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# HT Media Limited

5TH ANNUAL REPORT 2006-07



hindustantimes.com

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**BOARD OF DIRECTORS**

Dr. K.K. Birla  
*Chairman*

Smt. Shobhana Bhartia  
*Vice Chairperson & Editorial Director*

Shri Roger Greville

Shri K.N. Memani

Shri Y.C. Deveshwar

Shri N.K. Singh

Shri Ajay Relan

Shri Priyavrat Bhartia  
*Whole-time Director*

Shri Shamit Bhartia  
*Whole-time Director*

**CHIEF EXECUTIVE OFFICER**

Shri Rajiv Verma

**COMPANY SECRETARY**

Shri Dinesh Mittal

**AUDITORS**

S.R. Batliboi & Co.  
Chartered Accountants  
New Delhi

**REGISTRAR & SHARE TRANSFER AGENT**

Karvy Computershare Private Limited  
Plot Nos. 17-24, Vittal Rao Nagar  
Madhapur  
Hyderabad – 500 081

**REGISTERED OFFICE**

Hindustan Times House  
18-20, Kasturba Gandhi Marg, New Delhi – 110 001

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## LETTER TO SHAREHOLDERS

Dear Shareholders,

Your Company has achieved an impressive growth and put in a commendable performance during FY2007. It has been an eventful year where we implemented many new initiatives which are already showing early signs of success. Meanwhile, our established operations gained further strength and delivered strong performance reflected in our numbers, which look robust even after including the investments that we are making in new initiatives.

### New initiatives in line with strategy

We have stated in the past that we want to strengthen our position as a leading national media company with cross-segmental presence. To this end, we have implemented multiple initiatives, which are creating successful market opportunities.

In February, we launched 'Mint', a high quality business newspaper in Mumbai and Delhi in association with The Wall Street Journal. We are enthused with the reader response, which has already made 'Mint' the No. 2 paper in its category within a few months of its launch. Through 'Mint', we provide a suitable advertising platform, as it attracts quality audience of influential decision-makers. This product is evolving aggressively and it will be our endeavour to grow this opportunity at a rapid pace.

The year 2007 also marked our foray into the radio business. Although in a nascent stage in India, we expect the industry's medium-to-long-term outlook to reflect the international trend in which radio commands a noticeable share of advertising spend. We launched the radio channel 'Fever 104' through one of our subsidiary companies in Mumbai and Delhi in association with a very experienced international partner, Virgin Radio, U.K. Fever 104's positioning, "Its all about the music", has been well received by audiences and it has already established a loyal listener base for itself in a short period of time. We have also entered Bangalore and it is our plan to shortly extend Fever 104's presence to Kolkata.

Recognizing the need for a daily tabloid in a distinct format, we have formed an equal partnership joint venture with Bennett Coleman & Co. Limited to launch 'Metro Now', which has extended our presence into a nascent but exciting market. Given the initial response to 'Metro Now', we believe that it will do well in the future and enjoy a strong brand franchise with the youth in the city of Delhi and the National Capital Region.

### 'Hindustan Times' continues to strengthen its profile and brand equity

'Hindustan Times' in Delhi continued to post good performance. It was further aided by an established presence in Mumbai, as a result of which, it has offered a wider reach option to national advertisers. Our Mumbai edition has achieved noticeable progress and has already built a strong brand equity within a year of its launch. On 1<sup>st</sup> January, 2007, we re-staged our Mumbai edition with the introduction of new supplements and improved editorial coverage. The reader response to these changes has been encouraging and we expect our Mumbai edition to continuously gain strength going forward.

### 'Hindustan' continuously expands its regional footprint

'Hindustan' is the third largest read Indian daily (as per Round 2 of IRS 2006) and is the only daily amongst the Top 5 Indian dailies to register a growth in readership over the previous year. 'Hindustan' provides a natural complement to 'Hindustan Times', given its readership profile and regional reach. It is our intention to accelerate the growth of this paper, given the long-term opportunity in this segment. 'Hindustan' has a robust readership base in Northern and Eastern India, which will gain more and more importance for a national advertiser given the pace of development in India's hinterland.

We extended our Hindi footprint with the launch of new editions in Agra, Kanpur and Meerut. These launches met with great success

due to our in-depth understanding of the Hindi market, from the viewpoint of both readers and advertisers. A strong presence in Bihar and Jharkhand, a rejuvenated product in Delhi and our recent expansion across U.P. further augment our position as a prominent Hindi player.

