



HT Media

Investor/Analyst Conference Call Transcript for Q3 FY09 held on January 21, 2008 at 3:00 PM

Moderator Ladies and gentlemen good afternoon and welcome to the HT Media Q3 FY09 conference call. As a reminder for the duration of the conference all participants' lines are in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Ishan Selarka of Citigate Dewe Rogerson. Thank you and over to you Mr. Selarka.

Ishan Selarka Thank you Melissa. Good afternoon everybody and welcome to HT Media's Q3 FY09 conference call. Today we have with us Mr. Rajiv Verma, CEO, Mr. Piyush Gupta, CFO, Mr. Vinay Mittal, Chief Financial Strategist, and Mr. Dinesh Mittal, Company Secretary. We will commence this conference call with opening remarks from Mr. Rajiv Verma and Mr. Vinay Mittal which will be followed by any comments or questions that you may have. Some of the statements in this conference call may be forward looking and a note to that effect was stated in the release sent out to you earlier. I would now like to invite Mr. Verma to share his perspectives with regards to the Company's performance during the quarter ended 31st December, 2008, and the opportunities going forward.

Rajiv Verma Ladies and gentlemen, at the outset I would like to wish you all a very Happy New Year and thank you all for attending this conference call. While we are not able to meet each other in person, I think this is the best way to communicate to you about the performance of the Company, the overall industry, and how each of the businesses have been doing as well as our view of the forthcoming quarters.

As you all know, the media industry like several other industries in India has been going through a tough time. The tough times are on account of an overall increase in our raw material prices which started about three quarters ago, when newsprint prices world over saw an all time high due to a commodity bubble which had formed. As a result of that, the oil prices along with all other commodities were trading at very high levels, newsprint was also not devoid from that which resulted in a significant rise in our input cost. After that, came the slowdown in the overall economic environment which affected a few sectors initially including our large customers and advertisers like real estate, auto, and a few other key sectors. So a lot of key advertising sectors, whether it was banking and finance, automobile, recruitment or real estate sector; saw a slowdown thus affecting the 3rd Quarter performance of the Company.

In this tough environment, HT Media took a lot of rear guard actions to ensure that all our businesses stay on rails and continue to perform above what we would call acceptable industry standard. We put in a lot of efforts which I am going to share with you during this conference call.

The other key highlight of this particular quarter was that, inspite of this tough macro environment; we continue to improve the performance of our main business which is HT Delhi. We became leaders in the Delhi city in terms of readership versus our main competitor Times of India and came out as number #1 as per readership data. Our readership grew by almost 8%. In addition to that, our Hindi Business continues to grow very well. It is actually the fastest growing Hindi newspaper in the country. The growth in readership was phenomenal and it has become a clear number # 3 paper with growth and expansion strategy in UP continuing to do very well.

We have commissioned a lot of new facilities in the Hindi belt where we continue to seek tremendous amount of improvement in business. The slowdown in the advertising environment has mostly hit the metros; though small cities continue to perform well. Therefore, our Hindi Business is well on track to become a future cash cow for the Company. We started new printing facilities in Meerut while Allahabad is about to commence during this month. So Hindi expansion is on track and we continue to invest behind future growth market. It is our belief that this slowdown is not something that is going to last forever. So we are continuing to invest in businesses which are expected to show traction as soon as a slowdown gets over and advertising environment turns favorable thus resulting in a significant improvement in business performance..

We also entered into an interesting joint venture with an international Company called Velti. This JV has been done for mobile telephone marketing. It is to market brands and create a medium using mobile telephone, which are a huge platform for advertisers to advertise on. We, through this JV with Velti Plc, are trying to get a first mover's advantage in this industry and they have the technology to support such business.

Summing up, our growth strategy is on track. There are significant cost initiatives that have been taken up in the Company like reducing paper consumption, finding alternative sources of newsprint supply, cutting down on page consumptions, manpower rationalization, and overheads reduction in the Company. These efforts are going to help us to stand in good stead in the coming quarters.

In addition, there has also been an effort which has been made in increasing our cover prices in Hindi and Mint to improve realizations through the sale of newspaper in all the cities. The cover price increases were made to ensure that subsidization of circulation and subscription is minimized to a level which is acceptable to the readers. So that is about the macro environment and the performance of the Company as well as how actions are being taken by the Company in curtailing cost in a recessionary environment through which the business is passing at this point in time. With that I would like to invite Mr. Vinay Mittal to share with you, the financial highlights of the Company.

Vinay Mittal

Good afternoon everybody, I will take this opportunity to give you the highlights of our press release and our quarterly results.

Our total revenues increased by 5% compared to corresponding period last year to about Rs. 3,371 million. This was primarily on account of 5% increase in advertising revenues to Rs. 2,866 million. Our EBIDTA was under pressure due to the tough industry environment. It was reduced to 15% compared to 21% in the corresponding period last year. Basically it has declined to Rs. 503 million. This

was because of the newsprint prices, adverse foreign exchange movement and the slowdown in the economy.

Profit after Tax was low because of same reasons as EBIDTA and stood at Rs. 78 million compared to Rs. 369 million in the same period last year. Apart from the foreign currency fluctuation, higher newsprint prices, and low advertising revenue there were two exceptional items which contributed to the reduction in PAT. These include consultancy charges for drawing up strategic plans for the Company to enter into new businesses which was needed to plan for the future. Also diminution in value for long term investments was responsible for reduction in PAT. The EPS stood at Re. 0.33 for the quarter under review. I would now like to open the call to Q&A.

