



HT Media Q2FY09 Results Conference Call - Citigate Dewe Rogerson

Investor/Analyst Conference Call Transcript
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- Moderator** Ladies and gentlemen good afternoon and welcome to the HT Media Conference Call. As a reminder, all participants' lines will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. Should anyone need assistance from this conference call, they may signal an operator by pressing * and then 0 on their phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Ishan Selarka of Citigate Dewe Rogerson. Thank you and over to you.
- Ishan Selarka** Thank you Rochelle. Good morning everybody and welcome to HT Media's Q2 and H1 FY2009 conference call. Thank you for joining us. I am happy to introduce Mr. Piyush Gupta, Chief Financial Officer, Mr. Vinay Mittal, Chief Financial strategist and Mr. S. Keerthivasan, Head - Radio business of the Company. We will commence the conference call with opening remarks from Mr. S. Keerthivasan, which will be followed by remarks from Mr. Piyush Gupta and Mr. Vinay Mittal and any comments or questions that you may have. Some of the statement in this conference call may be forward-looking statements and the statement to that effect was stated in the release sent out to you earlier. I would now like to hand over the floor to Mr. S. Keerthivasan to share his perspective with regard to the Company's performance and the opportunities going forward. Over to you Sir.
- S. Keerthivasan** Good afternoon ladies and gentlemen. A very warm welcome to HT Media's Second Quarter call. Thanks to all of you for joining us. Before I start making the opening remarks, we have a couple of new people in the Company. I would like to just take a couple of minutes introducing them. We have been getting feedback from all the investors about how we have not been able to service their needs on a day-to-day basis; accordingly, we have made some changes in the organization. We have now been joined by Mr. Piyush Gupta and I will hand over the call little later, for him to introduce himself who is the Chief Financial Officer of the Company. Unfortunately the earlier CFO Mr. Venkat Raman had to leave the Company for health reasons. We have also been joined by Mr. Vinay Mittal as a Chief Financial Strategist of the Company. He will be the person going forward who will actually lead the entire investor relations portfolio and also the financial strategy of the Company. If I could ask Mr. Piyush Gupta and Mr. Vinay Mittal to just introduce themselves to the group and share their perspectives and where they come from and so on. Over to you, Piyush.
- Piyush Gupta** Thanks Keerthi. Good afternoon everyone and a very warm welcome to the HT Media Second Quarter Conference Call. It's a pleasure to be on the call. My name is Piyush Gupta. I joined about one and a half months back as a Chief Finance

Officer for HT Media. Prior to this, I was a Chief Finance Officer for Wrigley India, prior to which I was in various finance capacity as a Director for Business Planning and treasurer of Whirlpool, before which I was Assistant Controller with PepsiCo and prior to which I was working in various finance positions with Gillette India. I am a Chartered Accountant by profession and looking forward to interacting very closely with all you guys in the future, with that I would also like Vinay to introduce himself. Vinay has also joined us recently. Over to you Vinay.

Vinay Mittal

Good afternoon everybody. This is Vinay Mittal. I have joined the Company about 15 days back, so both Piyush and I are new to the Company and therefore you will find that Keerthivasan will be basically taking all your questions since you guys are very familiar with Keerthivasan. I have been in India all my life and I am also a Chartered Accountant. I started off my career as part of investment banking in ANZ Grindlays Capital market. Then went away from the investor world and joined Max India as Treasurer. My last assignment was with EXL, a NASDAQ listed Company in the BPO industry. I helped the company go public. I do have some experience with respect to investor relations in NASDAQ environment and I hope to know all of you very well in due course with respect to HT Media. Thank you.

S. Keerthivasan

I am sure all of you would have gone through the results. Let me just give you overall perspective for the benefit of people who have not had a chance to look at the numbers. Let me start by giving a background in terms of the external environment. In the last three to four months we have witnessed some amount of uncertainty in the external market.

The industry in the first Quarter seemed to be on track. The slowdown basically started towards the later part of the Second Quarter. In fact couple of things happened in this quarter as compared to same quarter of last year, we had a seasonality impact of Shradh this quarter, which actually fell in the month of October last year vis-à-vis this year. The entire Shradh impacted us in the month of September which postponed Diwali in the third quarter. If I make a statement saying that the advertising industry has completely tanked, I think that will be a mis-statement. The industry based on our estimates and as per Adex has grown by about 10% in value terms.

However, what is important to note is the fact that the volume growth has been pretty much flat. It has been about 1 to 2%. All the value increase that we have seen in the industry is predominantly driven by the price increase taken by both, us and Times of India. As we have informed you in the last conference call, we took a price increase of about 10-15% in September. Also what we did very effectively in this quarter is that we have been able to tighten our screws on the discount policy internally. All these actions resulted in the revenue growth of the Company which is about 18%. Now, 18% does not include the impact that some of the businesses have had within numbers. We have made some investments in the last three quarters in our Hindi business and if I have to look at the growth numbers of Hindi in the second quarter, it actually grew beyond 50% over the same quarter last year. So, what we have also done is that we pretty much want to capture the heartland of UP. We have taken up our print order by about 2 Lac

copies in Hindi in this quarter in spite of the bad newsprint scenario; we have done that because fundamentally we believe that this will in the long term have a great impact on the Company. The result of it is that our Hindi numbers continue to grow by more than 50%. Our market share in almost all the businesses we operate in have now improved by at least 2-3 points. The case in point has been HT Delhi, which is the largest edition and our share has improved by 2 points to about 54-55%. Hindustan Patna, Hindustan Bihar, Jharkhand are big business for us. Our share has improved by about 2-3 points from about 54% to 57%. Even our HT Mumbai share, contrary to all the expectations, has improved by about 4-5 points. We currently have about a 30% market share. So all in all our share in this industry has been very robust. In fact we have seen the highest growth in terms of share in this quarter. The only thing, which actually went against us, was obviously the newsprint price impact. Even there, if you look at the spot-to-spot difference between the last year same quarter and this year, the overall increase is anything between 48-50%, but if you look at our overall increase in newsprint cost, it has been only about 24%. This is in spite of the fact that we have launched a lot of new editions compared to last year. So I think we have been able to do a good job of managing on these variables while we continue to invest in our businesses.