### Media market conditions remain positive

The scenario for the media industry continues to remain positive with advertising revenues having surpassed its projected growth rate figure. Advertising spend grew by more than 15%, of which print media delivered the highest growth rate, which is encouraging for our businesses. The outlook for the media sector is optimistic given the macro-economic environment which can only lead to higher literacy levels and intense competition across all products and services to reach their target audiences. We intend to capitalize on such an environment by expanding our presence, maintaining the superiority of our offerings and entering new segments, which will strengthen our position as a truly national, urban-regional and cross-segmental media house.

### Financial performance endorses our strategy and initiatives

Our financial performance is the final measure of the success of our strategies and initiatives. FY2007, like FY2006, was another growth year in which our revenues increased by 28% to Rs. 10,796 million, while our operating profits improved by 69% to Rs. 2,307 million and our post tax earnings were higher by 209% at Rs. 1,150 million. These numbers would have been even higher, if not for the investments that we are making in new businesses, which are essential to creating incremental growth and value on a sustained basis. The increase in advertising revenues during the year was specifically heartening as it endorses our success of creating a national media platform for all-India advertisers.

### The outlook continues to be promising

It is particularly encouraging to have a strong outlook after posting a growth-led performance. It is our belief that our future holds even greater promise, given the conducive macro-economic environment, attractive media sector dynamics and more specifically, our well-established brand equity and serial implementation of new initiatives and ventures that hold encouraging prospects for the future. We expect our existing businesses and the new initiatives that we have undertaken in the recent past to bear fruit going forward. Further, it is always on our mind to explore new opportunities which we will target provided they present a profitable business venture or bring compelling strategic advantages.


Overall, we remain both excited and confident about our future and the ability of our business to maintain value momentum for all our stakeholders.

### A word of thanks

We are a people business and we would like to place on record our gratitude for all our employees for their contribution during the year. We would like to thank the readers and customers of all our publications for their confidence in our offerings. We would also like to place a record of appreciation to all our partners, vendors, suppliers and business associates without whom growth would not have been possible. Finally and most importantly, we would like to thank our shareholders for their motivation and support that enables us create value for all stakeholders of the Company.

Thank you.

  
K. K. Birla  
Chairman

  
Shobhana Bhartia  
Vice Chairperson & Editorial Director

New Delhi  
4<sup>th</sup> May, 2007

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 5<sup>th</sup> Annual Report, together with the Audited Statement of Accounts for the financial year ended 31<sup>st</sup> March, 2007.

### Financial Results and Appropriations

Your Company's performance during the financial year ended 31<sup>st</sup> March, 2007 is summarized below:

<i>(Rs. in crore)</i>		
Particulars	2006-07	2005-06
(a) Total Income	1079.57	841.47
(b) Profit before Interest, Depreciation, Tax & Exceptional Items	230.73	136.13
(c) Interest	14.25	13.54
(d) Profit before Depreciation, Tax & Exceptional Items	216.48	122.59
(e) Depreciation	39.71	38.54
(f) Profit before Tax & Exceptional Items	176.77	84.05
(g) Exceptional Items	0.27	22.89
(h) Profit before Tax	176.50	61.16
(i) Provision for Taxes	56.86	6.48
(j) Deferred Tax (charge)	4.58	(17.41)
(k) Profit after Tax	115.06	37.27
(l) Balance from previous years brought forward	49.50	20.37
(m) Amount available for Appropriation	164.56	57.64
(n) Appropriations :		
Transfer to -		
■ Capital Reserve	20.00	-
■ General Reserve	6.00	1.50
■ Proposed Dividend on		
- Preference Shares	-	0.20
- Equity Shares	7.03	5.62
Tax on Dividend	1.19	0.82
(o) Balance carried forward to Balance Sheet	130.34	49.50

### Dividend

Given the good results posted by your Company, your Directors are pleased to recommend a dividend of 15% on Equity Shares (*previous year @ 12%*) i.e. Re. 0.30 per Equity Share of Rs. 2/- each (*previous year @ Rs. 1.20 per Equity Share of Rs. 10/- each*), for the financial year ended 31<sup>st</sup> March, 2007.

The proposed dividend payment would entail an outflow of Rs. 822.11 lacs, including Corporate Dividend Tax.

### Stock Split

During the year under review, the members of the Company had, by way of Postal Ballot, approved with overwhelming majority, sub-division of the face value of Equity Shares from Rs. 10/- per share to Rs. 2/- per share. Accordingly, the total number of issued Equity Shares of the Company has risen from 4,68,45,841 Equity Shares of Rs. 10/- each to 23,42,29,205 Equity Shares of Rs. 2/- each w.e.f. 5<sup>th</sup> January, 2007, being the 'Record Date' fixed for the said purpose.