- Moderator** Thank you sir, ladies and gentlemen we will now begin with the question and answer session. Anyone who wishes to ask a question may press * and 1 on their touchtone telephone. If you wish to remove yourself from the question queue you may press * and 2. Participants are requested to use their handsets while asking a question. Anyone who has a question may press * and 1 at this time. The first question is from Mr. Ritesh Poladia of Dolat Capital, please go ahead.
- Ritesh Poladia** I wanted to know about the partnership for growth model.
- Vinay Mittal** Partnership for growth model is basically an ad for equity scheme which has been there since the last two years and which is more like barter, wherein we allow advertising space in the newspaper; if it is a property Company then for property, if it is a listed Company maybe then for equity or equity for even unlisted companies.
- Ritesh Poladia** What was the total investment as of now?
- Vinay Mittal** Investment is about Rs. 170 Crore.
- Ritesh Poladia** Could you list which would be these companies?
- Vinay Mittal** No, we cannot at this stage. This will form part of full year financial statement
- Ritesh Poladia** In the Note # 6 it was mentioned that advertisement revenue was Rs. 26.5 Crore from these clients. So what would be the comparable figure last year?
- Vinay Mittal** Last year the revenue figure stood at Rs. 7 Crore, but the corresponding period was at Rs. 3 Crore.
- Ritesh Poladia** Essentially would this be the non-cash earning advertisement revenue?
- Vinay Mittal** Yes.
- Ritesh Poladia** Our circulation revenue was down Q-o-Q and I believe even in this quarter our two year subscription plan was over in Mumbai, so how would it have impacted on circulation revenue?
- Vinay Mittal** Well, it was down by a small extent but whenever a plan goes off like this, there is some lull before it picks up again.

Ritesh Poladia So do we expect it to pick up in the coming quarters?

Vinay Mittal We hope so, but these are tough times hence it may take some time, but it will certainly uptrend.

Ritesh Poladia What would be the Hindi business revenue as of now?

Vinay Mittal We do not give that separately.

Ritesh Poladia By how much has the cover page price increased for Hindi and Mint?

Rajiv Verma It is between Re. 0.25 paisa to Re. 1 depending on location, but an average of Re. 0.50 paisa is the approximate increase between Hindi and Mint.

Ritesh Poladia We have paid about Rs. 7.5 Crore for consultancy charges, hence could you share what would be the strategic plans?

Rajiv Verma That is future strategy of the Company for the next five years and is internal to the Company. Hence we cannot share it openly because that would be a competitive disadvantage for us in case our competition comes to know what we are planning to do in the forthcoming years.

Ritesh Poladia Has the total expense has been written off or anything is still pending?

Rajiv Verma It has been completely expensed out.

Moderator Thank you Mr. Poladia. The next question is from Mr. Amit Kumar of Kotak Securities, please go ahead.

Amit Kumar Could you throw some light in terms of how Mumbai, Mint and Hindustan Times circulation have done on Y-o-Y basis during this quarter; because of expansion in all these three business segments? I also wanted to know what kind of a growth in circulation are we seeing in these three segments with respect to HT Mumbai.

Rajiv Verma HT Mumbai numbers have not gone down compared to last quarter and we are holding the numbers to the same level as they were operating earlier, our revenue growth on the other hand is higher by 10%.

Amit Kumar I want the circulation growth figures as well, on a like-to-like basis to try and figure out how will your newsprint cost move on that account?

Rajiv Verma Between the last quarter and this quarter the numbers are just being held constant. However it is only the wasteful newspapers which may not be getting any readership.

Amit Kumar What about HT Mumbai, Mint and Hindustan?

Rajiv Verma Mint revenue has gone up by 10%. We are holding the Mint numbers constant and not increasing our circulation numbers at this stage. Hindi has a revenue growth of 30% and there are new additions, new locations which are being added.

Amit Kumar So could you put a number to the circulation growth versus last year let's say for 3rd Quarter comparison if you have that.

Rajiv Verma Circulation has been flat and steady, though Readership has gone up

Amit Kumar I wanted to understand if you look at your newsprint cost on a Y-o-Y basis we have seen an increase of 20%. You have seen a 20% increase in circulation of HT Delhi, Mumbai, and Mint would be largely flat, but your newsprint price has gone up by 30%. You import 2/3rd of your newsprint and Rupee has depreciated by about 20% on a Y-o-Y basis so, your actual consumption would have gone up because of Hindustan. Hence I am not able to reconcile your newsprint cost number for this quarter. Could you give me some idea on the savings that you have done. I have also seen your release that you have noted through rationalization of grammage and pagination.

Rajiv Verma Three or four elements have impacted upward/downward movement. There are lots of dynamics that you are dealing with. One is the clearly the commodity prices which compared to last year are known to us because they are openly quoted numbers, but newsprint prices in the peak cycle touched US \$960 per ton. In addition to that there was also a huge amount of increase due to freight charges at that time i.e. just before the Olympic Games when newsprint was seeing a very high cycle. You also saw a tremendous depreciation of Rupee compared to last year. The Rupee touched Rs. 49 as compared to roughly about Rs. 45 to Rs. 46 level that it was trading at last year.

And on top of that you rightly pointed out there are growth markets like Hindi in which we have been investing and increasing our newsprint offering by acquiring new readers. All this led to a tremendous amount of upward pull for newspaper consumption and prices and which negatively impacted the cost side. This would have been very large had we not taken some actions to mitigate this. Mitigation was done with the help of taking out page level across the board wherever it was competitively possible for us i.e. in the Delhi market and some of the Hindi markets and also in Mint. In addition, we also tried to reduce grammage by going to lower GSM paper and we increased price on the cover copy and subscription copy which in different markets were differentially operated depending on the competitive position.

So net-net there are a lot of moving parts. What we see in the numbers is that a lot of increases were mitigated with the help of many reductions which were brought about.

Amit Kumar On a Y-o-Y basis we haven't seen any increase in your circulation revenue growth. Could you give us throw some light on what increases have you taken across various editions and why was the impact not visible in circulation revenue growth for 3rd Quarter?

Rajiv Verma Price increases will come into effect from 4th Quarter, 2009 onwards.

Amit Kumar On the partnership for growth model in which listed Company have you taken the one time loss?

