



HT Media Limited

Investors / Analysts Conference Call

7 November 2005, 2.30 pm IST

Moderator: Good afternoon Ladies and Gentlemen. I am Ganesh, the moderator for this conference. Welcome to the HT Media Conference Call. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would like to hand over the floor to Mr. Nitin Tandon. Thank you and over to you Sir.

Nitin Tandon: Thank you. Good afternoon everybody. I welcome you to HT Media's Q2 FY06 and H1 FY06 conference call. We have with us on this call various members of the HT Media senior management team including Mr. Rajiv Verma - Chief Executive Officer, Ms. Seema Chandra - Chief Financial Officer, Mr. Sharad Saxena - Head of Supply Chain, Mr. Benoy Roychowdhury - Business Head for Media, and Dinesh Bhatia - Head Treasury and Planning.

I would now like to invite Mr. Rajiv Verma to provide a summary of the Company's corporate and financial performance for the quarter and half year ended September 30, 2005. Over to you Rajiv.

Rajiv Verma: Thank you very much Nitin. Ladies and Gentlemen let me once again welcome you to the HT Media second quarter and half yearly conference call.

Our results for the period under review have been extremely encouraging. To us, more than the numbers, the results demonstrate the success of our strategy and its implementation. They clearly signify a progress in the direction of our business, which aims for a long term sustainable growth in performance. As you all may be aware, we launched our Bombay edition during the quarter and we are extremely pleased with the initial response in the market that we have received. The progress on Bombay launch is according to plan and we are confident that we will create a decisive presence in the city in terms of both quality of leadership as well as overall long-term growth. We entered the Mumbai market, after that we have evoked extremely positive response from national as well as retail advertisers for our Bombay edition, which is now in its fourth month already.

Our presence in country's largest ad market, now which has turned into a second largest ad market, has also insured a fairly high share from national advertisers. This is getting us better rates from our editions due to our expanding national presence.

In Delhi, Hindustan Times continues to be a market leader and maintains its leadership status, while we strengthen simultaneously our operations in Mumbai, Delhi continues to be a leadership business for us. As per as the latest IRS survey results of leadership which have come out about a month ago, Hindustan Times in Delhi has grown by almost 15% to over 2 million readers and by this it is commanding a lead of over 20% above its nearest competitor .



Our Delhi performance has been further aided by state of art printing facilities which went into commissioning phase sometime in the first quarter of this year as a result of which we are able to delivery a very high quality product.

We have also tried to work in improving our capacity utilization at printing facilities both in Delhi and in Mumbai. This we have done by allocating some of our spare capacity for printing other publications in our facilities also.

We believe that Hindustan Times offers superior content and editorial to its readers which will enable it both to sustain as well as strengthen its position vis-à-vis its competition. Hindustan, which is our Hindi daily, is country's third largest read daily in Hindi language. In Bihar and Jharkhand it continues to be in a dominating #1 position. This newspaper continues to grow rapidly in Delhi as well as in UP market.

The other part of our business which is the internet operations have grown exponentially through our website hindustantimes.com which was launched a couple of years ago. This site is promoted as a news and analysis portal, which has its independent editorial staff to update the website round-the-clock.

Coming to our financial performance, we have been able to delivery very strong growth and maintain our margins at pre-Mumbai levels even after absorbing the planned pre-operating costs and deficit for the Mumbai market. This performance has been driven by better revenue growth, improved asset utilization, and overall improvement in productivity in the Company.

Revenues for the quarter increased by 26% to Rs. 1,976.5 million over the same period last year. Ad revenues went up by 25% to Rs. 1,508 million following an increase in market share of our editions as well as the contribution coming from our Bombay edition. Revenues from the sale of publications to third party increased by 5% to Rs. 342 million due to increase in cover price in Delhi, Chandigarh edition, and addition of Mumbai.

First half financial year 2006 revenues also increased over last year by 23% to Rs. 3,824 million. Ad revenues for the first half increased by 24% to Rs. 2,981 million and revenue from the sale of publications increased by 6% to Rs. 666 million.