The stock split has improved the availability of float and liquidity of your Company's Equity Shares.

### Preference Shares

Your Company made an early redemption of 1% Non-cumulative Redeemable Preference Shares of Rs. 100/- each aggregating to Rs. 20 crore during the year, at the request of the holder of the said

shares, namely, The Hindustan Times Limited. With the consent of the holder of the said shares, the said shares were redeemed at a discount with a waiver of payment of dividend for the financial year 2006-07 upto the date of their redemption.

### Initial Public Offering of Equity Shares (IPO)

During the year under review, your Company fully utilized the proceeds of IPO. The details of utilization of IPO proceeds are appearing at note no. 5 of Schedule 23 to the Accounts of the Company.

The Board of Directors, on the recommendation of Audit Committee, had approved the *inter-se* re-allocation of IPO proceeds within the objects stated in the Prospectus, keeping in view the business requirements of your Company.

### Scheme of Arrangement and Demerger

Pursuant to an Order dated 19<sup>th</sup> February, 2007 of the Hon'ble High Court of Delhi at New Delhi, the equity shareholders and unsecured creditors of the Company at their meeting held on 26<sup>th</sup> March, 2007 have approved a Scheme of Arrangement and Demerger under Section 391-394 of the Companies Act, 1956 between your Company and go4i.com (India) Private Limited and the shareholders and creditors of the respective companies. The Scheme is awaiting sanction of the Hon'ble Court.

### Company Performance and Future Outlook

A detailed analysis and insight into the financial performance, operations and outlook of your Company for the year under review, is appearing in the Management Discussion and Analysis, which is annexed to this Report as Annexure 'A'.

### Debt Servicing

During the year under review, your Company has met all its obligations towards repayment of principal and interest on the loans availed.

### Employee Stock Option Scheme

In terms of the 'HTML Employee Stock Option Scheme' for the Whole-time Directors and other Eligible Employees of your Company, during the year under review, 3,28,470 Options were granted to Eligible Employees of the Company and 2,26,350 Options were forfeited, details whereof are set out in Annexure 'B' annexed to this Report.

### Public Deposits

Your Company has not accepted any public deposits during the year.

### Joint Venture Company

During the year under review, your Company formed a 50:50 Joint Venture Company with Bennett Coleman & Co. Limited namely, Metropolitan Media Company Private Limited (MMCPL). MMCPL launched its English morning tabloid "Metro Now" in New Delhi on 5<sup>th</sup> February, 2007. The product, mainly focusing on leisure reading and city life, is targeting the urban and mobile youth population of Delhi and the National Capital Region.

### Subsidiary Companies

Your Company has two subsidiary companies, namely, Searchlight Publishing House Limited (Searchlight) and HT Music and Entertainment Company Limited (HT Music).

The Company has received approval of the Government of India under Section 212 (8) of the Companies Act, 1956 vide letter no. 47/116/2007-CL-III dated 17<sup>th</sup> April, 2007, granting exemption from attaching with the Annual Report, copies of the Balance Sheet, Profit and Loss Account, Board of Directors' Report and the Auditors' Report of the subsidiary companies, namely, Searchlight and HT Music.

Pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company include the financial information of the Subsidiary Companies viz. Searchlight and HT Music and Joint Venture Company viz. MMCPL. The Company will make available the Annual Accounts of its subsidiaries alongwith relative detailed information

and facilitate inspection upon request by investors of the Company and its subsidiaries.

#### Directors

Consequent upon termination of the Shareholders' Agreement dated 21<sup>st</sup> April, 2005 vis-à-vis Citicorp International Finance Corporation (Citicorp), on account of Citicorp ceasing to hold more than 5% of the Equity Share Capital of the Company, Shri Ajay Relan, Nominee of Citicorp on the Board of Directors of the Company, tendered his resignation from the Board of Directors of the Company w.e.f. 11<sup>th</sup> April, 2007.

The Board of Directors places on record its deep appreciation for the valuable contribution made by Shri Ajay Relan during his tenure as Director of the Company.

During the year under review, the terms of appointment of Dr. K.K. Birla, Chairman and Shri Ajay Relan were swapped from 'retiring Director' to 'non-retiring Director'; and 'non-retiring Director' to 'retiring Director', respectively.

Shri Priyavrat Bhartia and Shri Roger Greville, who were appointed on 28<sup>th</sup> October, 2005, as Directors in casual vacancy(ies) arising out of the resignation of Shri S.M. Agarwal and Shri Sanjiv Kapur, respectively, shall hold office only till the conclusion of the ensuing Annual General Meeting. As required under Section 257 of the Companies Act, 1956, the Company has received notices from members proposing the candidature of Shri Priyavrat Bhartia and Shri Roger Greville as Director(s) of the Company, alongwith the requisite deposit.