- Vinay Mittal** We basically have done valuation exercises on all our investments keeping a long term perspective and this is the differential between the revised valuation and carrying cost.
- Amit Kumar** Some part of your portfolio has actually resulted in such a large decline because it can be a recurring number as well because, if in the 4th Quarter the markets continue to behave the way they have been, at least your listed investments will be impacted and you will have to disclose it in your annual report in four to five months. So could you please disclose that?
- Rajiv Verma** No, unfortunately we have a NDA with our customers. So we cannot disclose the names of the companies in whom we have made investments. This will be done only at the time of the annual reporting.
- Amit Kumar** My final question is regarding your different business segments. Currently you have only one EBITDA contributing business which is in Delhi and I am assuming that Mumbai Mint, your Hindi expansion in the UP and Uttaranchal markets plus Radio, Internet, and the Metro now tabloid in Delhi are making losses. So I wanted to understand what your rationale of getting into more businesses. You have done a deal with Burda sometime back for which you are investing and you struck a deal with Velti as well. Does that not put a lot of pressure on your balance sheet and on the management bandwidth? How will you be able to manage almost eight to nine new businesses without the necessary financial backing and management bandwidth?
- Rajiv Verma** This is not entirely true. The Company has been investing in lots of new ventures, while it is not entirely true that all the businesses are loss making. New businesses in which investments have been recently made have a gestation period, but businesses like Chandigarh which is relatively new are into profit, businesses like Hindi are generating good profit though we do not report numbers separately, but this is just to correct the perception that all businesses are loss making. Hindi in the next 12 months' time would be a significant cash cow for the Company. The Radio business is also very close to cash breakeven and will start becoming profitable in the near future.
- Amit Kumar** Could you throw some light on the financial performance of your subsidiaries, especially the Radio business because that is going to feature in your quarterly results from next quarter since you are merging that business with a standalone Company. So how has the performance of Radio been and what kind of breakeven period do you expect?
- Vinay Mittal** The Radio performance has been heartening and we expect it to breakeven within the next six months. Regarding numbers, that will only be disclosed at the end of the year.
- Amit Kumar** I wanted to clarify merger of the Radio subsidiary with the numbers. Will only the quarterly numbers be included along with the standalone results in 4th Quarter or will the full year be included?
- Vinay Mittal** Only quarterly effective from 1st of January.

Moderator Thank you Mr. Kumar. The next question is from line of Percy Panthaki of HSBC. Please go ahead.

Percy Panthaki Regarding the newsprint cost, would you give me a cost index after considering all your cost effectiveness plans, Rupee depreciation and Dollar increase? What is the net-net impact in terms of your cost per ton for newsprint for FY09 versus FY08?

Vinay Mittal For the financial year 2009, we had newsprint at about Rs. 39,000 to Rs. 40,000 a ton as blended cost. FY 2008 was as low as Rs. 33,000 a ton.

Percy Panthaki How do you see this panning out into the next fiscal?

Vinay Mittal We are very hopeful because compared to October, when the rates were US \$960 a ton; they have already fallen down to US \$700 a ton. In the next six months we expect them to come down to US \$600 a ton. So from an average of about Rs. 39,000 a ton, FY 2009-2010 should be at Rs. 35,000 or lower.

Percy Panthaki In terms of your Internet business especially Shine and some of the newer initiatives, what are the major costs, how many employees do you have and what kind of advertising activity takes place?

Vinay Mittal This business had one off costs as this was the year of setup. So Rs. 8 to Rs. 10 Crore of TV advertising cost was incurred. However, going forward it is basically the staff cost, rental in terms of space for accommodating 150 employees and a bit of technology.

Percy Panthaki So there are 150 people employed in the Internet business and that would include Shine and Desimartini.

Vinay Mittal Yes. Shine is a people intensive business. So we have bigger sales staff.

Percy Panthaki To a large extent you would be relying on the ads that are already coming in through your newspapers for the content of Shine. So does it reduce the amount of effort and the cost required in terms of the business model?

Rajiv Verma There is no use of content on Shine. Shine.com is a vehicle to help people get jobs of their choice and it brings potential employers and potential employees together.

Percy Panthaki What about those employers who would be advertising in your newspapers for vacancies; can you cross sell that and sell them a package for advertising in the newspapers and in Shine.

Rajiv Verma Yes that is the competitive advantage which Shine will have compared to other key players in this business which is Monster or Naukri who do not have possibility for cross selling of media from one to the other. But let us bear in mind that Shine is only six months old and it takes time to build up database and for business to scale up. This is a scale business and a critical business for any newspaper who maybe playing in classified advertising area.

Percy Panthaki So in how many months do you expect Shine to breakeven?

Rajiv Verma

The environment has become a bit uncertain because the Indian environment is going through a difficult time with the economy slowdown and all companies have reduced their hiring, but it is our expectation that as soon as the economy revives you will see people hiring again. And that is the time when Shine will outperform itself. So our original expectation was that we will breakeven in two years' time, but it may get delayed a bit. We have been working on this business for the last two years and when it was conceived and launched the slowdown was not factored into it.

Percy Panthaki

My last question is on advertising revenue for the print businesses. I am seeing two or three negative points for future advertising revenue growth and you can feel free to correct me or point out some of the positives as well. Firstly, in the Hindi business which you are gaining traction and growing at 30% to 40% is because you are ramping up and I do not think it is possible to keep growing at 30% to 40% for the next two years. I mean maybe you might be able to sustain that rate for maximum one year. The second point is, the possibility of further card rate increases for the next six to nine months at least seem to be very remote because from what I have heard, some of the advertisers are not willing to pay more in terms of cost per square centimeter. And thirdly, in terms of volumes, possibly my guess, is that volumes have already declined but they have started declining in the second half of Q3 and if the full impact is visible at the same rate in Q4 then maybe the decline could be more than that. So what is your take on these three points?

Rajiv Verma

You know while some of the things you are saying are right but when you look at Hindustan specifically, Hindustan has been a newspaper which has been present in India for over 8 decades and it is a paper which has not been getting its fair share. There are other papers that have got a market share which was grossly in excess of what would be called as Hindustan's fair share, partly due to poor performance or suboptimal performance by the Company during past years, which is what we have to correct now. As a result of that correction you are seeing the growth and our share reaching a fair share level.