For second quarter financial year 2006, total expenditure at Rs. 1,712 million and first half financial year 2006 at Rs. 3,267 million was higher versus last year by 21% and 19% respectively. This was mainly on account of Mumbai launch, expenses on operations, as well as marketing and promotion expenses, etc. Operating profit for the quarter was Rs. 264 million, which was up by 74%.

For the first half financial year 2006, operating profit improved by 49% to Rs. 557 million. PBT for quarter improved by 91% to Rs. 130 million. During the first half, we saw profit before tax improve by 29% to Rs. 284 million. We delivered a very sharp rise of 91% for profit after tax to Rs. 80 million up from Rs. 42 million in the corresponding quarter last year. First half financial year 2006 profit after tax improved by 31% to Rs. 178 million up from Rs. 137 million in first half 2005.

EPS during the quarter went up to Rs. 1.86 and Cash EPS for the quarter increased to Rs. 4.91. H1FY06 EPS increased to Rs. 4.15 and Cash EPS increased to Rs. 10.33.



I will now talk about the outlook. Our outlook for future remains strong. We believe that entry into Mumbai has been a very major step, which we have accomplished towards enhancing our national footprint. Long-term outlook therefore is extremely positive as the print media, which has grown at 15% in 2004, continues to show significant growth. With economic progress in the country, ad spends are increasing at a rapid pace. Improving literacy levels are ensuring that increase in newspaper readership takes place in the country. We are focused on strengthening our leadership position in media business by increasing our national footprint both in English and in Hindi markets. Improving our capabilities as well as quality of product and creating attractive offers for our readers and our customers. High readership and ad revenue shares improved by efficiency and productivity levels, continuing dominance in our key markets, and fast increasing market share of some of our newer editions are likely to help improve our profitability.

Ladies and Gentlemen, with that I come to the end of my overview for HT Media's quarter and half yearly results. We are now open to take any questions that you might have. Thank you.

Moderator: Thank you very much Sir. We will now begin the Q&A interactive session. Participants who wish to ask questions, may please press *1 on your touchtone-enabled telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to restrict to one question in the initial round of Q&A. We have our first question from Mr. Harish Zaveri from HSBC Securities.

Harish Zaveri: Could you share circulation figures for Delhi and Mumbai with us? And the second question is on, whether the entire marketing and promotional spend in Bombay has been written off in this quarter itself or will it get proportionately allocated over the next two to three quarters as well? Thank you.

Rajiv Verma: I will take the second question first, all the expenses which have been incurred towards brand building in Mumbai since, it was a new edition, starting from pre-launch going up to today have been written off and expensed within the months in which they were carried out, so there is no allocation to be done in the months and quarters to come. They have been expensed as and when the expenditure has occurred .

Coming to the first question, while you might find me somewhat vague in the answer, but you will have to bear with me because some of the exact circulation numbers are going to be only public once third party audit by Audit Bureau of Circulation and IRS and NRS takes place, otherwise this leads to too much of speculative numbers been thrown in the air. What I can, however, share with you is that we have progressed exactly as per our plan and we are very happy with the way our circulation has gone up. As you know, the paper is highly subsidized, therefore any amount of sales can be done, but at that subsidized number the risk is that product could easily end up in scrap if you try to over push it through the market place. Our circulation numbers have moved along a certain growth curve. Initially, there was a very strong trial. Most of the trial resulted into retention by readers and the numbers have gone according to the plan that we had envisaged at the time of entering into Mumbai. There has been absolutely no surprise, the number has not been lower than what we expected or higher than what we expected. It is just gone according to the strategy that we had laid out.



Harish Zaveri: During the IPO conference itself you had mentioned that 140,000 was the approximate circulation which was being targeted and that was factoring in the fact that DNA would enter Mumbai, would you be near to that number?

Rajiv Verma: No, the number is I can tell you much higher than that.

