internal facts and parameters show that the brand is becoming very strong and it is beginning to enjoy a lot of loyalty with the readers. The readers of the paper are finding the product extremely good and this product is maturing now. This loyalty of the readers is what is being reflected in IRS results on an ongoing basis and we continue to increase our lead from the number three player. We do believe that in not too distant future, we should be able to go past the tipping point wherein the Hindustan Times paper would emerge as a very strong alternative both to the readers as well as to the advertisers.

So once we cross the tipping point, we believe that operating leverage will kick in and we will see exponential growth in our advertising revenues. The issue is that at this point of time, all advertisers and brand owners are on an austerity drive, whereby they are trying to curtail costs because the corporate profitability for most companies is under pressure. Therefore in an environment like this, there is a shrinking pie where volumes are going down quite significantly. It becomes very difficult for all the players operating in that market to get revenues. Within that, I think our title is very well poised because we offer great value for money to the advertisers and hence we continue to see very good growth in our Mumbai paper. I am particularly pleased with the results coming out of our Mumbai market and those of you based in Mumbai might have seen our recent ongoing 'No TV Day' campaign which clearly tells that we are not backing off from making necessary investments behind our brand. We could have easily saved money by cutting down on this investment, but we believe strongly in that market and we continue to invest behind this market.

**Ashish Upganlawar:** If you are saying that the market is shrinking in the near term because of the macro environment, do you think that a second paper would be able to maintain the kind of growth rates of 20-25% that you have been clocking from Mumbai. Do you expect to maintain these growth rates even in a shrinking market?

**Rajiv Verma:** I see no reason because what happens in a shrinking market is that advertisers start to look for value and we offer better value than any other player operating in that market. In fact if you pick up Hindustan Times paper in Mumbai and look at the volume of advertising, it is almost equal to the market leader.

**Ashish Upganlawar:** How do you see newsprint prices moving especially taking into account the rupee fluctuation that has been happening?

**Rajiv Verma:** Indications are that it is stabilizing and seeing some amount of softening. For those of you who may not have been tracking the newsprint, last year India and China were the two largest newsprint consumers, where the consumption of newsprint was the fastest growing. Last year China saw 10% reduction in newsprint consumption and this has of course profound global implications. So, we are currently seeing stabilization and some downward trend in the commodity price. The only wild card is the exchange rate and it is anyone's guess which way the exchange rate will go depending on other fiscal and macroeconomic outcomes of Europe as well as other economies in the world. Therefore I am in no position to forecast where the dollar or the rupee is likely to go. However, it is our belief that the newsprint prices are likely to see downward trend and I dare say a strong downward trend.

**Moderator:** Thank you. We have the next question from Siddharth Goenka from JM Financial. Please go ahead.

**Siddharth Goenka:** Congratulations on the good set of numbers. How has the trend of domestic newsprint price vis a vis international newsprint been? Are the domestic newsprint prices coming off compared to where we were seeing when it was almost matching international prices a few quarters ago?

**Rajiv Verma:** I am going to pass on this question to Mr. Ajay Jain who is the CFO as well as the Chief Procurement Officer of HMVL for buying local newsprint.

**Ajay Jain:** The domestic newsprint prices were actually following international newsprint prices and they had actually shot up quite significantly in the last three quarters. But with the softening of the prices of international newsprint the domestic newsprint prices have stabilized in this quarter. We are of the view that with the international newsprint price going further down, domestic newsprint prices will also be lower going forward.

**Siddharth Goenka:** How much has been the growth of Bihar and Jharkhand market in Q3? Can you give us a split?

**Amit Chopra:** We don't give a state wise revenue split and the reason for not giving that is because lot of advertising is bundled, therefore state wise revenues become subject to internal allocations.

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

**Amit Kumar:** Can you give us a broad sense of advertisement growth in Delhi, Mumbai and Mint?

**Vinay Mittal:** Delhi has actually grown by about 9% in terms of advertising. Mint has grown by about 18% and Mumbai has grown by about 21%.

**Amit Kumar:** Broadly, the cash levels with the Company have been flattening out at around Rs. 400 crore mark while if you look at the EBITDA numbers for the first nine months of the year itself, it has been Rs. 250 crore on a standalone level and significantly higher at the consolidated level. Now given that barring Hindustan, pretty much all of our investment plans as far as print was concerned were done, could you give me a very broad sense of where the cash is being invested?