This quarter witnessed an aggressive investments in the brand spend. We did a big campaign for HT City in Delhi and also had a television commercial to boost our Hindi re-launch in all the UP markets and the Northern markets. We believe that in the medium and the long-term all of this will have a great impact in our business. Yes, we know that we are going through some slowdown in the industry but we believe that it is only a temporary phase, but we would expect, that in the medium term the print industry will continue to remain attractive, as we get out off this slowdown, HT Media will possibly be one the top performers in the industry. I have not had an opportunity to look at some of our peer companies, but I think it will be understatement if I were to say that we would have possibly performed far better than most of our peers in this industry at this point in time. So with this, I have pretty much covered everything that has come on the top of my mind and which are some of the critical variables to our results. I will hand over to Piyush and Vinay for any comments that they would like to add.

Piyush Gupta

Not much, I would like to mention only one point. The foreign exchange currency scenario for this quarter has been difficult and given the fact that spot is currently trading at about Rs. 48 -Rs. 49; we have been able to kind of manage to duck the trend partially by our hedging program and also by pre-buying the inventory. With that we have pretty much played with our levers which have definitely rewarded us handsomely in this quarter. Vinay any thoughts?

Vinay Mittal

I think all the negative factors have been covered and I am pretty positive on the business as a whole because there are a lot of positive points that outweigh the negatives. Thanks.

S. Keerthivasan

I now open the floor for questions.

Moderator Thank you very much gentleman. We will now begin the question and answer session. At this time, participants who would like to ask questions may press * and 1 on their phone. To withdraw a question from the queue, please press * and 2. Participants are requested to use only handsets while asking a question. Anyone who has a question may press * and 1 at this time. The first question is from the line of Amit Kumar of Kotak Institutional. Please go ahead.

Amit Kumar I want to have a better understanding of the currency hedges that you have taken. One, what is the quantum of these hedges and the second, at what price are you hedging your newsprint exposure?

Piyush Gupta Our view is that we are pretty much at the peak of the dollar-rupee appreciation. We don't perceive the dollar to be going hugely away from where it is currently i.e. at Rs. 48 to Rs. 49. With a view on that, we are currently hedging about 20-30% of our short-term exposure in the forward market. Our view is that we don't want to be wrong currently because over the next 6-8 months' time dollar will again come back to Rs. 45 or Rs. 46 level. Having said that we are still watching the dollar very carefully and if we see that there is some excess volatility in the market, we are pretty open to going out and covering another 5-10%.

Amit Kumar Sir, to be more specific, if we talk of only the third quarter, in the last one to one and a half month itself, the rupee has increased from Rs. 45 to Rs. 48, so would it be fair to assume that you know rupee-dollar cost will be about Rs. 44 to Rs. 45 for the third quarter at least?

Piyush Gupta I can tell you with confidence that dollar price sitting in our inventory is less than the number that you have just quoted. I can't give you the specific but I can tell you for a fact that it's lower than that also.

Amit Kumar The exposure would be again 3 to 6 months?

Piyush Gupta Yes I am talking about more like three months.

Amit Kumar I just wanted to understand more on the ad rate hike you have taken in the second quarter, can you just give us a broad idea across what categories have you taken this hike? Is it more related to normal commercial advertising supplement? How much of it is on your DAVPs. If you could just give us a broad breakdown of how these ad rate hikes that have happened?

S. Keerthivasan It's a structural change that we are now driving in the business, which is the whole concept of 'power of one', which is what we are basically trying to do now. We have a huge base in Hindi as well as English and this situation is unique to us. We are possibly the only media print Company in this country who has both Hindi and English in the Indo-gangetic plain. When I talk about Indo-gangetic plain I talk about entire Jammu going up to Kolkata on one side and Mumbai which is the biggest ad market in this country. So if you look at the whole space we possibly are the only Company who are both in Hindi and English. What we are now doing is that whole thing of bundling Hindustan and Hindustan Times. This we call the Jodi Package. Earlier we used to get one ad for Hindustan Times daily, we are now converting the same ad into an overall All India Package of HT

all plus Hindustan all. What we have predominantly done is if you look at some of the big packages that we sell in the markets, we have taken a price hike for about 15% in all these packages and in HT Delhi so I would therefore pretty easily say this is across the commercial business. The DAVP prices have gone up by 24% that has happened across all the publications.

- Amit Kumar** Sir how much would be your exposure to DAVP advertising at a group level?
- S. Keerthivasan** It will be about 10-12%
- Moderator** Thank you Mr. Kumar. The next question is from the line of Anil Sarin from Bessemer Venture. Please go ahead.
- Anil Sarin** Going back to the narrative that you have got some market share increases. I am curious as to how do you determine, how many points you have won over competition? Is there some industry body that calculates these figures?
- S. Keerthivasan** There are two things that we do. Firstly, when you look at the paper, there are only two or three guys in each market and predominantly for the English paper; we compare HT to Times of India. Newspaper is a physical thing where you can actually measure ad space and which can be entered into the computer. We have a cell within the Company, which tracks all the competition across the country. Print share numbers are pretty much given by Adex, which is a third party. So if you look at the volume share you will exactly get the numbers to last bit. In terms of the value, all of us know the exact price at which we sell. We have been in this business for more than 80 years now. We know exactly what is the price at which we sell and what is the price at which our competition sells. So given 2-3% here and there I think our numbers are fairly accurate on the share's front.
- Moderator** Thank you Mr. Sarin. The next question is from the line of Abneesh Kumar Roy from Edelweiss Securities, please go ahead.
- Abneesh Kumar Roy** The newsprint prices have increased by 50% in the international market but our raw material prices have increased only by 24%, apart from this you have launched new editions in Dehradun, Kanpur and Jhansi, so I wanted to understand on the same store basis that is the same circulation basis, what has been the change in volume? Obviously some volume dip has happened so what has been the volume dip in the same edition?
- S. Keerthivasan** Overall I think our numbers have gone up by about 2 lacs copies this quarter over last quarter.
- Abneesh Kumar Roy** Okay. But if I analyze your Mumbai Edition I see the number of pages really coming down compared to last year, so how much is due to decrease in content and how much is due to a slowdown in that?
- S. Keerthivasan** If you look at our Mumbai edition, the content has gone up to what it was four months ago. We have actually re-launched the HT cafe now in Mumbai. I don't know whether notice of that is taken. Secondly what we have seen in terms of the market is that we never cut our main book or we never cut our main supplement. What we actually try and cut is basically our ad volume led

supplements. So whatever page cuts we have being seeing so far has all been related to the advertising shortfall. That is it. We have not reduced any content as of now.