Harish Zaveri: Okay, fair enough. And any other marketing or promotional expenses which are slated to happen in the next quarters or so, or is it like whatever you had planned in mind is over and there are no more marketing activities?

Rajiv Verma: Marketing activities are going to continue for a fairly long time because ours is a new entry, and in any new entry you cannot cut back on marketing expenses till very strong brand loyalty emerges. So you will see continued expenses behind brand building.

Harish Zaveri: A word finally on your advertisement charges that you are charging in Mumbai and Delhi, how different would they be in terms of per column centimeter rates.

Rajiv Verma: I am going to ask my colleague Benoy Roychowdhury to answer this question. Benoy looks after our media; he is the business Head for media business.

Benoy Roychowdhury: Good afternoon. The rates in Delhi are basically the rates which reflect our leadership circulation here and our rate card is a little complex, but it is around anything between Rs. 1,000 to Rs. 1,400 a square centimeter depending on the editions that you choose. Mumbai, however, being a new entry and at a much lower circulation compared to Delhi, we are at a significantly lower published rate for advertisers. It is around Rs. 500 a square centimeter. So that is the kind of rates that we are operating at between the two markets.

Harish Zaveri: How much would it be at a discount with Times of India in Mumbai?

Benoy Roychowdhury: It is at a significant discount to Times of India.

Harish Zaveri: Approximately 60-70%?

Benoy Roychowdhury: Yes, that would be correct.

Harish Zaveri: Fair enough. Thank you.

Moderator: Thank you very much Sir. We have our next question from Mr. Princy Singh from Citigroup.

Princy Singh: Good afternoon. My question pertains to your growth plans going ahead. Firstly, I have seen some media reports recently saying that you are looking at the MP market, how much truth is there in these statements? And secondly during your IPO, you had mentioned that you would be looking at other genres including business as well as going into some other markets, if you could through some light on what your thought process is beyond Mumbai? Thanks very much.

Rajiv Verma: In fact all the statements that you made are true. The Idea of going for an IPO was that we wanted to create resources for growth, and as we speak the Company



is trying to find various high quality growth opportunities, and as you know that we are a fairly large player in Hindi, as a third largest read newspaper in the country, but that is one business in which our brand has a lot of potential for geographical expansion. There are several markets in which we currently do not have our footprint and therefore those markets become very attractive because that is the kind of, it dovetails very well into our existing business footprint.

A media company like ours does not have a complete architecture till such time we offer a bouquet of offerings which is wholesome, otherwise we end up having a comparative disadvantage vis-à-vis other players, and one of the missing pieces in our overall business footprint is the business newspaper, so this is something which we are currently analyzing and looking at options of how we can make it available to our readers, a high quality business newspaper. So currently market analysis as well as understanding on that is being developed, and the other thing that we had spoken about was expectation that radio industry would be reformed through some Government reforms kicking in, which happened and as a result of that radio market is going to be opened. Those are some of the things that we are going to study very carefully since opportunities are being offered in those areas. Ours is a growth-led strategy, therefore any opportunity that will come our way, which will lead to quality growth for the Company, we are going to look at those.

Princy Singh: Sir, just one follow up, what would be the timeline for these investments, I mean, would you wait for Bombay to stabilize for you before you would look at committing further investments or would this be an ongoing process irrespective of how Bombay pans out?

Rajiv Verma: All these things are pretty much a done deal that we are going to move into these areas, so the timelines are more going to be dictated by when we have an execution strategy as well as a game plan ready, which is ready for execution. Bombay stabilization is completely independent of some of these growth plans. Growth has to happen independent of Bombay. We have absolutely no doubt in our mind that Bombay is going to be a highly successful product for us. Now in the fourth month of entry into Mumbai, I can only say that we are extremely optimistic about the future in Bombay, so we have no second thoughts about Bombay stabilizing. Bombay will stabilize. It is just a matter of few more quarters, but in fact to an extent I could even claim that Bombay has stabilized because it has gone as per plan. If things would not have gone as per plan, we would have been concerned, but other growth opportunities have to be pursued along with Bombay.