Shri Shamit Bhartia and Shri N.K. Singh, Directors of the Company retire from office by rotation and being eligible, have offered themselves for re-appointment. A brief resume, expertise and details of other directorships and committee memberships held by the above Directors forms part of the Notice.

#### Statutory Auditors

The Notes to accounts appearing in Schedule 23 read with the Auditors' Report are self-explanatory and therefore, do not call for any further comments under Section 217(3) of the Companies Act, 1956.

The Board of Directors has taken note of the qualification made by the Auditors in the Accounts of one of the subsidiary companies, namely, HT Music, regarding 'Deferred Tax'.

The Audit Committee and the Board noted that the performance in the first year of the said company is substantially better than its projections and the Directors are confident that based on the future projections and existing business model of the company, subsequent realizations of the Deferred Tax Assets is virtually certain in the near future.

The Statutory Auditors of your Company, M/s. S.R. Batliboi & Co., Chartered Accountants, New Delhi, are due to retire at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment. In terms of the requirements under Section 224 (1B) of the Companies Act, 1956, the retiring Auditors have given a certificate regarding their eligibility for re-appointment as Auditors of the Company.

#### Corporate Governance

Your Company is compliant with all the mandatory requirements of Clause 49 of the Listing Agreement of Stock Exchanges relating to 'Corporate Governance'.

The Report on Corporate Governance and the certificate issued by a Company Secretary-in-Practice, in terms of the requirements of the Listing Agreement are annexed to this report as Annexure 'C' and 'D' respectively.

#### Particulars as per Section 217 of the Companies Act, 1956

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo is annexed to this Report as Annexure 'E'.

The particulars of employees required under Section 217 (2A) of the Companies Act, 1956 and the rules thereunder, are annexed to this Report as Annexure 'F'. However, pursuant to the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Annual Report and Accounts are being sent to all the shareholders of the Company without the above information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

#### Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors report that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31<sup>st</sup> March, 2007 and of the profit of the Company for the year ended 31<sup>st</sup> March, 2007;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the Directors have prepared the annual accounts on a going concern basis.

#### Awards and Accolades

During the year under review, your Company was the proud recipient of the following honours, amongst others:

##### IFRA honours of :

- Gold Award for the Best in Print among publications with a weekday circulation of over 2,00,000 copies
- Gold Award for general news photography
- Silver Award for spot news photography
- Silver Award for newspaper design to Hindustan Times-Mumbai's 'Budget 2006' edition
- Bronze Award for best newspaper photographer
- Judges' Special Recognition Award for general news photography

##### Awards by World Association of Newspaper, France :

- World Young Reader Prize in the Special Mention Category for the year 2006
- World Young Reader Prize in the Public Service Category - Jury Commendation for the year 2007

#### Acknowledgement

Your Directors place on record their sincere appreciation for the assistance and co-operation provided by Banks, Government authorities, Readers, Customers, Suppliers and Members.

Your Directors also place on record their deep appreciation of the committed services of the executives, staff and workers of your Company.

**For and on behalf of the Board**



**K. K. Birla**  
Chairman

Place: New Delhi  
Date: 4<sup>th</sup> May, 2007

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW OF THE OPERATING ENVIRONMENT

#### The Indian economy

India continued to hold its position as one of the fastest growing economies in the world having growth peers such as China, Brazil, Russia, Singapore and Indonesia. Strong growth in the manufacturing and service sectors should enable the economy maintain its GDP momentum in the future. The outlook going forward remains optimistic although the growth rate may be moderated given the higher base from the previous year, a firm interest rate environment, sustained inflation and a generally unpredictable global economic situation.

*Achieved high GDP growth rate of 9.2% as per Economic Survey 2006-07*

With the manufacturing and services sector delivering strong growth, the outlook for the economy going forward, continues to remain positive.

#### *Economic dynamics are getting better*

Rising per capita income, higher literacy rates, increasing aspiration levels and rapid urbanization has led to an increase in demand and change in consumer preferences. Apart from the demand for basic goods, convenience and luxury goods demand is also growing at a fast pace. With increase in incomes at both the rural and urban levels, the demand is expected to rise further.

#### *Growth witnessed across all sectors*

In this era of increasing globalization, Indian companies across sectors have entered into an environment of higher competition. The resilience shown by the industrial sector against the hardening of global oil prices is reflective of inherent strengths and capabilities of the sector. The services sector has grown fast due to an increase in the number of middle class families, which is growing at 20% a year and is expected to reach 350 million people by the year 2010.