In addition to that, Hindustan also enjoys one more big advantage which is not available to any other newspaper Company in India which is that we have a strong portfolio in English and Hindi which gives us possibility to combine Hindi and English and then offer combined readership to our potential advertisers. This is a unique competitive advantage which is not available to any other newspaper Company in India because we are the only Company which has a scale business both in English and Hindi. As you know we are Number # 2 in English and Number # 3 in Hindi and there is no other Company in India which enjoys that benefit.

In addition to that the other big advantage that we have is that, our footprint is very contiguous starting from Bihar moving into UP and then Delhi where we have a fairly significant position. It is our Company's belief that the investment by advertisers in Hindi business is likely to be more than that in English because English is somewhere close to saturation levels. But in this declining market scenario or the yields of Hindi are going to improve because the demand for Hindi media is going to be still higher because you will continue to see growth in smaller cities while large cities maybe seeing some decline due to financial sector and so on. Small cities depend more on local area advertising, some brand advertising but a lot of them depend on education kind of advertising which will not be seeing recession. So Hindi will continue to be a growth engine for the Company in times

to come. Our bottom-line has been only improving positively. So in some ways it is a star portfolio for the Company

Moderator Thank you. The next question is from the line of Achal Garg of Deutsche Bank, please go ahead.

Achal Garg Could you please share the sector wise exposure / sector wise revenue break up?

Vinay Mittal At the moment we have about 8% in Education, 6% in IT & Telecom, 9% in Real-Estate, 15% in DAVP, 7% in Classified, 6% in Automobiles, 4% in Banking and Finance and 9% in Tenders and then 35% in others.

Achal Garg What kind of CAPEX numbers we will have for FY09 and FY10 given that you are expanding your facilities for HT Mumbai as well as your Hindustan facilities in North?

Vinay Mittal We had a CAPEX plan of Rs. 250 Crore for financial year 2009 out of which we spent about Rs. 220 Crore. For next year our CAPEX plan is just about Rs. 40 Crore.

Achal Garg Okay will it entirely be done in 2009?

Vinay Mittal That is right. It has been a water shed year in terms of CAPEX.

Achal Garg So will all the 17 facilities in Hindustan, which were proposed earlier, be up and running by FY09?

Vinay Mittal Yes. Most of them will be up and running, except for one that will be done in first quarter of FY10.

Achal Garg What kind of investments do you have in your Internet and Radio businesses? Radio business is likely to be merged by 4th Quarter but what kind of investments have you already made and what kind of investments do we expect in future in your Internet ventures and as well is your Radio business?

Rajiv Verma Yes let me take the Radio business first; as I said Radio business should breakeven in the next six months. So going forward I think we will not have any more investments except for about maybe Rs. 3 to Rs. 4 Crore at max.

Achal Garg How much have we already made in FY09?

Rajiv Verma Rs. 30 Crore in FY09 in Radio. Moving to Internet we have an investment of about Rs. 35 Crore till date in nine months and we will probably end up doing about Rs. 25 to Rs. 30 Crore next year.

Achal Garg Given the newsprint prices, as you rightly mentioned, has fallen significantly. So do we expect margins to improve a bit in 4th Quarter or you are still sitting on an inventory which is high cost?

Rajiv Verma Very marginal currently. Any improvement that we will see will be because of pagination and on grammage. However, you will see an improvement in terms of lower newsprint prices only starting 1st Quarter FY10.

Achal Garg What kind of write offs have you had on your investment since you are sitting on investment of Rs. 260 to Rs. 250 Crore as of FY08 and I was told that it is approximately Rs. 200 Crore as of nine months.

Vinay Mittal Yes let me just correct that. This is in the partnership for growth model. We have an investment of Rs. 170 Crore. Out of this, it includes that investment which got re-valued at the end of Q3 and the provision that we have taken for Rs. 5 Crore odd is on account of revaluation of these investments.

Achal Garg But in your balance sheet most of the investments were in mutual funds.

Vinay Mittal No that is the cash surplus.

Achal Garg I am talking about the cash investment which are in mutual fund given the equity market has fallen so much, it will also have an impact on your mutual fund investments.

Vinay Mittal No, all our mutual funds are in basically debt fund; nothing in equity mutual fund.

Achal Garg So where exactly is this partnership growth reflecting in the annual report?

Vinay Mittal Under other current assets and other current liabilities!

Rajiv Verma Just to clarify we have not made any write-offs. This is a reserve that we have created. Though we are not compulsorily required by any accounting standards to take the reserve but as a good business practice, since we see a certain amount of diminution in some of our investments, we have created a reserve. It is not a write-off.

Achal Garg So actually while making these investments you must have booked them as revenue for that particular year and booked it as basically debtors cum investments.

Vinay Mittal Yes. When you take on the contract as such you basically book it as an investment and an advance against the advertising both as an asset as well as liability and then as and when the ads are released you knock it off and book it as revenue to the extent advertising has been released.

Achal Garg While you rightly mentioned that the industry is going through tough times, do we expect revenues coming from sector like Real-estate and Auto which are going through tough times. So what is an outlook on the advertising?

Rajiv Verma While there are some sectors which are going through tough times there are other sectors which are likely to emerge. For instance in the next quarter you will see election as a very large sector which will be advertising pretty big time. Education sector companies continue to show a lot of buoyancy given the demographic of our country and eventually all these sectors that you are talking about who are going through tough times whether it is real estate or financial sectors etc. they are going to have to advertise to kick start the demand again. So it is a question of when these sectors start to get the liquidity and are ready to start pushing demand creation again for which they are going to need advertising without that you will not be able to kick start demand.