Princy Singh: Sure thanks. One final question, what is the outlook on newsprint cost?

Rajiv Verma: I will request my colleague Sharad Saxena to take this question. Sharad looks after Supply Chain in the Company.

Sharad Saxena: Good afternoon. The outlook on newsprint cost this quarter, there was an increase of about \$50 per metric ton, but this price is likely to stabilize in the next quarter because if you look at the last two quarters, they were both at the same price, and what is happening globally is that in US there is a continuous decrease in the newsprint consumption, at the current level going at about 6% decrease year-on-year, so there is no supply shortage per se, it is just the cost equations primarily emanating out of the oil pricing which led to this jump this quarter. However, the good news here is



that we are into a lot of valve engineering efforts. We are looking at China. There is a capacity which is coming in, and we are taking some trial orders from China. We have taken quite a bit of supplies from South East Asia because this is the market which is growing, the freight advantage is out of this market. So if you look at our performance on newsprint, we have beaten the market increase quite significantly in the last two quarters and this trend should continue as we move forward on our endeavors.

Princy Singh: What percentage of newsprint in volume terms would be imported?

Sharad Saxena: It is about 45%.

Princy Singh: And your blended cost of all newsprint would be how much in terms of dollars or rupees per ton?

Sharad Saxena: Well, that is very difficult to answer like this, because there are different qualities of supplies which come on local, which have a variability between themselves of a band of about 40%, so I would not know that off hand.

Princy Singh: Okay. Thank you very much.

Moderator: Thank you very much Sir. We have our next question from Mr. Animesh Singh from Karvy Stock Broking.

Animesh Singh: Actually I wanted to know what is the duty on imported newsprint as of now and also what is the contribution of Hindi advertisement revenue in the overall advertisement revenues of the Company and also what is the advertisement differential, ad rates differential between English and Hindi genre?

Sharad Saxena: Okay, I will first answer your question on the imported newsprint customs duty, which is at 5%, all right.

Animesh Singh: Yes that is right, and what about the contribution from Hindi newspapers in the overall advertisement revenue?

Rajiv Verma: Well, majority of our revenue is from English because if you look at our yield structure, the disproportionately high yields that we get in Delhi result in actually most of our revenue coming from there. In the overall market, English language papers get about 50% of the advertising revenue totally of the entire newspapers, and Hindi has the second highest share of the entire newspaper market at about 25%.

Animesh Singh: Okay, would it suffice to say that 80% of the revenues would be from English?

Rajiv Verma: I do not have that but a significantly large portion of our revenue, and you maybe right, I do not have the exact numbers, but it would be fairly large portion that comes from English.

Animesh Singh: Okay, thanks a lot.

Moderator: Thank you very much Sir. We have our next question from Mr. Sanjeev Prasad from Kotak Institutional Equity.



Sanjeev Prasad: Just following on the first question on Bombay, I just wanted to get a sense of, if you can share the data on losses of Bombay at the EBITDA level and what kind of run rates you are seeing currently as far as ads as well as circulation revenues are concerned and how it has ramped up over the past few months?

Rajiv Verma: Sanjeev, Bombay split up separately numbers are not being shared outside, simply because it would cause a comparative pressure on us, which we want to avoid. This is highly sensitive information and we do not want our competition to know how financially we are tracking in Bombay. What I can share with you, however, is that it has gone much better than we had planned and expected because we were very conservative when it came to doing business planning at the time when we were launching Bombay. We just did not want to be over optimistic while we were going to Bombay, both in rates as well as in volumes and in yields, unlike our competition which launched almost at the same time, you can well understand that we had the advantage of getting leverage out of our main Delhi business, which we had kept us upside in the financial calculations that if that upside comes in we would benefit as far as the business case was concerned. Compared to the business case that upside has worked very strongly. It has come strongly to the benefit of the Company, and mind you we are only in the third or fourth month of launch. It is a fourth month of launch. In fact, two weeks ago we just completed 100 days in Bombay, and the initial advertiser's response as well as the response that their advertising is getting is very encouraging, so we are extremely happy with the way things have gone for us in Bombay. I am sorry, I would not be able to share with you the exact financial numbers of Bombay because that is too potential strong information in the hands of my competition.