Abneesh Kumar Roy Coming to the ad rate increase, where you and Times of India took a very aggressive rate hike in the Mumbai market of around 30-40%. We met with some media agencies in the recent past and they give us feeling that, since print companies are taking such a sharp hike, it might lead to some shift of advertisement to the other media, particular TV. So what is your sense on the TV versus print share this time because print has been gaining share over TV for the last three years so do you think that this might reverse due to the sharp hike?

S. Keerthivasan We don't know exactly how the industry is going to pan out but you must understand one thing that even in TV, there is a huge fragmentation in the market and it is not that there is one clear market where you spend all the money. The question is who is going to invest in what? The fact remains that you might switch advertising a little bit to TV but print becomes very essential especially if you look at some of the categories of people who advertise in the newspaper industry, not a lot of them feel comfortable going to the TV. Also it is not economically viable for the local retail, to go and advertise in TV because they are only concerned with their local markets. so to be honest, there might be little bit of shifts that might happen to TV but I don't think there will be a structural change to such an extent that print will come down substantially and TV will gain at the cost of print.

Piyush Gupta Just to build on what Keerthi said, the risk would definitely be there but it does not mean that print has basically priced itself out of the market. Given the fact that the input costs have increased so sharply print at some point would have to take a correction too. This correction though in a quarterly perspective might look sharp, but the only point to remember there is, that if the pricing of the input cost does come down over the next couple of quarters and this will add value to the entire industry as a whole. It would not be so sharp that share migration will happen drastically. Yes, there might be a risk in that but we don't perceive that in our internal workings.

Abneesh Kumar Roy Coming to newsprint again in the domestic side, some correction has happened in the newsprint prices which are close to 5-10%, so are we shifting the mix in terms of domestic versus international news print?

Piyush Gupta We are actively looking at it, not that we have done anything so far however but you also need to remember is apart from the prices, there is foreign exchange which is also playing a crucial role there, So to effectively get the benefit of the international newsprint coming down, provided it comes down in the next fortnight or a quarter, you know you should also have a favorable exchange rate which should go in your way. However, that is one of the levers we can actively look at but as of now we have not implemented any.

S. Keerthivasan One of the things that we don't want to do is anything that reduces the quality of a newspaper. If you look at some of the key editions we have which is HT. HT Delhi and Hindustan Delhi and so on, we have a distinct advantage in a product

quality vis-à-vis competitions and one of the reasons for that has been the quality of paper that we use. So taking a medium term and a long-term view, we have so far stayed away from making this change. Yes, we might make some cosmetic changes here and there but overall we may not make any drastic changes to this. We believe that once the input pricing starts coming down, there could be some softening in the international space as well. So I do not think that the international newsprint prices are going to stay where we are today for a long time. Yes, the commodity cycle at some point has to reverse itself out.

- Abneesh Kumar Roy** No but I agree with our point that commodities have corrected elsewhere but a lot M&A's have also happened in the international market, so what would be your expectation in terms of when is it likely to correct?
- Piyush Gupta** You will begin to see some amount of correction in the next two quarters definitely starting next quarter onwards.
- Abneesh Kumar Roy** Are you delaying your inventory also due to this?
- Piyush Gupta** Yes we are not up stocking any more.
- Abneesh Kumar Roy** My last question is on the Hindi market. The growth has really accelerated from 30-35% in the previous quarter to around 50% this time. So how much is it due to new editions and how much is it due to the extra market share which you have said you have garnered out from the competition?
- S. Keerthivasan** It's all chicken and egg story, the new edition will increase market share. We don't sell one edition by itself. That is what I said in the beginning. We are now selling more as a package. If you have a good enough footprint across the northern belt which has been garnering higher revenue that is when you start seeing improvement in the share.
- Abneesh Kumar Roy** Any difference in the positioning with the leading player in terms of content or pricing? Are we targeting the same mass audience in those markets?
- S. Keerthivasan** We have always said that we are a more intelligent paper. We are for SEC A+, A, and B the consumer and I think we are whole tagline of 'Taiyari' is that as we work for well for us in these markets.
- Moderator** Thank you Mr. Roy. The next question is from the line of Ritesh Doshi from First Global Securities, please go ahead.
- Ritesh Doshi** Can you please provide a breakup of ad revenues from Hindi newspaper and English newspaper please?
- Piyush Gupta** No. We typically don't provide that separately. We view them as one business; however, internally Hindi & English are different businesses.
- Ritesh Doshi** Recently there is been commodity cycle that has been turning down, oil prices are going down. Do you expect any more correction in the news print prices going forward?

Piyush Gupta I mean that is exactly what we said earlier. Yes, we definitely expect the prices to come down in the next couple of quarters.

Ritesh Doshi So after news print prices come down like advertisement rates have already been increased, so do you expect that also to correct

S. Keerthivasan We never take ad rate reduction. Pricing decision or any pricing action is based on various things and cost is definitely an important thing but not be only thing which goes into play. I don't think with reversing of commodity cycle, if that happens, we are going to reverse all the pricing policy

Ritesh Doshi That will be a beneficial thing, like there will be margin expansion.

Piyush Gupta If it happens, it would be beneficial for the entire industry not just for HT media.

Ritesh Doshi We also changed the accounting policy for this fluctuation in foreign exchange recently? Is there any particular reason for that?

Piyush Gupta No particular reason. We are compliant with the schedule VI in terms of the Company law. With regard to foreign exchange fluctuation we are capitalizing it with fixed assets as per the Company law. If there is a change in the law itself then at that point in time we can definitely look at compliance with the new law, but we are absolutely compliant with the present law and the change happened in the last quarter and not this.