#### *Economic position stronger*

Foreign Direct Investment has increased to USD 16 billion and exports have risen 36% to USD 89.5 billion from April 2006 to December 2006. Foreign exchange reserves have improved to over USD 200 billion. With India's per capita disposable income currently at USD 556 p.a. and expected to rise to USD 1,150 p.a. by the end of 2015, the Indian economy is set to maintain its momentum in the future.

#### *Some concerns are a natural consequence of accelerated growth*

Even though the economy continues to show promise, infrastructure bottlenecks, rising inflation and fiscal imbalances continue to remain hurdles towards its growth. However, these are topical and should get corrected given the measures that are being implemented to contain any negative fall-out of fast paced growth.

#### Media Industry

All the earlier mentioned macro-economic indicators bode well for the media industry. However, while the outlook on the whole is encouraging, the operating landscape is highly competitive with national and regional players aggressively targetting better market shares. Like in any competitive environment, players with a networked national presence, having a portfolio of offerings that

span multiple media segments, deep resources and a superior product are likely to do well in the future. This, over time will lead to a situation where the bigger get stronger, resulting in a consolidation within the sector, while weaker players find limited headroom to operate.

#### *Advertising revenues show continued growth*

Advertising revenues which are a key profit driver for the Indian media industry have surpassed projected growth of 15%. The size of India's advertising industry is estimated to be around Rs. 16,000 crore. Moreover in India, the spend on advertising as a percentage of GDP is 0.34%, merely a third of what it is in an average developed economy and hence, the potential for growth here is immense.

#### *Media spends register a high growth rate*

Print media spends have increased by 23% to Rs. 7,800 crore, while radio and internet, though on a smaller base, have grown at an impressive 56% and 60% respectively. Both general interest dailies as well as business dailies have grown significantly in terms of volume and yield. Business daily revenues have crossed the Rs. 500 crore mark during the year. While the online route is gaining increasing visibility globally, print media continues to be promising in India.

#### *New categories emerge as big advertisers*

High growth industries such as real estate, automobiles, financial services and retail chains are becoming increasingly dependant on print media to reach their target audience due to its cost effectiveness, longer retention and broad base. Amongst the business dailies, the largest growth has come not from the financial sector, but from the real estate (82% growth), events (48% growth), automobile and travel (50% growth) categories.

#### *Huge potential for growth in the print industry*

The print industry is expected to grow at a CAGR of 14% till the year 2010. It also appears to be the favourite industry for global investors with maximum foreign investment in this segment.

### HT MEDIA'S OPERATING PERFORMANCE OVERVIEW

The year under review (FY2007) was a very busy year for HT Media, where the Company implemented multiple corporate initiatives to further strengthen its product offering, market position and growth rate. The new initiatives have measured well to their estimated success and should help the Company emerge as a strong national and cross segmental player in the country.

#### *Entered into the business news genre with the launch of 'Mint'*

The Company entered the business news genre with the launch of the business newspaper 'Mint' in Delhi and Mumbai in February 2007; in association with The Wall Street Journal. 'Mint' is the first compact format paper in the country; and unlike most other business publications, is printed on white paper. Its size also makes it very convenient and easy to handle. While the newspaper is still in a nascent stage and we are absorbing feedback, it has already achieved the No. 2 position in the combined markets of Delhi and Mumbai. Along with the business paper, the Company also launched a website, viz., 'livemint.com', which has the potential of becoming a fully integrated finance portal offering business news, stock quotes, alerts, share trading platforms, etc.

*Rapid expansion in the Hindi segment- strengthens position as the third largest read Indian daily*

The Company expanded its Hindi footprint with the launch of new editions of 'Hindustan' in Agra and Kanpur which reported strong performance in a short period of time. Leveraging the well-accepted content and design formula from Delhi and Meerut, the launches met with great success in both these locations and this is likely to give 'Hindustan' a significant presence in the largest state of the country.

'Hindustan' also became the third largest read Indian daily (as per Round 2 of IRS 2006) and emerged as the only daily amongst the Top 5 Indian dailies to register a growth in readership over the previous year.

A strong presence in Bihar and Jharkhand, a rejuvenated product in Delhi and our recent expansions across U.P. will make 'Hindustan' a very prominent Hindi player.

*'Hindustan Times' – New Editions and improved product offerings*

The 'Hindustan Times'-Mumbai edition was restaged in January 2007 with the introduction of new supplements like Café, HT Lives, Splurge and Yellow Pages. Mumbai edition continues to gain momentum and has delivered excellent performance.