Sanjeev Prasad: No, why I was raising that point was because it does make investment case, because if there is a fair amount of losses in the Bombay division then accordingly we can make our adjustments on overall EBITDA level and look at how the Company is doing, because I guess to some extent the numbers are getting pulled down because of Bombay losses, so if you quantify that later?

Rajiv Verma: Sanjeev, as you would have seen that our overall performance this year is post Bombay, better than last year, so therefore Bombay has all the destruction of value which would have happened due to Bombay entry has been absorbed and still a performance comparable to last year or better than last year has been delivered which should give you a sufficiently good idea of what kind of improvement has been done.

Sanjeev Prasad: Okay, fair enough.

Moderator: We have our next question from Mr. Atul Rastogi from Motilal Oswal.

Atul Rastogi: Good afternoon. I had two questions, one on circulation revenues that has grown by 5%, isn't it a bit low considering that you had a significant increase in price in Delhi and also Mumbai revenues kicking in? And secondly was, if you can share the subscriber numbers, you had a subscription scheme in Bombay, so what has been the response to that?

Rajiv Verma:, Our country is funny one. People expect newspaper for free here. In fact, it is very strange that we got any increase due to circulation revenue at all. Usually, people expect newspaper would be given free. In fact, 5% increase in revenue is a very



encouraging one because it has happened after 10 -12 years. Normally, you give paper free and for every paper given, there is a negative realization that takes place when you take out all the trade margins and the cost of distribution and the supply chain costs, so we would be possibly one of the rare examples in the country where circulation revenues went up rather than going down. All the increases that media industry or all the revenues of media industry which are profitable revenue come from advertising. Newsprint revenues, circulation revenues are actually not strong contributors of positive value.

Now also the other thing we have to remember is that all this 5% increase which has come due to price increase etc. in Delhi has all contributed towards positive value creation in the Company, because this increase led to some reduction in volumes which were unprofitable volume. There was a lot of volume, which was happening because of very low price in Delhi. That was not the newspaper which was being read. Now all that wrong practice has stopped as a result of which some of your volume also went down, which led to lower circulation numbers - and in spite of that higher circulation revenue is a good sign. The idea of this price increase was also to make sure that some of the wrong trade practices stop.

Atul Rastogi: Interms of overall circulation volumes pan India, how much, if you could give a rough idea, how much they would have gone down by or they have not gone down?

Rajiv Verma: Overall including Bombay, it would have almost remained at the same level as last year pan India.

Atul Rastogi: Okay. Second question on subscription in Bombay, you have a subscription scheme going, any numbers you can share on that?

Rajiv Verma: Yes, we have strong circulation schemes going in Mumbai, and majority of the newspapers that we are selling is through subscription scheme because it ensures one thing that it ensures that your readers get locked in for a certain period and trial takes, this is a new product, we want extended period of trial for brand loyalty to develop. So it is our endeavor to try to push as much as possible through circulation through subscription schemes because then you are ensuring to that that the reader is getting ample time and opportunity to try the product so that loyalty will emerge.

Atul Rastogi: One more question, add on to this only, how are the revenues accounted for in this case, I mean, you get one year of revenues in advance, so are the revenues already accounted for in this quarter or we are likely to see that...?

Rajiv Verma: It is staggered and is recognized as revenue on a monthly basis as the month gets over.

Atul Rastogi: Okay, thanks a lot.

Moderator: Thank you very much Sir. We have our next question from Ms. Manju Bhashini from Sundaram Mutual.



Manju Bhashini: Just wanted to get a view on the expenses part, cost elements, how do you see them going forward, some direction on the print cost, employee cost, and things like that?