M. Keerthivasan Yes. But also if we look at the impact, it is hardly anything about a Crore.

Moderator Thank you Mr. Doshi. The next question is from the line of Nikhil Pahwa from MediaNama, please go ahead.

Nikhil Pahwa I wanted to know as to how HT.com has done in the last quarter in terms of page views and also in terms of revenues.

S. Keerthivasan HT.com remained amongst the top 10 sites in the country in terms of page views. Page views have been going up very steadily in the last few months. You guys are aware of the fact that we have actually refreshed the whole site in the last six months and it is beginning to get some revenue traction, but obviously the numbers are not big enough for us to sit down and start talking about it.

Nikhil Pahwa For the last quarter you had mentioned that the revenues for the quarter before were Rs. 70 Lac per month and paid views were about Rs. 10.5 million.

S. Keerthivasan Yes. I think the numbers are pretty similar even for the second quarter. We have been able to hold on to these numbers. There has not been a decline

Nikhil Pahwa Any changes in the outlook on the Internet business because you were looking at the business being Rs. 100 Crore in the next 1.5 years, given the overall market scenario any changes in the outlook?

S. Keerthivasan I don't think we ever said that we will be Rs. 100 Crore business in one year

Nikhil Pahwa Over year and a half you said that in the last earnings call.

- S. Keerthivasan** Okay. I think if you were to look at our internet strategy, strategy remains very clear and we stay extremely focused. We realize that Internet is a business for the future as it has happened in all the global countries. One day classifieds will slowly move from the print medium to website. So our strategy is clear that we want to get to those spaces and make sure that we don't lose business to anybody else but cannibalization happens within a group. This is why you have seen a launch of our job site Shine about six months back which is doing extremely well. We have already got about 1.2 million registrations as per the plan and our strategy in the Internet space is to roll out the other classified sites in the times to come.
- Nikhil Pahwa** So when you are planning to launch education portal.
- S. Keerthivasan** I think we are evaluating currently a lot of these things as we speak. I think we will get some clarity in the next three to six months time.
- Nikhil Pahwa:** Could you talk more on the numbers that it is expected to generate because the strategy is something which has been repeated often in earnings call but as such we got very little about how well it has been doing?
- S. Keerthivasan** Shine has just started only six months ago so I think it is too premature for us even start sharing financial numbers with you guys.
- Nikhil Pahwa** What kind of a resume data base would you have then?
- S. Keerthivasan** I said we have got 1.2 million resume databases as listed today.
- Nikhil Pahwa** Have the revenue started coming into strength because I believe it was mostly free trials in the past?
- Piyush Gupta** This business is not even two quarters old for us. Internally the numbers are going as per plan. I think that we would like to share with the entire community that we have already got about 1.2 million registered user database. Now this is a very impressive thing given the fact that this is just about a six -month old business and we can tell you for a fact that we are clocking as per our internal plans. This is not a huge business right now and neither is it likely to be a huge business in one quarter. This is an investment for future which Keerthivasan was articulating. We don't want to leave money on the table, basically we all agree that going into future, media will also transform from print to a online medium. The classifieds will definitely go there, so we don't want to be caught napping or caught wanting on that perspective. But will it be a 100% the next quarter, definitely not, not even the quarter after that but I can tell you it is doing very impressively. Shine is our first property that we have launched. We are actively considering other properties, which you named and there could be more beyond education stuff also but we will keep on evaluating these things as we go and there is not enough revenue right now for us to be looking critically in terms of return etc. from these businesses separately
- Nikhil Pahwa** Could you just share how Live MINT has been because that has been around for over a year now?

S. Keerthivasan I have said it in the past that Live MINT is a site which has got a very impressive number as we speak, in terms of the overall pages obviously we are not at the level of the money control at this point in time. However, what we have started doing of late is that we have started the whole video section where we show all the live videos and I can tell you the video front has been pretty encouraging. At this point in time Live MINT on a monthly basis makes about Rs. 35 to Rs. 40 lacs a month as we speak but as you know it is only 12 months and also there is not enough time for us to look at Live MINT in terms of the revenues. But I think you have seen a serious traction in Live MINT in the last six months.

Piyush Gupta Unfortunately we are in a market scenario which is slightly challenging not just for a print media business that we are currently in primarily, but also for other media businesses. So this is not the most conducive of time but in a good time we definitely believe it's a good business to be in and sooner or later we will be able to leverage that property even more aggressively.

Nikhil Pahwa Sir how are things on the mobile front and what's the contribution of mobile to your overall revenues from WAP site stuff and also SMS based services?

Piyush Gupta We are still on the drawing board stage and I don't think we would be able to actively comment on that at this stage. We think we will be able to comment on this business when it is up and running. Right now, it is in the drawing board stage.

Nikhil Pahwa You know just going back to the internet business, are you sensing a growth in the last quarter or given the overall outlook has there been a flattening or has there been a decline?

Piyush Gupta The business over the last quarter is as long as we have been in the business. I mean looking at a business, which is just about six months old and targeting aggressive growth in a tough external market situation would not be the right thing to do currently.

S. Keerthivasan Yes if you have to go by sheer numbers we have definitely grown. At the beginning of the quarter, we were about 17,000-18,000 registration which has now gone up to 1.2 million.

Piyush Gupta Operational matrix is pretty healthy. We are piling on more registered users on that portal, which basically leads us to believe that there is a lot of recalls about the decision and the brand is basically maturing itself out, but it's not the right time for us to be looking at financial liabilities in a two-quarter scenario.

Nikhil Pahwa You have invested about around Rs. 33.5 Crore in this business so far. So how much of that is achieved on Shine itself?

S. Keerthivasan Majority of it is in Shine.

Nikhil Pahwa No. But it also includes an acquisition, in terms of Desi-martini in the past

S. Keerthivasan Those are very small numbers.

Nikhil Pahwa Also what is the status of the MINT TV plans that we have hearing about?

S. Keerthivasan I think these are rumors. You never come say we will do a MINT TV and these are all market rumors and we don't comment on that.