**Piyush Gupta:** The cash that got generated in most of our businesses has been invested in working capital and funding capital expenditure. We have been basically buying inventory as and when we got a good price as the newsprint scenario had been so uncertain in the last nine months.

**Amit Kumar:** What would be the increase in inventory position from the beginning of the year to current?

**Piyush Gupta:** If you look out at the beginning of the year to the current position of working capital, there are two big movements. As on 31st March, we had debtors outstanding for about 49 days which is currently at about 61 days, which led to an increase in working capital. In terms of our inventory position we are north of 50 days currently.

**Amit Kumar:** What has led to an increase in debtors and how do we really see this going forward?

**Piyush Gupta:** No, receivables are in the tolerance zone. The current levels between 60 and 65 days are very good levels of receivables that we have been historically holding. The point that I am making is on 31st March it went down to a low of 49 days.

**Amit Kumar:** So it has now come back to normalized levels?

**Piyush Gupta:** Yes, for the last two quarters it's pretty much on normalized levels which is absolutely within our tolerance zone.

**Vinay Mittal:** Additionally with regard to your point on free cash, we have been spending on CapEx and investment into subsidiaries and that is why the cash is not increasing.

**Moderator:** Thank you. Our next question is from the line of Nikhil Vora from IDFC. Please go ahead.

**Nikhil Vora:** Could I get some sense about ad-edit ratio right now in Mumbai?

**Rajiv Verma:** The ad edit ratio at this point in time would be in the range of 35% as compared to 30% last year.

**Nikhil Vora:** You mentioned that HT in Mumbai has started to become a lot more relevant. Could you throw some light as to what is the yields variance that one would look with the leader in the market right now?

**Rajiv Verma:** The problem is that this data is very hard to get because the market leader is not a listed Company and they sell packages in the form of bundles and various assortments. Therefore it is very difficult to know what their yields are. Though, what we know is that as our readership share is going up, our yields as well as the volume shares are also going up as I just mentioned that overall business in Mumbai is growing in a fairly healthy manner.

**Nikhil Vora:** If I were just to stress this, what would be the yield variance in one page ad in Times versus HT? Would that be say 50% or more?

**Rajiv Verma:** What we know in a transparent way is the rate cards of the two Companies. But that has no meaning because the discount levels of the two companies are not known. We know our Company discount level but we have no idea about the discounts an advertiser is able to get from the market leader, therefore this question is hard to answer.

**Nikhil Vora:** What is your sense on the yields going forward? Are the yields in overall print media structurally likely to increase or will you start to see significant erosion in yields as you go forward?

**Rajiv Verma:** I see no reason why for our publication yields should not go up. In fact yields will only go up given the fact that we expect our readership to continue to increase and with the increased readership, we are offering greater value to our advertisers. In addition to that, we are also putting a lot more print orders in that market and hence our circulation is also up. There is simply no reason why the yields should see a downward trend. The only question here would be how does Mumbai as a market perform? If Mumbai as a market declines in a somewhat catastrophic manner, then we will have to see what actions we want to take as a Company.

**Nikhil Vora:** What I was trying to say is that if we look at other mediums of information, such as magazines, it has become a dead business in the last decade or so. So, as you move forward and as information becomes push oriented and print becomes the secondary medium, will yields on print decline?

**Rajiv Verma:** I don't see that happening in near term as far as the life of print is concerned. My own belief is that similar to some other Asian markets like in Singapore or Hong Kong or Korea etc, print in

India will continue to enjoy a very strong affinity with the advertisers and you are not likely to see advertisers deserting the print the way it happened in magazines.

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

**Rohit Dokania:** What is the reason for your tax rate for the first nine months being at about 27% at the consolidated level and what can we expect for the full year?

**Vinay Mittal:** the tax rate will be in the ballpark of about 27 to 29%.

**Rohit Dokania:** Could you also throw some light as to why this is happening?

**Vinay Mittal:** Primarily, it is on account of other income which we are getting in the terms of long term capital gains on fixed maturity financial investments and is taxable at a lower rate. This is the reason why our effective tax rate is lower

**Rohit Dokania:** You had actually planned to merge the job portal 'shine.com' with HTML earlier and later had discarded the plan and now we want to do that again. Could you share your thoughts on this front?