Rajiv Verma: We are in growth mode, so as a result of that when we open more and more new markets as we enter new geographies. On account of that obviously the cost is going to go up because we are going to go into accelerated growth mode. What we are going to try to do is to continue to do very strong value engineering efforts and productivity efforts in the Company. Also in addition to that, the outlook for news print going forward is not very good. We are looking at sustained levels of increases for the next few quarters as far as the news print is concerned, so the cost side scenario as far as the economics are concerned is not looking very good, because we continue to see inflationary pressure on the news print.

In addition to that because of the geographical expansion the cost are only going to go up but what we are trying to track is our cost as a percentage of sales, as a percentage of revenue continue to show a negative movement and should continue to improve so that the leverage and productivity in the Company could be seen. Same applies for expenses in terms of cost due to increase in head count because we are going to be entering new businesses and new growth areas, but as a percentage of sales this will continue to come down.

Manju Bhashini: Okay, further down from the current levels?

Rajiv Verma: Yes, indeed.

Manju Bhashini: Okay. In terms of margins if you see quarter on quarter basis it is a dip from 14.5% and odd to around 12%, going forward how do you see this, should it improve or how is it?

Rajiv Verma: You are talking about....

Manju Bhashini: EBITDA margins.

Rajiv Verma: Are you talking from quarter 1 to quarter 2?

Manju Bhashini: Yes, June 05 and September 05.

Dinesh Bhatia: You see this is a cyclical business you cannot strictly compare one quarter with another, what you should do is compare Q1 of this year to Q1 of last year. Last year Q2 the EBITDA margin was 9.5% which has gone up to 13%.

Manju Bhashini: Cyclical in the sense you mean to say the...?

Dinesh Bhatia: Ad revenues come in lets say Q3 are normally higher than other quarters.

Manju Bhashini: Okay.

Rajiv Verma: Diwali and New Year is a season which causes a very strong seasonality to this business, as the result of that it may not be exactly comparable.



Manju Bhashini: Okay, which means Q2 of the fiscal is the strongest of all the four.

Rajiv Verma: Q3 would be the strongest. Q3 or Q4 depending on when Diwali comes.

Manju Bhashini: Okay. And one last question in terms of absolute numbers how much would the news print cost be per metric ton? Could it be possible to share that?

Sharad Saxena: You are talking of the imported one or you are talking of the basket.

Manju Bhashini: Both, as a basket and imported cost.

Sharad Saxena: The imported cost is something which is common for the entire country so I can share that with you, not including the discounts that we get from our agreements with our suppliers, imported cost for this quarter is \$670 per metric ton for the country.

Manju Bhashini: Okay, thank you.

Moderator: Thank you very much Sir. We have our next question from Mr. Sanjay Kohli from Karma Capital.

Sanjay Kohli: Rajiv my question is on the internet business. What have been the revenues from the dotcom business, and if there is a break up from the subscription and the ad side?

Rajiv Verma: The total revenue from internet business is around Rs. 3 crore but this is one business which is being very aggressively focused at now and we are trying to regenerate this business and bring into a fast lane as soon as possible. What was your second question Sanjay?

Sanjay Kohli: The breakup between the subscription and the advertisement, the ad revenue and the subscriber revenue in this? Do you look at it like that at all?

Rajiv Verma: Majority is advertising.

Sanjay Kohli: Advertising.

Rajiv Verma: Yes, you are talking about internet right. The internet used to be pay model sometime ago, but we moved it to completely free because the idea is to increase eyeballs at this stage. People don't like to pay anything at all for internet as far as the subscription is concerned, so all of it is advertising led. I think we will be able to charge once we have built a certain strong consumer base and strong base of people who are reading this newspaper on the web continuously, but at this point in time the idea is to try to increase trial there.

Sanjay Kohli: Okay, thanks.

Moderator: Thank you very much Sir. We have our next question from Mr. Bhushan Gajaria from SSKI.



Bhushan Gajaria: This is regarding your marketing and promotion spend in Bombay, how do you see that going forward like next two quarters as compared to the first two quarters? That is first thing. Secondly is, have you seen any kind of fight back on the rate side or anything from Times of India or DNA?