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

Ruchit Mehta I just wanted to sense from the newsprint front. There is some inventory that we are carrying right now?

Piyush Gupta We are carrying about 70-80 days of inventory as we speak.

Ruchit Mehta Is there any significant change in the overall working capital cycle of the Company as a whole?

Piyush Gupta Yes. As seen in the last quarter results, we have been able to track the trend of commodity uptake. Stocking inventory subsequent to expectations that the inventory acquisitions cost expected to rise, helped us buck the trend in the last quarter as well as some portion in this quarter. Going over the next two quarters the commodity prices should turn itself off, hence from that perspective we would start liquidating this inventory and given the fact that we had up stocked inventory in the last quarter, there has been a significant additional investment in the working capital of the Company.

Ruchit Mehta So how much would the overall working capital be right now in terms of percentage of sales?

Piyush Gupta I do not have the exact number in terms of percentages in front of me but our working capital has gone up all about Rs. 35 to Rs. 40 Crore in this cycle alone primarily due to inventory.

Ruchit Mehta Okay but going forward do you expect the newsprint price will start correcting and when do you expect that to happen?

Piyush Gupta It is anybody's guess but I wish I could say that with confidence then I would be a Rock star. We increasingly think in the next couple of quarters the prices would start softening and our view is primarily based on the view that most of the commodities had already started coming off.

Ruchit Mehta Okay so therefore would it be fair to assume that going forward you can only see margin improving from the current levels I mean adjusted for whatever expenditure you do in the new launches and investments in the new products or into the news front?

Piyush Gupta Newsprint price is definitely one of the important levers in the margins, but I would say that it is not the only one. The reason for that is there are too many other things. There are various other businesses that we are investing into namely Hindi, etc., which is just articulated. The margins in Hindi would definitely not be as good as it will be in HT Media, Delhi. So I think it is a mix and match of all the things. However, primarily on one lever, it would not be fair to say that just

because input costs will come down and margins will increase. Yes directionally they should, but there are other factors that we should consider as well.

Ruchit Mehta Would you say that even hitting the margins of the previous quarter of about 21%, would be difficult?

Piyush Gupta No I am not saying it structurally, but if you remember, our business used to be in single digits three years ago.

Ruchit Mehta From a trend perspective, I mean over the next couple of quarter it was Rs. 50 Crore so, would you still like to keep on investing into the business?

Piyush Gupta Yes we will continue to do that. Those have always been an endeavor and please understand that we hit numbers of 20% growth in spite of all the investment that we have done. Obviously I cannot tell you with 100% certainty that we will hit those numbers but the endeavor is to come close to those numbers.

Ruchit Mehta And just if you take the first half numbers revenues were Rs. 655 Crore. What was the advertising component of this?

S. Keerthivasan Rs. 564 Crore.

Ruchit Mehta And for this quarter per se?

Piyush Gupta Rs. 283 Crore

Ruchit Mehta Could you just update us on what is happening on the radio front and in terms of the positioning, market share as well as in terms of revenues?

S. Keerthivasan Radio will continue to be in those four cities. All the four licenses of the date bought have been operationalized in terms of the market positioning; I think we are a clear number two station in Delhi as we speak. I think we have made some serious endorsements in the markets of Bengaluru and Kolkatta as well and in the last few weeks we have started seeing the numbers going up in Mumbai as well. What is of great significance in this business is that for the first six months of the year, for all the four operating markets in which we operate in, our value market share is about 10% which I think is a pretty good number to look at for a business which is about 18 months old.

Ruchit Mehta How far are you away from breakeven in this business?

S. Keerthivasan For Delhi as a station we have already broken even.

S. Keerthivasan I think we are well way ahead of the plan and actually as per the plan we should breakeven sometime in the next 12 to 18 months.

Ruchit Mehta And in terms of MINT per se has any of the editions managed to breakeven or are you have still quite some time on it?

Vinay Mittal We have got only three editions in Mint i.e. Delhi, Mumbai, and Bengaluru. What we have done as a first step towards breakeven is that we have taken up the cover price; I do not know whether you guys have noticed that we have increased

it from Rs. 2.00 to Rs. 3.50 paisa. So I think we are making some serious efforts to ensure that a couple of the editions in Mint have started making money. However, the biggest thing for us to look for is how do we ensure that the paper goes to the right people? I still believe that there is a fair amount of people in the financial sector who do not get our paper. We believe that it is a great product and I think it should first reach out to all the right people and once we complete our reader acquisition, I think breakeven is something that we should watch. Then breakeven is not a problem. I think it is only a few months here and there does not make a difference in this.

- Ruchit Mehta** In terms of a timeline would it be fair to say that another 12 to 18 months of MINT itself?
- S. Keerthivasan** Yes.
- Ruchit Mehta** What is the breakeven status in Mumbai?
- S. Keerthivasan** I have always maintained the marginal revenue and the marginal cost basis in the past. We have already broken even in Mumbai.
- S. Keerthivasan** Yes as a standalone entity I think there are too many moving parts at this point in time in Mumbai. We are currently in the process of reopening our Mumbai strategy given what has happened to Indian zone and so on and so forth. I would rather refrain from making any comment in this call. But I think in the next 60 to 90 days we will have a much clear view in terms of Mumbai.
- Ruchit Mehta** What is the total debt on the books of the Company as of 30th September 2008?
- Piyush Gupta** Net debt in the books of the Company on 30th September 2008 is broadly Rs. 300 Crore gross. We also got cash investment of Rs. 201 Crore.
- Ruchit Mehta** Okay have you changed any CAPEX plan, a lot of the people in the industry have deferred their expansion plan but have we changed our investment plan?
- Piyush Gupta** Not so far, we are looking at them actively but I do not think we are deferring. The way we look at, all these investments are investment for the future as long as we have the capacity to finance. But only if we feel that there is increasing financial uncertainty in the market, we can revisit these plans.
- S. Keerthivasan** But I think given this CAPEX plan for the last three years I think we have done major investment and we can carry with this capacities for the next 24 months.
- Ruchit Mehta** Okay so how much would we be investing over the next 24 months. The plan was to invest anywhere from Rs. 400 Crore to Rs. 500 Crore.
- Piyush Gupta** Our CAPEX plan for this year is Rs. 252 Crore. We have been maintaining on all the calls.
- Piyush Gupta** This is primarily for the Mumbai business and the Hindi launch in the heartland which has already been executed. As we were saying sometime back that our Hindi business is already standing on it own two feet. Strategically if I look at our two years investments, I think most of our big CAPEX is already done, until there

are any good and big M&A opportunities which come our way. We do not have any other huge CAPEX plans over the next 24 months.