- Achal Garg** On this CAPEX, you had some Rs. 250 Crore of CAPEX for this year. How much of this is debt funded?
- Vinay Mittal** It is basically a mix here. So we got a net debt of about Rs. 196 Crore.
- Achal Garg** Yes I mean basically cash position of Rs. 196 Crore.
- Vinay Mittal** No, we got a cash of about Rs. 289 Crore and a total debt of Rs. 485 Crore. So our net debt is Rs. 485 Crore minus Rs. 289 Crore i.e. about Rs. 196 Crore.
- Moderator** Thank you Mr. Garg. The next question is from the line of Mr. Abneesh Kumar Roy from Edelweiss. Please go ahead.
- Abneesh Kumar Roy** My question is regarding the lead which you have taken in Delhi. We improved our readership by around 8%. So how much is it actually visible say in terms of ad revenues because in Mumbai also you have significantly improved your circulation and subscription numbers?
- Vinay Mittal** Yes. Basically the display ad market in Delhi has fallen by about 31% whereas we have only fallen by about 24% to 25%. We have gained 2% to 3% in terms of the display ad market in Delhi.
- Abneesh Kumar Roy** How sustainable is this advantage because your number # 2 player is very aggressive and if we see in the last five years data, the positions can change. So my question is how sustainable is it and what are we doing to really maintain this Number #1 position?
- Vinay Mittal** Yes if you have seen the IRS data we have done pretty well and that 8% usually translates into ad revenue with a lag of about three to six months. So if we got this lead I think we must be doing something good in terms of the product, advertising, and reach. So we hope to sustain and build on that and hopefully we should come out with better results going forward.
- Abneesh Kumar Roy** You have increased your cover prices in Hindustan and Q4 will see a benefit of that. Could you give us some indication of what would be the total benefits in Q4 and going forward? The reason why I am asking this that though I know per unit price increase but I do not know the kind of packages we have, free circulation and all that. So if you could give us some indication of that?
- Vinay Mittal** Yes it could be anywhere between Rs. 1.5 Crore to Rs. 2 Crore.
- Abneesh Kumar Roy** My last question is on Metro Now. Recently, there was some news that it has been changed from a daily newspaper to a weekly newspaper. So if you could confirm that and has it met its objectives because not too much time has passed since its launch and suddenly a big change from a daily to a weekly newspaper?
- Rajiv Verma** As you know Metro Now is new product as far as the markets in Delhi is concerned. After us India Today Group of Company also launched a tabloid i.e. Mail Today, which is about year and a half after our launch. We are looking at the whole business model and trying to re-assess if there any other ways in which we can make it more efficient. Clearly, the objectives, the way we had thought, have not been met given the way advertising market has shrunk. Had the advertising

markets been in a very strong growth phase the objectives could have been met. Therefore, there is an effort going on to re-tool and re-format this business to see how we can adapt it to the current environment and make it more efficient and effective.

Abneesh Kumar Roy One of the objectives could have been to flank the new entrants from TV Today Group so has it met at least that objective of acting as a flanking warrior?

Rajiv Verma No, that the paper you referred to was never in question because we were serving different segments all together. The target group for which Metro Now was targeted and the other paper was targeted was completely different. Metro Now was targeted at the youth whereas the other paper worked towards very different target segment. That segment is being served by main line papers like Hindustan Times already in Delhi very effectively.

Abneesh Kumar Roy Where do you stand on the cover price increase in the English market because I understand that it will be an industry-wide action because you cannot do it on your own? In Hindi for example most of the top players have taken a cover price increase so where do we stand in English in that respect?

Rajiv Verma You know it is being done selectively for instance as you heard in case of Mint the price increase has already been applied. It also depends in terms of competitive context. It cannot be done unilaterally by only one player.

Abneesh Kumar Roy So are there any talk happening in this regard?

Rajiv Verma It would be speculative to say anything on this right now.

Moderator Thank you Mr. Roy. The next question is from the line of Mr. Ruchit Mehta of HSBC Asset Management. Please go ahead. Mr. Mehta please go ahead.

Ruchit Mehta What is the revenue that you have made from the Radio business in the first nine months and what is your target for the full year and possibly the next year because you did mention you are looking on breakeven in six odd months?

Vinay Mittal Yes. As I said, numbers of Radio or Internet would be shared with you only at the end of the year.

Ruchit Mehta In terms of the advertising market you have been saying that Hindi has been doing quite well, it has grown by almost 25-30%. So, how bad has it been on the English front and is it more pronounced only in the Delhi market or the same thing is happening in Mumbai and then also is spilling over to Mint?

Vinay Mittal We are seeing the same effect of economic downturn in the Mumbai market also. Though the markets, both in Delhi and Mumbai are shrinking. However, we have shrunk at a lesser rate than market thereby gaining anywhere between 1% to 3% of the market both in Delhi and Mumbai.

Ruchit Mehta So how bad have both markets fared. Delhi you mentioned has fallen by 31%. How much decline has Mumbai seen?

Vinay Mittal Mumbai display advertising market has fallen about 20% to 24%.

Ruchit Mehta So in terms of our breakeven for both Mumbai and Mint you were expecting it to happen somewhere around FY11 .Do you continue to hold on to the target or you think it will take a little bit more time.

Vinay Mittal In Mint I think we should breakeven sometime by FY10 or FY11, Mumbai will take about two years at least.

Rajiv Verma This could have happened faster as per plan but you know this downturn has kind of delayed the breakeven point by about a year in our view. Commodity cycle came completely unprecedented and immediately followed by slowdown in the advertising environment.

Ruchit Mehta There was a correction in the newsprint prices you have been talking about and you are assuming that it will only reflect in margins going into Q1 FY10.

Vinay Mittal That is right because I am carrying inventory which will take up to about April end to clear.

Rajiv Verma Since the newsprint is mostly imported, there is a significant level of inventory which is on orders with our suppliers, which is on high seas and the inventory which you hold in your warehouses given the kind of transportation and lead time. So it will take a little time for the high cost inventory to get flushed out before low cost inventory comes into consumption.

Ruchit Mehta Out of the total advertising revenues of Rs. 280 Crore to Rs. 290 Crore, what would be contribution from Hindi?