Rajiv Verma: Quite obviously you are not going to see similar kind of spends as what were required at the time when we just entered the market. Just to give you an idea when we entered the market our brand awareness in Bombay market was only 2%, it has gone up to as high as 65% at this point in time because of the advertising burst that we did. Now once you have created awareness it is just a matter of sustaining it, so the spend levels are going to come down, but it is not that it is going to come down significantly for few years because we are going to require sustained levels of spending for few years at a certain level, and also because of competitive scenario is such that there are more players than what we thought when we entered the market.

To your second question, in terms of how competition has reacted as far as ad rates are concerned, quite obviously this has created a lot of pressure on them and as a result a lot of discounting and price cuts are being resorted to but fortunately for us our brand is seen as a premium brand that is the kind of imagery we created and as a result of that we are able to charge price premiums today.

Bhushan Gajaria: Okay, thank you.

Moderator: Thank you very much Sir. We have a follow up question from Mr. Princy Singh from Citigroup.

Princy Singh: It seems that there are lot of inherent efficiencies, which are yet to be culled out from the business and there is a lot of operating leverage especially on the Mumbai side, could you tell us if you have any estimate of what could be a stable state operating margin for a business like yours?

Rajiv Verma: I do not want to make speculative future based assumptions, but I can only tell you one thing this will be improved continuously quarter-on-quarter and month-on-month because that is the philosophy we have as a business that a business should be stretched to deliver improved performance on a sustained ongoing basis. Given the way the competition is panning out, not just in our industry but every industry in India, those who are not improving their productivities on a sustained level would be toasted I can tell you that much.

Princy Singh: Okay, thanks

Moderator: Thank you very much Sir. We have our next question from Mr. Sadanand Shetty from Kotak.

Sadanand Shetty: I have two questions, one is internet revenue that you mentioned Rs. 30 million, is it for the quarter or per annum?

Rajiv Verma: No, it is per annum.

Sadanand Shetty: And what kind of profit margin you have in this business?



Rajiv Verma: Usually, this business is very high margin business because there is no cost of goods.

Sadanand Shetty: Okay, in terms of radio business what is your roll out strategy in terms of number of circles and what is the capital you have earmarked as a one-time license fee since we are coming close to it?

Rajiv Verma: No, you are asking me to bring the cat out of the bag, this is the entire strategy, we are going to be bidding in 60 days time and there is no way you are going to get bidding strategy out of me at this stage because our entire entry into that business will depend on it. What I can tell you however is that, our partners Virgin Radio are very good. They are running some of the most profitable radio stations in Asia as well as in Europe. In Asia, especially in Thailand, they have a very strong business foot print and their partnership with us ensures that we will be able to more or less get our numbers right and not overpay or under pay.

Sadanand Shetty: Okay, what kind of value you would see from Virgin in terms of practical or systems or processes, that is the one question, but you like to look forward as a national player in this business?

Rajiv Verma: The nature of this business is that it works in a very regional way and it works according to very sub-regionalized, that is why you have in United States for instance many small FM radio stations because they are community radio stations, that is the advantage of FM technology, it is unlike a world space which you must have seen there which operates on.. This is very regional footprint.

The value add of Virgin is that they understand this business extremely well both from the point of view of consumer behavior as to how listeners behave. They also understand the back-end technology very well. They have relationship with global customers, their global customers are also operating in India let us say McDonald in Thailand or McDonald in UK is also the same McDonald in India, so their global relationships become very useful. To top it up they have operated in regional languages in completely unknown countries where they have entered like Thailand etc., and done very well, and we do not know this business at all. We will be making first time entry, where partnership ensures we do not make mishaps and we do not make bad decisions.

Sadanand Shetty: You see, given the one-time license fee you will have to incur substantial amount of money even if you are looking for couple of major cities. Are you willing for that kind of scenario?

Rajiv Verma: Absolutely, we have made up our mind that we are going to enter this business therefore we will, ensure its possible to enter this industry, but it does not mean that we are going to bet the farm if the economics are not looking right and we will not shy from walking away.