Responding to the healthy growth of the Punjab market, HT launched its Jalandhar edition along with a classified tabloid. It complemented the Chandigarh edition with the launch of specific segment based classified tabloids, viz., HT Estates, HT Style and HT Career Guide. HT Saturday Classifieds, which is available for readers of Chandigarh, Panchkula and Mohali was also revamped.

*Entry into the Radio segment*

HT Media also entered the Radio segment with the channel 'Fever 104' FM in association with Virgin Radio, UK. The FM radio channel was launched through one of the subsidiary companies in Delhi (November 2006), Mumbai (January 2007) and Bangalore (March 2007). Fever is the first format radio station with a unique positioning and defined target audience - 20-35 year-olds - and plays Hindi and English music only. Virgin's vast radio experience will help us accelerate our growth in this segment.

*Introduction of 'Metro Now' in Delhi*

In February 2007, HT Media entered into an equal partner joint venture with Bennett Coleman & Co. Limited to launch a daily tabloid called 'Metro Now', targetted towards the youth in the city of Delhi. This joint venture allows it to grow in an exciting market, reflecting the changing needs of the reader.

*Consumer connect activities*

During the year under review, your Company also commenced several long duration consumer connect activities that have contributed towards helping HT Media engage with the consumers and garner mind-share. The Hindustan Times 'I Love Delhi' festival in Delhi & NCR and the Hindustan Times 'Salaam Mumbai' and 'I Love Mumbai' festivals in the Mumbai market were some of these initiatives.

The fourth edition of the 'Hindustan Times Leadership Summit' was held in November 2006. This well renowned forum considerably reinforces HT's position as a thought leader in the country. HT also organized the second 'Hindustan Times Luxury Conference' in

association with 'Mint' during March 2007. The conference saw the participation of senior executives of some of the best global luxury brands and is set to become one of the most important conferences in the country.

## **OUR BUSINESS STRATEGY**

We are committed to further strengthen our position as a growing diversified media house and enhance shareholder value by investing into new segments and by expanding our geographical footprint. We will continue to invest behind our product in order to enhance consumer experience.

*Improving our leadership position across markets*

We continue to maintain our strong position in Delhi, Chandigarh, Bihar and Jharkhand due to our strong content based and well designed product. We plan to expand our geographical presence to attract high quality advertisers. In newer markets like Mumbai, Uttar Pradesh and Punjab, we plan to increase our market share through introduction of innovative supplements that provide relevant reading material which will lead to high revenue growth.

*Expanding and leveraging our national footprint*

Being a national newspaper is a significant advantage that we consistently seek to leverage. A wider presence enables us to offer advertisers enhanced visibility at far more competitive prices. A key focus area for us is hence to widen our geographic footprint in all our areas of operations.

*Improving our customer focus*

Based on our extensive research and understanding of reader preferences, we endeavour to constantly upgrade our product offerings and develop a long-term relationship with our readers.

*Our competitive strengths*

Our expanding footprint, cross media presence, nationally recognized brand, large and modern operations, decades of experience in the industry, editorial capabilities, deep customer relationships and a strong market position in both the English and Hindi segments, combined with a professional management team, provide us with a significant advantage over other players in an industry that is highly fragmented and intensely competitive.

*Strong Brand Equity*

Both 'Hindustan Times' and 'Hindustan' are well established and widely recognized brands. Our brands are associated with high credibility and standing which helps us build a strong consumer base. Our brand loyalty has enabled us enter new segments and gain a relative market share in a short time span. 'Mint', 'Fever 104' and 'Metro Now' were launched during the year and already have loyal consumer bases.

We have continuously strengthened our position as the second largest print media company by revenues. 'Hindustan Times' is a market leader in Delhi with a significant presence in Mumbai, whereas 'Hindustan' has a presence in many Hindi language markets; noticeably in Bihar, Jharkhand, Delhi and Uttar Pradesh. 'Hindustan' was the first and only Hindi newspaper to go all colour in Delhi and other markets. With our strong presence in Delhi and increasing presence in Mumbai, we are well positioned to leverage national advertisement opportunity.

## Large scale operations

Our strong pan-India presence enables us cater to our customers and advertisers and source news on a national basis.

## Modern technology-led infrastructure and large printing capacity

We continue to invest in new technology and modern printing infrastructure. Presently, we have printing facilities in 15 locations including a state-of-the-art printing facility at Greater Noida.

During the year, we successfully tested the implementation of 'EIDOS' in 'Mint' – a comprehensive editorial software that integrates seamlessly with Print, Web, TV and Mobile platforms.