Vinay Mittal We will be able to give you stand-alone revenues by the end of the year.

Ruchit Mehta What are your margin expectations from Hindi? Do you see margin improving seeing those kind of trends in that business?

Vinay Mittal Yes significantly we are seeing those trends but it will really step up going into the fourth quarter and the next year.

Ruchit Mehta Have Hindi Operating margins hit double digits or they are still in high single digits?

Rajiv Verma EBITDA level will be high single digits.

Moderator Thank you Mr. Mehta. The next question is from the line of Mr. Venkatesh Sanjeevi of Edelweiss. Please go ahead.

Venkatesh Sanjeevi Would the Ad to subscription ratio for Hindi paper would be 2:1 approximately.

Vinay Mittal It is about 70-30.

Venkatesh Sanjeevi 70-30 for Hindi and for English it is about 10:1 of which subscription revenue is one-tenth of ad revenue right?

Vinay Mittal Yes.

- Venkatesh Sanjeevi** 90:10 that is what. So the cover price for Hindi paper is about Rs. 3 right?
- Vinay Mittal** Yes anywhere between Rs. 3 to Rs. 4.
- Venkatesh Sanjeevi** Yes that comes to an average of about Rs. 3.5. So that would mean about an ad revenue about Rs. 7 and Rs. 7.5 for each paper hence the total revenue of Rs. 10 per newspaper right?
- Vinay Mittal** Per newspaper how?
- Venkatesh Sanjeevi** No when the cover price is about Rs. 3.5 right and the ad is to subscription ratio is 7:3 which should mean in ad revenue of about Rs. 7?
- Vinay Mittal** Okay I am not able to get your question.
- Venkatesh Sanjeevi** No, when you say in Hindi newspaper the ad to subscription ratio is 7:3? And per newspaper your cover price is Rs. 3 which will mean per newspaper in average you earn about Rs. 7 of ad revenue. Is this the right way to looking at it?
- Vinay Mittal** Never looked at it in that way. You can always take it off line if you want to do some unit pricing.
- Venkatesh Sanjeevi** It is not actually in too much detail. I am just wondering since you use domestic newsprint for Hindi paper and imported newsprint for the English paper would newsprint as a percent of sale be more or less same or how much would it vary for the Hindi and English variants.
- Vinay Mittal** In the Hindi part also I use about 20% to 30% international newsprint and the ratio reverses in the English where 65% is international. So that is where it stands really but I cannot really answer your question exactly.
- Venkatesh Sanjeevi** On a long term operating level, the margins will be more or less similar right in Hindi and English or does English work as a higher margin level on a long term steady-state kind of scenario.
- Piyush Gupta** Let me try to give you some perspective of difference between the English and the Hindi newspaper. Broadly in terms of cost structure of both the newspaper; though the newsprint consumption imported versus local is there in both it is much higher imported in English vis-à-vis imported in Hindi. However, the page level in the Hindi newspaper are typically much-much lower than what they are in the English newspaper. So as a consequence if you are looking at advertising, there are a couple of variables in an English newspaper that are very different from a Hindi newspaper. In advertising which we need to be cognizant of the yield of advertising per square centimeter advertising, the card rate that you receive. So, as a thumb rule if you are doing a unit pricing and trying to know how much cost you recover through ad sales and how much through circulation in Hindi versus English you would not get a single yardstick because the card rates are different, the mix of imported and local newsprint is different, and the page level is hugely different.
- Venkatesh Sanjeevi** Yes I understand these things but what I am trying to ask is that does the operating margin for the Hindi and English vary too much on longer terms when considering the lower page and hence the cheaper newsprint cost per unit.

- Vinay Mittal** The margin in English is certainly higher. If you look at it from a one-year old perspective the margin in English was much higher. But today if you look at it may be a good Hindi newspaper would be close to English because of fallen advertising market in the metro.
- Rajiv Verma** Yes and also looking at the competitive scenario that you have like the markets in Hindi in Delhi and Mumbai have come down quite drastically does not obviously mean that the market in Varanasi and Lucknow has come down so drastically and probably the rates are still holding.
- Venkatesh Sanjeevi** All right but still newsprint machine for an English paper is much more expensive than machine for the Hindi paper. It is about 10-12 times.
- Vinay Mittal** That will be true but number of copies taken out on English press is much higher than you take out in a single Hindi press. For instance I may have about six or seven presses in all of UP each costing anywhere between Rs. 8 to Rs. 15 Crore whereas I have one press in Delhi which costs me probably Rs. 100 Crore and the number of copies taken out by this press are much different. They are not really comparable.
- Venkatesh Sanjeevi** Now that with elections coming around the corner in most of the parts of the country, how do you see this affecting the ad revenues? In the past elections have they contributed substantially to the ad revenues?
- Vinay Mittal** Yes they have contributed substantially except for the elections I have no idea when they will come through; but seeing the present timetable if they announce somewhere in March or April, starting April then most of my election revenues will fall in the next quarter.
- Venkatesh Sanjeevi** Yes it would not come to Q4.
- Vinay Mittal** Yes.
- Venkatesh Sanjeevi** Has HT Mumbai subscription revenue turned positive? Till last year it was negative?
- Vinay Mittal** In English they always remain negative.
- Moderator** Thank you Mr. Sanjeevi. The next question is from the line of Mr. Prashant Kothari of ICICI Prudential. Please go ahead.
- Prashant Kothari** I wanted to understand this partnership for growth model that you embarked upon. How much did we invest in FY08 and how much did we invest in FY09?
- Vinay Mittal** The investment is about Rs. 170 Crore and the revenue that has come in this year till date is about Rs. 49 Crore. Last year it was Rs. 7 Crore for the whole year.
- Prashant Kothari** How much did we invest in FY08?
- Rajiv Verma** See I mean the model is pretty simple. You do a long-term contract with the counter party. The investment is essentially that you are giving him a commitment that he can use your print space over the next three years. The commitment that he

is giving to you is that he will give you rights to his properties / equity. So that investment theoretically is notional if you look at it from that perspective. The second transaction which is happening primarily is whenever he is taking the ad in our inventory; we are booking the revenue for that which is primarily non cash. So if you think that there is some cash outflow which is happening in the beginning of the year there is none on which you can measure this revenue as ROI.