**Rajiv Verma:** Just like last time, we have indicated that there are synergies with respect to both businesses in addition to the cash flow benefit on taxation and that is the reason why the board thought that we should merge the job portal with the main HT.

**Rohit Dokania:** But then what was the reason for not going ahead with it the last time?

**Rajiv Verma:** Key reason for that was that we had seen a very strong interest from a strategic investor in this site but due to various reasons that talk did not eventually fructify and we thought that it would be best for us to take advantage of the synergy that existed between these two businesses rather than lose those synergistic benefits.

**Rohit Dokania:** What would be the revenue booking on your ad for equity this quarter?

**Vinay Mittal:** Rs.11 crore for the quarter and Rs. 30 crore for the nine months.

**Rohit Dokania:** What was the total investment worth?

**Vinay Mittal:** Total investment is Rs. 315 crore on gross value basis.

**Rohit Dokania:** Could you share the number that you have already provisioned for I mean the total diminution of assets?

**Vinay Mittal:** Till date provisioning on the total investment book is about Rs. 40 crores out of which Rs. 7.5 Cr was done in this quarter.

**Moderator**: Thank you. Our next question is from Pankaj Tibrewal from Kotak Mutual Fund. Please go ahead.

**Pankaj Tibrewal:** I have three questions. Firstly, what we are hearing in Jharkhand is that all the players have taken cover price increase for three days in a week and the circulation copies have also come down. Can you just throw some light more on how the Jharkhand operations are panning across? Secondly, initial readership surveys are showing encouraging signs in most of the places where you have expanded. So, when can we expect the UP readership to actually start monetizing because we haven't seen that happening so far? So if you can help us understand when the monetization will start happening in UP? Finally, it has been some time since the IPO and one of the objectives of the IPO was the inorganic part which you wanted to do and deploy the money. Can you expand on the strategy and what is the timeline the management is giving to themselves for utilization of that money because the cash seems to be quite high compared to the market cap of the Company now? Thank you.

**Amit Chopra:** Let me first take the Jharkhand question that you asked. The prices have moved up on three days of the week to about Rs. 3 from Rs. 2. However, the main benefit of this has accrued to the three older players because the new player's copies are still running on subscription schemes. Fundamentally, still the price level is significantly poorer to where it was a year and a half back when the entire market was at Rs. 4 cover price. So therefore with this kind of an increase also, there isn't too much of a drop of print orders. We have all along maintained that Jharkhand is an oversupplied market and as time goes along it will correct itself. It is very difficult for me to say when there will be a very large correction over the next three or six months' horizon because the new incumbent player is still selling very large number of booked subscription copies. So from their perspective it's an academic increase.

Going on to UP, IRS has reflected a growth in Hindustan readership over the last four, five, six quarters but we are disappointed with the last IRS result because we believe it does not take into account the aggressive brand building and expansion work we have done in the market. We believe that current IRS results are a poor reflection of our actual position in the market and we continue to take this matter up with the relevant bodies to ensure Hindustan's readership is reflected properly. We do a lot of internal tracking through well-known market research agencies to measure our performance in the market of UP and there the performance shows significant improvement compared to where we were one year back.

**Pankaj Tibrewal:** Improvement in what sense if you can elaborate a little bit?

**Amit Chopra:** Improvement in terms of brand health and the brand franchise. We also internally track readership numbers through our own surveys and also of course the very, very important barometer that subscriptions copies in UP has significantly come down compared to 18 months back and large number of copies that have been currently selling in the market in UP are actually demand led. Therefore regarding IRS, we believe even though it's encouraging, it is a poor reflection of our market situation and to that extent we are handicapped in being able to get that justified size for our actual presence in the market.

**Pankaj Tibrewal:** What could be the difference in yield what you are getting and the leader is getting in UP?

**Amit Chopra:** Like Mr. Verma had explained about Mumbai, I think that also holds true to quite an extent to the market of UP because the reality is that Jagran also sell large amount of advertising as bundles and the local markets are all scattered. But we believe the pricing is nowhere near the kind of circulation presence that we have.