We also invested in revitalizing SAP to bring efficiency and process focus in all areas of operation.

## Other perspectives

### Supply chain

As discussed earlier, newsprint rates continued to firm up at the beginning of the year. Production costs also remained strained on account of high power costs, overheads and oil prices. However, a strengthening of US dollar contributed to a softening of rates during the second half of the year.

The declining consumption in US made some of the North American producers cut down their capacity quite significantly. HT Media was the first in the country to develop a new source in Asia. This strategic shift in sourcing newsprint from South East Asia (including China) helped us negotiate better deals and to soften the impact of a sustained fourteen quarter price increase trend.

We have also rationalized our procurement plans to optimize inventory levels and look to leverage. We look to leverage our scale and large volume requirements to drive down our input and raw material costs.

### Production

Efficiencies and productivities across all facilities showed healthy improvement. Machine efficiencies clocked highest ever figures and our production infrastructure was profitably leveraged to do outside printing work. Raw material wastage figures continued to decline for the third successive year.

Small group activities in plants enhanced employee involvement. A major thrust was given to Quality. Innovative systems were rolled out to all production locations across the country, which helped standardize best practices and develop a quality-focused work culture. Not surprisingly therefore, HT Media was awarded the SNAP certification by the Newspaper Association of America confirming the organization's high capability to reproduce advertisements.

### Internet division

Our internet operations have expanded significantly with the re-launch of 'hindustantimes.com', well positioned to become the best-in-class news website along with the launch of 'livemint.com'. Capitalizing on our strengths of being a large newspaper player in the matrimonial, real estate and recruitment segments, we plan on creating verticals in the internet space. Internet is still at an ascent stage in India and we believe that it has a high potential for growth.

## REVIEW OF FINANCIAL PERFORMANCE

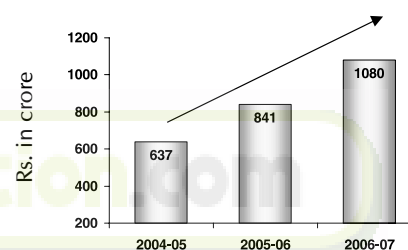
HT Media's financial performance for the year under review has been extremely encouraging and demonstrates the success of the Company's strategy and its implementation.

Our revenues for the year increased by 28% to Rs. 1,080 crore, driven by better advertising and circulation revenues. This was primarily due to the contribution of our Mumbai edition to the overall performance and contribution to the earnings from our Chandigarh operation, where HT Media is now the No.1 player.

Advertising revenues registered a 33% increase from Rs. 658 crore in FY2006 to Rs. 877 crore in FY2007, led by continued growth in print ad spends by advertisers, improved market share of our editions, contribution from the Mumbai edition's ad-revenues and increased sourcing of ad revenue from Mumbai for other editions. This contributed to the strong growth in our overall revenues.

Our revenues from the sale of publications was flat at Rs. 136 crore in FY2007. The increase in revenue through increase in circulation of

Revenue - increase by 28%



copies was offset by lower realization at Mumbai.

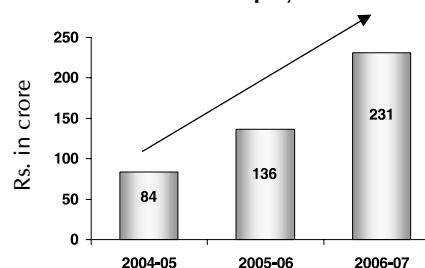
Our total expenditure during FY2007 increased by 20% to Rs. 849 crore, although as a percentage of sales, total expenditure was lower at 79% of total sales, compared to 84% last year.

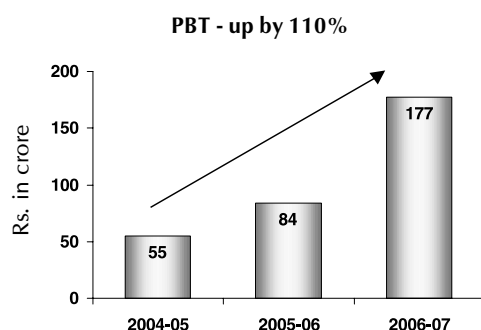
Raw material costs increased by 27% to Rs. 432 crore in FY2007 as newsprint prices remained firm during the year. We have been able to leverage our better purchasing power enabled by our large size of operations and long term relationships with leading international newsprint manufacturers to secure raw material at lower than market prices, thus limiting the impact of newsprint prices that are currently at levels close to the highest in several years. We also employ a judicious mix of domestic and imported newsprint to optimize costs.