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

Vikash Mantri Sir we have been talking about a very difficult environment going forward. However, if we look at our numbers we would have delivered one of the worst margins and the lowest net profit margin in the last three years as well. So given the things are challenging over the last two and a half to three years and would continue going forward, we are still witnessing a 50% increase in revenues, we have seen no increase in operating leverage. So what are the levers that we intend to use going forward if there are any?

S. Keerthivasan Vikash I will answer this question slightly differently. I think the economic condition has not been great and all of us know that. I think coupled with that there had been couple of things which have also affected us. If you look at our last year's numbers there was a one time item of 'Go for I' merger which actually gave a boost to our PAT numbers - that is one. Secondly I think somewhere this Q2 Shradh and Diwali had a bigger impact. I know that you guys can stand up and say that so what but this thing has impact of about Rs. 10 to Rs. 15 Crore and if you get back that Rs. 10 Crore, our indices look completely different. So I think somewhere we also got hit by the seasonality impact of stars and non stars and if this whole thing was the same as last year in terms of the seasonality, I think the numbers would have pretty much been in line with expectations and not as bad as it looks like. That is number one. Secondly in terms of the lever, I think most critical thing that one does and especially a Company of our size and our management aptitude is, that we need to focus very clearly on our internal efficiency. That is the first and foremost thing. I mean all the wastages within the system have to come to a stop - these have hampered product innovations. Some of it you have already seen in terms of the numbers I mean you know for a fact that recent newsprint prices have gone up to 50% but we have managed to deliver a number of 24%. We have been able to absorb 26% of that in spite of launching new edition. So internally, there is a lot of focus on achieving efficiencies and lot of cost control within the organization and so on. I think those are broadly the things. If you are expecting an answer some may say that we will cut pages, we will drop this, we will do that. We will not do anything which is very short term focus in only looking at one quarter or two quarter. We believe that the medium term and long term outlook for the print industry continues to be pretty robust. I think we have created a foot print in the last three years which is a very robust foot print. What you are seeing currently is a temporary correction. I think if we were to tide over this period with good internal business systems and processes I think we are in for some great numbers in the immediate long term. So we would continue to make our investments in whatever we have planned and we will try and see how much we can improve through our internal efficiency system.

Piyush Gupta The other flip you are looking at is as follows. Whatever we start doing in terms of raising internal efficiencies, in terms of taking pricing actions across our editions etc., we believe these would go a long way incase the external environment to

reverse itself out. Now we internally believe and also we have spoken to a lot of other people in different industries that even though this is going to last more than one quarter but eventually this cycle will reverse itself out. So what are the three big things which hurt us? One of the big things which hurt us is the external sentiments in terms of the advertising community. Now will that come back in one quarter or two quarter possibly not, but in three to four quarter definitely yes. We will see the newsprint cycle reversing, we have already taken a pricing action. Once that happens, it will directly flow back into our bottom line. Do we want to just report a gross margin expansion at the sake of growth, the answer is no. If we are investing for the future we would like to keep it that way. The third big lever for us being a net importer there is a whole situation about dollar-rupee now and hence we are watching the market very closely. At some point the trends will reverse itself out and once it does, it will again go back to our bottom line, which is the money we can put behind in force at that point in time. So the point that I am trying to make is that tough times make you smarter and ready for the time to come. I believe some two or three things out of four or five things are hurting the entire industry and other industries and as they reverse themselves out, we will be better geared than we were probably last year.

S. Keerthivasan

The way we look out at our internal business is what we are currently focusing on. If you look at every business and in every part of the businesses, we have shown some serious improvements in the operating parameters. Take for instance the ad revenue. Look at the market share numbers. Our market share numbers currently are all time high. In fact some of the numbers that we are seeing currently are what we hit three to four years ago when the industry was completely on a different note. Some of the new businesses that we started like radio, we current own a share of 10%. However, even in the plans we did not expect that we would get this number. In terms of Shine, it is six months old. We have touched 1.2 million registrations in six months. Hindi business has been growing week after week, month after month, quarter after quarter and we are witnessing a growth of 50% plus. The volume growth in terms of the industry has been practically flat or 1 % to 2 % growth, whereas our value growth is 17% to 18%. We are continuing to outperform on virtually all the parameters. So, I think that is the sign that there is a slow down in the economy and I agree that it is going to mean a lot of discomfort for a lot of other players. So, can we therefore convert this into an opportunity and make us go towards our goal much faster and that is the way we are looking at this and are pretty comfortable in terms of cash positions and so on and we are therefore going better and doing all these things now.

Vikash Mantri

We have seen that when raw materials in other industries similar to yours may be FMCG at times go up, peers are able to comfortably take a price hike because of the nature of the product that they sell, but we have not seen that happened with the print industry and secondly, also if I were to look at your last three years the kind of advertising and sales promotion expense that we do, continues to be up close to 60% from last year. Every year the need to reinvent an HT café and re-launch an HT City and re-launch a Hindustan is getting a bit difficult to digest.

S. Keerthivasan

Let me give the answer of this in two cases. Firstly to compare ourselves with FMCG, please understand we have now moved to a market which is predominantly

free paper market in newspapers. I don't think in this country we are comfortable paying money. However, we are making some progress in the area of Mint at least where the product is a much differentiated product. I mean the product is really doing well. We have taken a price increase and are making money out of it. All the ad spend that you have seen in terms of marketing spend and sale promotion is the way we internally look at them is, what is the impact of that spend going to be on the top and bottom line. Whatever money that we have spend so far both on Hindi, English and on sales promotion A) has improved my business foot print substantially in these markets and B) it is giving me some big growth on the top line. Please understand if it continues to grow 50% on the top line in Hindi the day is not far when I am going to be a substantial player in this market. So it is for that reason I need to build my brand for two to three to four years I do not think there is a problem in that.