**Pankaj Tibrewal:** Do you expect that to turnaround probably next year and what kind of efforts you are putting in?

**Amit Chopra:** Absolutely. We continue to fill the geographical gaps that we have had in UP and so we launched Aligarh edition to get into an area where we were not present. We are planning to launch Moradabad in next quarter which will again give us coverage into 1 million plus town in four districts which we don't cover at all at the moment. At the same time, we continue to work towards ensuring that our readership growth shows up by working more on the brand, by ensuring we are doing good work in the market, and also picking up wherever we find issues with the relevant authorities.

On your third question on the cash for inorganic growth, as you would have noticed that in the last one and a half to two years there is not much that has happened in this space across players. So we continue to work towards this, but it is very, very difficult to be able to say that when will it fructify and to be very honest there are not too many assets that are floating around for you to be able to bid for.

**Pankaj Tibrewal:** The way I was looking at is that probably this year or next year you will be generating significant cash again and my worry as an investor is that what will be the usage of that cash and if one is not finding too many inorganic opportunities at this stage maybe because of valuations or because of the sheer unwillingness of the promoters to sell out, can investor expect some kind of a cash return going forward?

**Piyush Gupta:** Just to give you a perspective about the utilization of IPO proceeds, of the total net proceeds of about Rs. 255 crore, we spent about Rs. 80 crore in either upgrading existing plants or setting up new plants. We are very happy to let you know that we have been able to deploy some part of our cash very, very productively within the target market of UP. So, the organic expansion agenda is not getting stopped and we will be going deeper into those markets. For whatever reasons, I think making an acquisition just for the sake of going inorganic would not be the right thing to do. We have currently parked the cash in high interest yielding securities for the time being so that it does not destroy value. As long as the cash can be productively deployed on our stated objective of going deeper into a target market even at a later stage, I think that money will be well spent.

**Rajiv Verma:** Also at any point in time, we are completely open to an M&A possibility the moment a good acquisition opportunity shows up. But the assets have to be first available for any deal to take place. Unfortunately, there is not much of M&A activity happening even at this point in time especially in the print media space. Although in the electronic media you are seeing some consolidation happening now, but in print consolidation is sometime away.

**PankajTibrewal:** I think we had some provisioning on ad for equity investments in HMVL as well as HTML. Is that over or can we expect further provisioning?. Can you give some clarity on that?

**Amit Chopra:** We have a clear articulated policy with regard to these investments wherein we do provide depending on how the assets are tracking vis-à-vis the market situation. So depending on where the market is, we make provision in our books. So, depending on the market in next quarter, we will take a call on further provisioning.

**PankajTibrewal:** No, my point was that I think the majority of the provisions which has come in HMVL are from one account. Is that account provisioning been over in that sense or can we expect further provisioning on that account?

**Piyush Gupta:** Well just to build on what Amit was saying, currently there is enough provisioning on that account. But if the asset value in the next quarter or any subsequent quarter goes up or down provision would need to be adjusted accordingly.

**Vinay Mittal:** Just to give some sense of comfort, we do a lot of due diligence while making these investments although the nature of these investments do carry a certain element of risk, but there is a lot of due diligence which is done and we are very conservative in terms of what kind of investment we make. We don't have a lot of toxic assets within our portfolio and the level of provision is enough for the time being. If at all any further provisioning which may be required, would be of very small magnitude.

**Moderator:** Thank you. Our next question is from the line of Piyush Nahar from Jeffries. Please go ahead.

**Piyush Nahar:** Could you throw some light on your education JV as to what is the type of operation that you will have and the CapEx that you are planning in that?

**Rajiv Verma:** There are two areas in which currently we are exploring the market. In one of the areas, there is a pilot testing going on which is the area of coaching and tuitions market, supplementary education and the other area is the higher education. For this, as you might have heard we have signed a joint venture with University of Apollo and this is for entry into higher education space. As we all know higher education in India as an industry has a lot of opportunity for contributing towards the betterment of the society and at the same time creating shareholder value and that is what we are trying to pursue. It's an industry which has a got a lot of growth left. The secular growth expected in this industry will be north of 14-15% given the kind of demographics in India. Hence, for the last three or four years we have been studying this space and eventually we were able to pinpoint the kind of partnership we would have liked to have. So, as I said there are two areas which are currently being studied in a very intensive manner. One area in which pilot is already running in a Joint Venture with Mahesh Tutorials and the other one is Joint Venture with University of Apollo. We will certainly be sharing the plans with you as these get firmed up.