Sadanand Shetty: Okay. Coming to internet business, globally including India online advertising is one of the fastest growing segment and we have seen a lot of global media corporates doing a lot of things on the internet side. If you could further elaborate, I believe Hindustan Times is one of the most successful online in terms of dotcom, in terms of publication sides, could you elaborate further what exactly is the roadmap perhaps going forward?



Rajiv Verma: We have a very aggressive plan for internet, and internet is one business which is a new business and it is a new industry, which is just kind of happening, it is not stable state mature industry like a newspaper is more than 200 year old industry, while internet on the other hand is something which as a delivery medium has started to happen only now because technology is rather new and penetrations are only happening now with broadband cost going down and the cost of computers going down. So as a result of that this industry is seeing explosive growth. The success in this industry is assured if you have extremely high quality talent and people who are very well trained in that industry and who are able to innovate different kind of ways of doing business on the net, so what we are doing at this point in time is to build a very strong team of the best professionals in this industry. We feel that we have lost some time but we are trying to make up that time by inducting strong talent in our internet business.

Sadanand Shetty: Okay. Coming back to print business, can you tell me what kind of effective yield you have seen going on after combining with the Bombay market than the pre-Bombay market pricing?

Rajiv Verma: I am sorry I do not have the exact numbers with me on that.

Sadanand Shetty: In terms of percentage?

Rajiv Verma: You have to send this question to us and we will be able to give you the exact reply, but I am sorry I do not have the exact numbers.

Sadanand Shetty: But was there an increase in effective yield by combining Bombay as a market, packaged it together.

Rajiv Verma: I am not sure we have the data available at this point in time.

Sadanand Shetty: But that was the strategy, isn't it, Rajiv, to combine Bombay as a market and increase your effective yield.

Rajiv Verma: I can tell you that it has improved but what I do not have is the exact number as to what percentage it has improved by.

Sadanand Shetty: Okay, thank you very much.

Rajiv Verma: I am sorry, I have to step out I am going to have Seema take on from here, because I have a flight to catch, but Seema is here along with the rest of the team to answer any questions you might have.

Moderator: We have our next question from Mr. Ritesh Poladia from K.R. Choksey Shares & Securities.

Ritesh Poladia: My question pertains to employee cost, in HT Media it is around 14% of revenue.

Seema Chandra: See, like Rajiv mentioned earlier we are in a growth phase and we have been adding manpower also in the recent past, so therefore you would see it is growing a little, but it would stabilize over a period of time.



Ritesh Poladia: Okay, so can we expect that this would remain at the same level going forward?

Seema Chandra: Unlikely it should come down going forward, but considering that we have been expanding ,mainly Mumbai it would have seen an increase versus last year.

Dinesh Bhatia: See Mumbai revenues are yet to come in, complete Mumbai revenues are yet to come in.

Ritesh Poladia: Okay.

Moderator: Thank you very much Sir. We have our next question from Ms. Anita Negi from India Infoline.

Anita Negi: Good afternoon and congratulations on a good set of numbers. Just one question, what would be your capex plan for couple of years next going forward?

Dinesh Bhatia: Other than the new businesses that we spoke about, which are radio and business paper, it will be only maintenance capex now.

Anita Negi: Okay. Could you share the figures?

Dinesh Bhatia: I can't give you the exact numbers.

Seema Chandra: You already have the numbers for the following year in the prospectus.

Anita Negi: Okay, you will follow the same. Okay, thanks a lot.

Moderator: Thank you very much Madam. I would like to hand over the floor back to Ms. Seema Chandra, the Chief Financial Officer for final remarks.

Seema Chandra: Thank you for participating in the call. As mentioned, we remain extremely positive on the outlook going forward given the new initiatives that we are continuously implementing. We will be in touch with all of you to keep you informed about all our corporate developments and business progress. Thank you.

Moderator: Thank you very much Madam. Ladies and Gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice day.

- ENDS -

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