- Piyush Gupta** Hindi still has a better price realization than the English paper.
- S. Keerthivasan** Every business is actually looking at a little higher number this time because our bottom line this time looks slightly lower than the earlier quarter. But if you are to deliver all at once, then what are the options we have in front of us. To reduce the marketing and sales promotion expense to meet bottom line, I do not think that is the right strategy given where we are currently. I think we are going after both medium term and long term and I think we should continue to invest in where we believe or it will give results for us in the medium term or the short term.
- Moderator** Thank you Mr. Mantri. Ladies and gentlemen before we take the next question we request you to limit your questions for two per participant. The next question is from the line of Arundhati Dighe from Outlook Profit please go ahead.
- Arundhati Dighe** What is the kind of inventory build up you had done last quarter and how long it will last. What are the prices that you get the newsprint at the moment or are you building up inventory for the future as well?
- S. Keerthivasan** No, we are not building up any more inventories for the future. We have already built up inventory which has seen us through this quarter. We believe that the prices will start coming off and hence we will be utilizing this inventory rather than building it up for the future and currently as we speak we have got about 60 to 70 days of newsprint inventory that we are sitting on.
- Moderator** Thank you the next question is form the line of Gaurav Jain from Baroc Capital. Please go ahead.
- Gaurav Jain** Sir, can you give us a consolidated numbers on your bottom line?
- S. Keerthivasan** We do not give consolidated numbers on a quarterly basis.
- Gaurav Jain** Sir the losses that you have in Shine, that is not consolidated your internet ventures and your radio business right?
- S. Keerthivasan** Yes.

- Gaurav Jain** Just continuing on what Vikash was asking. Sir your operating leverage has not seen kicking in. So far you have been able to take price increases even though volume growth is flattening out. So once the price increases stops happening which it should logically. Do you not think that there is going to be even a further hit on your operating volumes?
- S. Keerthivasan** You should also take into account the fact that the newsprint prices will not stay where it is today. It has to start falling down and I do not think we will continue to spend this sort of money which we are spending in marketing all throughout our life. These are bursts that we will do on and off. This is a strategic initiative. So we are saying that the times are tough for all the other guys. May be there is an opportunity for us to buy some market share and which is what we are doing at this point in time.
- Piyush Gupta** Yes. So I guess apart from pricing the second lever is cost efficiency which we will be closely looking and with the mixture of both of these we have been able to drive the operating matrix better.
- Gaurav Jain** I was saying that what you are mentioning is that this is the time to go aggressive because everybody is in trouble and so this is the time to get market share. If everybody thinks the same way then how would the prices start declining in the industry?
- S. Keerthivasan** But you start looking at our numbers. We have seriously gained market shares. If you are able to gain market shares then your objective is met but if had we spent this money and we had not got our market shares then I can understand your concern.
- Gaurav Jain** Sir what is the debt right now on your balance sheet?
- S. Keerthivasan** We have a debt of close to Rs. 300 Crore in our balance sheet and our investments are about Rs. 200 Crore.
- Gaurav Jain** This is a standalone balance sheet. What is the consolidated balance sheet debt?
- S. Keerthivasan** This is a consolidated balance sheet, because these are all 100% subsidiary, so it will all be funded by the parent.
- Moderator** Thank you Mr. Jain. The next question is from the line of Amit Dalal from Amit Nalin Securities. Please go ahead.
- Amit Dalal** You talked about investing in your businesses rather just the normal revenue expenditure in the last quarter which perhaps was impacting the profits totally in the operating side. I want to know to what extent, taking out the raw material, was the investment which you had to make and which would have been just the normal sequence of expenses?
- S. Keerthivasan** As we have said we had increased our print orders compared to the last quarter by two lakh copies for about 18 pages each, which is a substantial number.

Amit Dalal That is what your production cost should have gone up but I am saying the employee cost, selling and administration, other expenses. How much of that would you say that would have been because of investment in new thing rather than what you can make as a comparative number for the last quarter?

S. Keerthivasan Let us look at advertising spends and sales promotion. 50% of this has been spent on Hindi which is predominantly re-launches and new editions in Uttar Pradesh

S. Keerthivasan At your payroll cost, payroll cost has gone up by about for 25% to 30%.

S. Keerthivasan Most of the overall increment that we have given within the Company is about 8% to 10% so rest of it is all expansion into the new business which is predominantly in Hindi which is all the new locations that are happening for the first time.

Amit Dalal If I were to take the revenue increases for almost two years now they are substantially lower than the increase in expenditure that you keep increasing. So we take the percentage increase of employee expenditure which is quite shocking over the last 2 years. So I am not sure whether re-investments that are taking place, gives you the revenue boost that you look for every year.

S. Keerthivasan You must understand in a business like ours which is media investment, there is always a time lag between the time you invest and time you get your revenue growth.

Amit Dalal So what would be a normal time lag?

S. Keerthivasan About 24 months.

Moderator Thank you. The next question is from the line of Pratap Parimi from UBS Securities. Please go ahead.

Pratap Parimi Would you be seeing any volume growth over the next two quarters?

S. Keerthivasan I am telling you I will be a saint if I can predict this.

Pratap Parimi No like considering the slow down in real estate and financial side?

S. Keerthivasan We are all sitting in the heartland of the country which is in Mumbai. This is Diwali time and still everything around you it is not looking great. Look at the papers - there are hardly any advertisements. Having said that what we are still trying to do is that we are trying to see whether we can through innovations and through our power of one and so on and so forth still create growth for ourselves. All I can say in the first 18 days of this quarter it has not been down and out but it has not been great either. So I would rather hold my comments for the next 30 to 60 days before we really comment since there is so much of uncertainty.

Pratap Parimi One more thing what is the average newsprint cost that went for inventory like?