- Prashant Kothari** In this, Rs. 170 Crore is the deal value.
- Rajiv Verma** Yes it is a deal value, which is recognized in the balance sheet. There is zero or zilch cash which is deployed with the counter party or partner.
- Vinay Mittal** So the operating figure is really the Rs. 49 Crore of revenue that you book.
- Prashant Kothari** This figure was Rs. 7 Crore in last year. The whole of last year and the M-to-M provision that we have made in this quarter was not there in the earlier quarter.
- Rajiv Verma** This is the first time we marked it. Incidentally just to clarify, as per accounting standards we are not under any compulsion to mark these assets to market because these are really long-term investments of three to five years. But as prudent accounting given the economy and the asset values coming down right now we have just created that reserve. However, we do not know if the market does pick up after a next couple of years and if we do not require the reserve, we can write it back. But this is just a prudent best practice that we have recorded in our accounting.
- Prashant Kothari** So there is some prudent internal change in accounting policy in this quarter.
- Vinay Mittal** To this extent, yes!
- Prashant Kothari** And this consultancy fees that has been paid; why are you thinking it is an extraordinary expense?
- Vinay Mittal** Yes it is one off expense which does not occur every year probably once in five years or something. So it is certainly in the nature of an extraordinary expense.
- Prashant Kothari** We were guided very recently that Company would not be embarking upon new ventures in next two years and while we see some consultants being paid for planning on new ventures. So I am not able to connect these two things.
- Vinay Mittal** This consultancy started off probably six to seven months ago. Keeping what has happened in the economic environment and the way the industry is going at this point of time there is certainly not going to be any step made for new investment in new ventures. But as soon as the environment improves probably in the next one to two years or something then yes whatever we have gained from the study we may take steps for the long-term sustainability of this Company.
- Prashant Kothari** Could you throw some light on what kind of new ventures these people have consulted you earlier?

Vinay Mittal Yes we will certainly disclose and take a shareholder's approval if at all when we cater to them but certainly as I told you there is no plan for it in the near future or next three to six months or even 1 year at the moment.

Prashant Kothari I just wanted to confirm one thing as looking at the proposal of this de-merger and merger of Radio business and as it says that apparently Rs. 75 Crore of losses are there as accumulated losses. Is it the correct figure I am looking at?

Vinay Mittal Yes.

Moderator Thank you Mr. Kothari. The next question is from the line of Mr. Atul Bhole of Tata Mutual Funds. Please go ahead.

Atul Bhole If you remove ad for equity component from this two quarters revenue, the actual revenue in rupee terms has de-grown by 6% advertisement revenue. So is there a pricing pressure or volumes are coming off?

Vinay Mittal This is a pretty much an industry thing. Everybody does ad for equity. Times of India started this five years ago and their portfolio is probably 10 times our size. We have just started it on a very low scale last year and it just got catching up a little bit.

Atul Bhole Okay but in rupee terms the advertising revenue has de-grown?

Vinay Mittal Yes in terms of if you say 'Rokda' or let us say cash, yes. But how do you say that it is de-grown, because, even last year, if you see for Times of India or everybody else they had a lot of ad for equity revenue.

Atul Bhole For you it is now grown up to 10% of your advertising revenue. At what level would you be comfortable?

Vinay Mittal Why do you say we are grown up to 10%? This quarter total is Rs. 26 Crore.

Atul Bhole Rs. 26 Crore and the quarter ad revenue is Rs. 286 Crore. So almost 10% you have reached.

Vinay Mittal At this point of time we are comfortable with this level but I think up to 15% we should be okay.

Moderator Thank you Mr. Bhole. The next question is from the line of Mr. Arjun Khanna of Principal Asset Management. Please go ahead.

Arjun Khanna Out of the Rs. 170 odd Crore you mentioned, what part would be in listed companies and in non-listed companies?

Vinay Mittal Very small in listed companies and most of it will be in unlisted companies.

Arjun Khanna So the mark down would be in the listed companies?

Vinay Mittal No across the board. And we have got property also in that.

Arjun Khanna In terms of our advertising mix what would be for national companies versus regional companies, if you can share that number?

Vinay Mittal I do not think so we track it on that basis but I will see if we can get you something.

Moderator Thank you Mr. Khanna. The next question is from the line of Mr. Vikas Mantry of B&K Securities. Please go ahead.

Vikas Mantry If you could provide me the subscription revenue or subscription income for the nine months. Secondly, the average number of pages that we have currently covered in HT or Hindustan or Mint or all of them.

Vinay Mittal Okay I will send that to you.

Vikas Mantry What is the current inventory, in terms of months, that the Company have. Is it about four to five months?

Vinay Mittal On an average it was six months starting basically November that is why I am saying by April or mid May we should run out of it because what happened is that inventory also got extended because of our cut in pagination. So that existing inventory got extended by another 15 days to 3 weeks. So that is how we will probably end up consuming all that inventories that we have. We are not buying anything starting probably end of November and this inventory will last till about May beginning.

Vikas Mantry What is the average cost of the inventory that we booked at in?

Vinay Mittal Well if you see Q3 numbers and divide it by the tonnage you will come to about Rs. 39,000 that is what will carry on going forward in this quarter also. It may come down marginally because of the cut that we have done in pagination and grammage, but the real change you will see first quarter FY10.

Moderator Thank you Mr. Mantry. The next question is from the line of Mr. Sachin Doshi of Reliance Money. Please go ahead.

Sachin Doshi I wanted to know how much is the percentage decline in terms of advertisement volumes for Q3 FY09.

Vinay Mittal In last quarter the display advertising market has declined or de-grown by 31% in Delhi and our revenue volume has come down by about 25%. One more thing what I am telling you is that advertising is broken up into display, into DAVP, tenders and classifieds. So a majority of it is of course display about 60% and that is where this de-growth has taken place.