**Moderator:** Thank you. Our next question is from the line of Mohanlal from Elara Capital. Please go ahead.

**Mohanlal:** Just to confirm that are you looking to increase circulation in Mumbai from current levels?

**Rajiv Verma:** Absolutely. We would like to increase circulation just like the market leader does and reach every single reader in Mumbai.

**Mohanlal:** Any number for next year will be helpful?

**Rajiv Verma:** I will not be able to share this with you because those plans have not been firmed up yet. As we speak, plans for the next year are being drawn.

**Mohanlal:** All right but it will be more or less in line with what we saw in CY2011?

**Rajiv Verma:** I just can't answer that question. We want to reach every single reader of Mumbai.

**Mohanlal:** Since we normally have a three month inventory for our imported newsprint, would it be fair to assume that most of the expensive inventory hit will come in Q4 because the rupee depreciation has happened only in the last two, three months?

**Piyush Gupta:** Not exactly. We do as a policy keep a certain number of days cover on our imported inventory. Domestic inventory obviously has a much lesser cover because its just-in-time. However, we do a lot of tactical buying whenever we need to increase or decrease the cover. I think the high cost inventory has largely come in this quarter in COGS. Some part of it will come in next quarter as well but I don't think it will be substantially higher than this quarter.

**Mohanlal:** Could you share the circulation in Bihar for Hindustan?

**Rajiv Verma:** As Amit had pointed out earlier we don't want to give out circulation figures for different states.

**Mohanlal:** But can I have at least the growth numbers in Bihar at least on a Y-o-Y basis?

**Amit Chopra:** We do not share anything at a state wide level. We share only at a total level which is available through the P&L as well.

**Rajiv Verma:** You know the best thing would be to look at the readership numbers because that is ultimate unit of measurement for getting the advertising. So, we usually focus on looking at our readership numbers in various states, in various towns as reported by IRS and then work on those. It is not just a matter of circulation and I would like to clarify that it is a function of how strong is the brand, how many people read one copy, how strong is the brand pull, and how much does that paper getshared in the family. For instance, there are joint families in Bihar and the paper gets read not by one but many people, on the other hand if a paper is a weak brand and it has just been distributed free then people may not be reading that. Therefore it's also a question of efficiency of deployment of the paper. Circulation number and print orders do not tell you the entire story. The strength of the brand which is what leads to readership is a very important outcome that we should keep in mind.

**Moderator:** Thank you. Our next question is from the line of Miten Lathia from HDFC Mutual Funds. Please go ahead.

**Miten Lathia:** Out of Rs. 315 crore of ad for equity book, could you tell us how much is more than two years since we have invested in these entities?

**Vinay Mittal:** I don't have that readily available but if you want we can take this offline.

**Miten Lathia:** The idea being that what will be your time horizon that we would look at for liquidating some of these because, I am sure we don't want to be long term investors in these entities. How and when should we start expecting the absolute size of the book to peak and start coming off because of monetization. Could you provide us some information on that?

**Vinay Mittal:** The mandate is very clear that as and when we can sell a particular asset we should be selling assets and idea is to try and match the cash flows with the sale to the revenue that we are booking in that quarter. But that's not a constraint. We are not long term investors and we do not take any speculative bets on holding onto the equity and waiting for the valuation to increase.

**Miten Lathia:** So are you saying that on an incremental basis you are seeing this book getting down?

**Vinay Mittal:** We do expect it to go down. If you notice the book over the last two years has not grown despite the new deals that we are doing.

**Miten Lathia:** Which is why I wanted the age which I will take from you offline.

**Moderator:** Thank you. Our next question is from the line of Vinay Rao from ICICI Lombard. Please go ahead.

**Vinay Rao:** I just wanted to know about financial and operating performance of your radio business?

**Rajiv Verma:** The radio business has been quite flat because of a couple of reasons. One, as we have stabilized our leadership position in Delhi, we have taken a massive price increase which will ensure that we get better yields for our 10 seconds slot and therefore naturally the volume of advertising for a short period of time will get affected when you are trying to increase yield. Two, the advertising environment has been weak. So both of these factors have led to the flat growth in radio.

**Vinay Rao:** Could you tell us something about your Phase-3 strategy for radio as I believe that the license is being auctioned now?