Piyush Gupta You know again it is a mix and match of lot of things. You know spot prices in the international market are about USD 900 to USD 950 depending upon the freight and the quality, etc. It is currently clocking at least 5% to 10% better than that because of our pre-buying initiative. Again there is a mixed element of domestic

newsprint versus international newsprint. So I can give you the spot price which is published everyday and I can also tell you we are at least clocking about 10% better than that. That is what has helped us to grow this quarter and also going forward.

- Moderator** The next question is from the line of Tejas Shah from IL&FS. Please go ahead.
- Tejas Shah** Sir my question pertains to that your advertisement revenue. As we have already mentioned in our press release that BFSI and Realty has slowed down. So even after this, we have gone ahead and had 10% to 15% ad rate hike. So, A) How has the market absorbed this hike? B) Can you give us the break up of advertisement sector wise your top three to five advertisers?
- Piyush Gupta** Most of the private commercial advertisements in the market have slowed down. I think still government advertisements are not slowing down, education, IT and telecom are doing well. So I think those are some of the top two or three that we have. Also n remember that there is a certain amount of pricing which is coming from DAVP 24% hike which will also helped us to take our pricing up.
- Tejas Shah** Are we finding any DTH service providers taking this medium as a form of advertisement?
- S. Keerthivasan** Yes you can find Tata Sky, BIG everything in our medium.
- Moderator** Thank you Mr. Shah. The next question is from the line of Ankur Arora from ING Investment Management. Please go ahead.
- Ankur Arora** Can you give me your debtor position right now and what have been changed on a Q-on-Q basis and Y-on-Y basis?
- Piyush Gupta** I am not getting that number separately but I can tell that our working capital exit September 2008 is about Rs. 300 odd Crore.
- Ankur Arora** How it has changed over Q-on-Q and Y-on-Y basis?
- Piyush Gupta** We have increased our investment quarter-on-quarter into the working capital, approximately Rs. 30 odd Crore, which is primarily not because of debtors but because of raw materials which is boosted in our case.
- Ankur Arora** You said you have around 70 to 80 days inventory right now. But what is the inventory level in the last quarter?
- Piyush Gupta** It was higher than this and now we are eating into that inventory.
- Ankur Arora** Can you just give breakup of the revenue I might have missed the number earlier your total growth between volume and advertising growth?
- S. Keerthivasan** Ad revenue growth for the quarter is about 18%, out of which about 10% comes from the pricing and about 7% to 8% comes from the volume.
- Moderator** Thank you Mr. Arora. The next question is from the line of Rahul Baijal from Voyager Capital. Please go ahead.

Rahul Baijal Firstly on the radio business few months back we were talking of around Rs. 30 Crore EBITDA loss in FY08 and we were talking of reducing that in FY09 and turning positive by FY10 so just wanted to confirm if we are on track....

S. Keerthivasan Yes we are on track for this.

Rahul Baijal Can we expect a significant reduction in losses in FY09 or would that be FY10?

S. Keerthivasan It should be, unless there is something, given the external environment I think the things should get back to normal and things will start to look slightly brighter then. I think we should be on track unless something drastically happens in the economy.

Rahul Baijal On the main front again, the monetization was accelerating doing close to monthly run rate of around Rs. 3 Crore, so what kind of run rate are we running in Mint in terms of advertising monetization?

S. Keerthivasan No we have definitely improved on what we have told you last time and the whole idea is that we are working towards the big win in next 12 to 18 months.

Rahul Baijal Okay so it should follow-up similar trajectory like radio in terms of losses reducing significantly in FY09 and then breaking even in FY10.

Piyush Gupta Yes.

Rahul Baijal Okay and then thirdly coming to newsprint. First quarter was about 10% increase and second quarter 30%. So for this 30% increase, can you give me some flavor on the contribution from the three aspects mainly the underlying newsprint inflation, the currency impact which I believe should be around 10% to 15%, and thirdly the impact of the new editions, how would the contribution be?

S. Keerthivasan Yes we have not analyzed that to such an extent but I can tell you broadly. If you look at the spot to spot predominantly, it has gone up by 50% but because we have done some smart pre-buys we have been able to offset that number. So basically if you have to look at the pricing and the volume increase. I would guess that this number should be more like 50:50, though I do not have these numbers at hand as of now

Rahul Baijal Coming to the Hindi business, we were growing in advertisements at the rate of around 30% in FY08. So can we expect the trend to continue in FY09 by the trend we are seeing in the first half?

S. Keerthivasan It was 50% in the first half.

Rahul Baijal Lastly, in this environment you have reported 18% top line in each Q1 and Q2. Can we expect this trend to continue in the second half because I think slow down is more of a worry for FY10 right?

S. Keerthivasan I do not know that is why I said it is very difficult for me to predict when I speak today. Obviously it is early days to comment on this. Diwali obviously has not been as buoyant as everyone expected. But I think internally we are trying to do everything possible to see whether we can continue to grab this growth because

we know that if we are able to grab this growth the media business becomes extremely strong.

Rahul Baijal And how many price increases have you taken? How many times you took one in June and one in February? Have you taken any other?

S. Keerthivasan We took One in September again.

Rahul Baijal So that should be visible from next quarter. What would be the magnitude of this increase, the September one?

S. Keerthivasan 15%.

Rahul Baijal Right and lastly any rethinking on the Hindi demerger or that has been shelved for the time being.

S. Keerthivasan We will come back to you. As of now there is no point in doing any demerger but we will come back soon. There is no point in doing a demerger now.

Moderator Thank you Mr. Baijal. Ladies and gentlemen due to time constraints we are unable to take any more questions from participants. I would now like to hand the floor over to the management for their closing comments.

S. Keerthivasan Ladies and gentlemen thank you for your patience and for all the questions. I hope we have answered pretty much all the questions that you had. In case you still have more questions you can even call me or Piyush Gupta in our HT Office and we will be more than happy to provide any clarification. Thanks once again for joining in.

Moderator Thank you gentlemen of the management, thank you Mr. Selarka. Ladies and gentlemen on behalf of HT Media that concludes this afternoon's conference call. Thank you for joining us on the Chorus Call Conferencing Facility and you may now disconnect your lines. Thank you.