Employee costs increased by 25%, reflecting additional editorial, marketing and support staff for new initiatives added during FY2007.

Our profits before depreciation/amortization, interest, exceptional items and tax (EBITDA) for the year was higher by 69% at

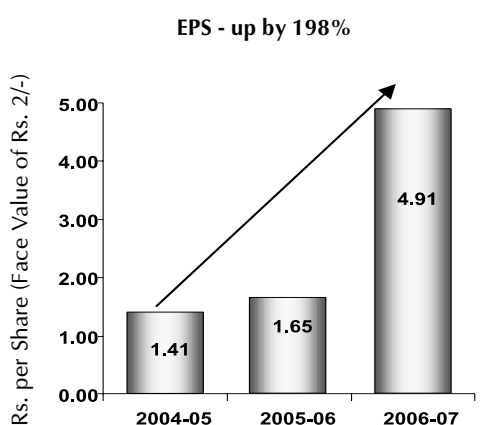
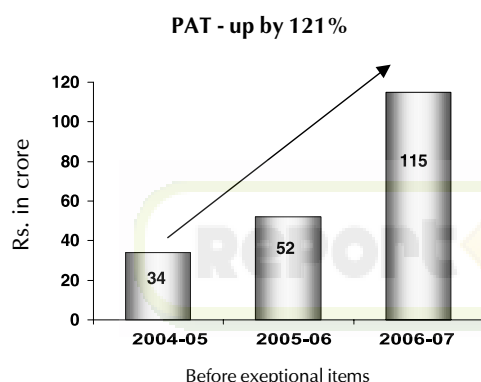
EBITDA - up by 69%





Rs. 231 crore due to healthy growth in top-line and improving returns from past investments in business. Profits before Taxes and Extra-ordinary Items increased substantially to Rs. 177 crore from Rs. 84 crore.

Profit after Tax (before Extra-ordinary Items) has increased by 121% to



Rs. 115 crore. Earnings per share has also increased by 198% to Rs. 4.91 per share.

Our operating results for FY2007 clearly signify a progress in the direction of our business, which aims for a long term sustainable growth in performance.

## OUTLOOK

The economy is expected to continue showing strong GDP growth that may in turn result in an attractive growth opportunity for the advertising industry and in particular the print business. Increasing

urbanization, literacy rates and an English speaking population should keep the readership levels and ad revenues from the newsprint business strong.

With the launch of new editions and healthy growth in the existing ones, we foresee 'Hindustan' being a preferred choice for local and national advertisers.

Deriving synergies from our existing operations, we plan to expand our presence in other regions across the country both through 'Hindustan Times' and 'Hindustan'.

In a fast expanding economy, business dailies are becoming a necessary advertising medium. A premium newspaper like 'Mint' attracts a quality audience of influential decision makers.

Radio contribution to the ad revenue pie is currently around 3%. It is expected to increase by a significant extent due to entry of new players, penetration from young audiences and a loyal listener base. It is planned to launch a 'Fever 104' FM station in Kolkata during the next year.

With the internet swiftly gaining credibility and importance as a communication medium, your Company has already relaunched its website 'www.hindustantimes.com', besides launching 'livemint.com' on the EIDOS/Microsoft platform.

The outlook for the next year remains promising. New initiatives that have been implemented in the recent past should gain operational maturity and enable the Company maintain its pace of growth in the year going forward.

## RISKS AND CONCERNS

Factors like escalating lending rates, high inflation and increasing regulatory controls may slow down the economy from its existing growth rate of 9% and therefore, may reflect an adverse impact on the industry as well as the Company's performance. Efforts are taken to mitigate this through new product offerings and adopting an integrated selling approach.

The risks applicable to the newspaper industry in general apply to the Company as well. Increase in the global oil prices, entry of new players and escalation of newsprint cost can impact the profitability of the Company. Any additional revenue generating opportunity created outside the main business segments would mean additional consumption of newsprint.

Also new business ventures may fail to deliver and see declining returns if they do not generate interest or have heavy cost structures.

## INTERNAL CONTROL SYSTEMS

As part of listing requirement, the Company engaged Ernst & Young to develop an ERM framework for managing business risks and for laying down a process to evaluate the effectiveness of internal control systems. They have mapped all the processes and developed a 'Risk and Control Matrix' to identify the internal control gaps and suggest suitable mitigation plans to overcome the associated risks. These mitigation plans are being continuously followed up and implemented to remove the internal control gaps. During the current year, the company has also mapped lot of its processes on SAP to reduce dependency on people and significantly improve the internal controls.