**Vinay Mittal:** The bidding process or the auction process has not yet been announced so we will certainly finalize our strategy closer to whenever it is announced.

**Vinay Rao:** So are you planning to enter into a Tier-2 and Tier-3 cities?

**Vinay Mittal:** That will be part of the strategy to be finalized for Phase-3 auction process, therefore I will not be able to divulge that at this point of time.

**Vinay Rao:** In your sense are Tier-2 and Tier-3 towns for the radio business profitable enough in the current environment?

**Vinay Mittal:** No they are not profitable in the current environment as yet.

**Vinay Rao:** In your last year annual report you have mentioned that in the radio business you are looking at inorganic opportunities which will be available in the coming years. So can you throw some color on this?

**Vinay Mittal:** As and when something comes up we will certainly share with you. As yet we have nothing on the table.

**Vinay Rao:** So as such your investment in the radio business is subdued in the coming years?

**Vinay Mittal:** That will depend on my strategy in Phase-3. As and when the auction dates get announced you will certainly get to know more on that.

**Vinay Rao:** I hardly got any information regarding the radio business but I guess my question with regard to HT as compared to other radio businesses was why you are focused on only on a few stations when the competition which is doing quite well is focusing on other lucrative markets?

**Vinay Mittal:** On the contrary, we believe that our strategy of cherry picking just the four metro towns has really paid off because we were able to breakeven and become profitable within three years. So our thesis was that majority of the advertising in the last three-four years rested in these four, five metros. Now as India grows and economic prosperity comes, it is true that this growth will move to Tier-2 towns, question is of the timing as to when that happens. So we will wait and as we said that we will in a subsequent stage expand our operations whether inorganically or through bidding process.

**Vinay Rao:** So after let's say a decade of radio operations in the country would you say that your strategy has been quite good till now and you are on top of the competition in the current environment?

**Vinay Mittal:** Yes. I think our strategy has been validated and we are very happy that we only picked up four stations.

**Moderator:** Thank you. We have our last final question from the line of Ram Hegde from Primus Investment Advisors. Please go ahead.

**Ram Hedge:** What is your ForEx hedging strategy that you follow?

**Piyush Gupta:** Let me just give you a broad synopsis of our hedging strategy. Number one, our hedging strategy is a risk mitigation strategy and a corporate based strategy. Secondly, it is based on the level of volatility in the dollar rupee market. We look for stop losses and stop gains and increase our hedging basis the volatility in the market. So given the currently ongoing very high level of volatility between the dollar-rupee, 90 – 95% of our total foreign exchange exposure is hedged

**Ram Hedge:** I just wanted to understand as to how exactly does this loss arise?

**Piyush Gupta:** This loss is because we are not sitting on 95% cover at all points in time. When the dollar suddenly went from Rs. 47 to Rs. 54, there were some open exposures which basically got the translational losses and that's the reason we have got these losses.

**Ram Hedge:** If I heard you correctly, you said that you have been stocking up on newsprint?

**Piyush Gupta:** No, I don't think you can extrapolate that. What we said that generally we do tactical newsprint buying whenever we feel that the newsprint prices are expected to go up and we maintain a lean stock when we expect the prices to go down. I was saying was that if you look at our working capital position and compare it to 31st March, our newsprint investments between the two date points has gone up.

**Ram Hedge:** Are we close to breaking even or achieving profitability from the Mumbai edition?

**Rajiv Verma:** Mumbai business is doing very well. We can reach profitability extremely fast if we decide not to invest in growth. As you see, the volumes are very close to the market leader now. It is a question of getting the right pricing for it and you can't look at Mumbai in isolation. The way to look at is Hindustan Times as a portfolio of HT Media wherein Mumbai and Delhi are part of the same brand. Hindustan Times English print brand is doing extremely well in terms of its overall health and profitability. There is no Delhi without Mumbai or there is no Mumbai without Delhi.

**Moderator:** There are no further questions. I would now like to hand the call over to Nupur Agarwal for closing comments. Thank you and over to you, ma'am.

**Nupur Agarwal:** On behalf of UBS I would like to thank everybody on the call. Look forward to this call again next quarter.

**Moderator:** Thank you so much. On behalf of UBS Securities India Pvt. Ltd. that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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