Sachin Doshi I wanted to know which sectors which will still contribute to the advertisement revenue despite the slow down.

Vinay Mittal Education, DAVP, tenders, and political parties will contribute.

Sachin Doshi DAVP would be during the election period only but this may not be significant later.

Vinay Mittal No. See DAVP does not come in during the election period. But DAVP picks up just before election because each of these political people wants to sort of eulogize themselves. So that is how.

Sachin Doshi Okay but post election you do not see much on that front actually right?

Vinay Mittal Post election again the DAVP will come in but while the election has been announced till it finishes then the DAVP stops.

Sachin Doshi What is the scenario of international newsprint price currently and how do you see it moving? What are the factors which will bring the newsprint prices down in dollar terms? At what price is newsprint currently trading?

Vinay Mittal In October it was at US \$960 per ton. Now it is at about US \$700 a ton and in the next three to four months we expect it to come down to US \$600 a ton. Now that is literally a one-third reduction in price. So that is your data point on the international newsprint. We will start reflecting the drop in prices only first quarter FY 10 because I am carrying high cost inventory.

Sachin Doshi What is the kind of differential in the domestic and international newsprint prices as of now and do you have any plans to switch to little bit of domestic newsprint or no or you will carry on with existing strategy?

Vinay Mittal In our English paper 65% - 70% is international newsprint and the balance is domestic. In Hindi the ratio reverses we got 70% to 75% domestic and 20% to 25% international. This will carry on. There will be not much change in this because we are very committed to quality printing and if you dilute it more to domestic newsprint the quality is diluted. So today the domestic newsprint is around US \$550 to US \$600 a ton, international is about US \$700 a ton.

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

Vikash Mantri I wanted a feel on what was the investment made in ad for equity by end FY 2008?

Vinay Mittal I would not know the total investment exactly as on FY2008 but at this point of time it is Rs. 170 Crore.

Rajiv Verma Yes about Rs. 20 to Rs. 30 Crore at max by end FY2008.

Vikash Mantri Where would it figure in your balance sheet?

Piyush Gupta Other current assets because these investments are typically the rights in the property under construction or equity shares of unlisted Company or listed Company. Till such time they are vested on to us; we classify them under other current assets and then the moment we get possession we classify them into fixed asset.

Vinay Mittal How much of this Rs. 170 Crore would it be related to real estate?

Piyush Gupta About 50% of that.

- Vikash Mantri** If I were to do a prudent accounting practice and revalue since Rs. 40 Crore was worth may be in FY08 and after that we have seen asset classes across the globe taking a knock of 30% to 40%; even in this Rs. 170 Crore we would have seen significant erosion; will it be fair to say that our M-to-M loss is only Rs. 5 Crore?
- Rajiv Verma** I will take that. This is the exercise we have done at the end of 31st December with a very clear objective that we will do a similar exercise every quarter if there is further diminution that we feel there is we would recognize that reserve at that point in time. As a prudent accounting practice we are doing that. Also these have been reviewed by our statutory auditors.
- Vinay Mittal** So this valuation is from a long-term perspective and not short term.
- Vikash Mantri** Who were the consultants that we had appointed for the strategic study on this diminution?
- Vinay Mittal** We cannot take the name, as per our contract with them. But they are top end of the line.
- Vikash Mantri** In the Radio business valuation at what value are we merging the Company?
- Vinay Mittal** At the book value.
- Vikash Mantri** What was the investment of the promoters of HT Media till date in the Company?
- Dinesh Mittal** Rs. 5 Crore.
- Vikash Mantri** What is the book value of Radio business right now?
- Dinesh Mittal** You have to understand the whole scheme. Let me explain. The whole scheme is like this. First we will write down the share capital of Radio before the merger because of the losses that it reported there are no corresponding assets on its balance sheet. So there is a reduction of capital to the tune of Rs. 75 Crore. As of now, Radio's paid up capital is Rs. 170 Crore i.e. Rs. 150 Crore of preference share capital and Rs. 20 Crore of equity. So post this reduction of capital where the appointed date is 30th September the share capital will stand reduced to Rs. 170 Crore minus Rs. 75 Crore i.e. Rs. 95 Crore. At Rs. 95 Crore it will come and merge into HT Media Limited.
- Vikash Mantri** So the promoter gets evaluation of Rs. 20 odd Crore.
- Piyush Gupta** Promoter gets valuation only of Rs. 5 Crore of equity that they had in that Radio business. They get some 7 Lakhs shares of HT Media which as of now if I value in today's market price of HT Media they get share worth Rs. 4.4 Crore against the 5 Crore cash investment into Radio business.
- Moderator** Thank you Mr. Mantri. Ladies and gentlemen due to time constraints that was the last question of the day. I would now like to hand the conference back to Mr. Vinay Mittal Please go ahead sir.
- Vinay Mittal** Thank you ladies and gentlemen for sparing time for this conference. I know these are trying times with no end in sight at the moment. But we hope that in the next

year things should get better. I think, the Company, in the next one year is poised to really go up in terms of revenue and possibly valuation because some of the factors which affected it in 2008-2009 are kind of mitigated. For instance newsprint price which is expected to come down drastically and thus we should gain by it. It forms about 40% of our cost. On the other part i.e. our cost on overhead, salaries, etc., we are taking drastic measures to bring down these costs as well. So that should also have a salutary effect on our financials. Lastly the subsidiaries or the companies which are merging their financials are improving every quarter for instance in Radio as I have said we should breakeven in the next six months thus eliminating that drag. Mint also should breakeven in the next 18 months and it is sort of improving every quarter and that drag should also mitigate and if the economic environment improves then certainly I think we should get a great up tick on our financials. Thank you.

Moderator

Thank you sir! Ladies and gentlemen on behalf of HT media that concludes this afternoon's conference call. Thanks for joining us and you may now disconnect your lines.