

CyberMedia
Investors/Analysts Conference Call
October 26, 2005

Moderator:

Good evening ladies and gentlemen. I am Parimala, the moderator for this conference. Welcome to the conference call with CyberMedia. During the presentation, all the lines of the participants will be in the listen-only mode. I will be moderating the question and answer session. I would like to hand over to Mr. Pradeep Gupta of CyberMedia. Thank you and over to Mr. Gupta.

Pradeep Gupta:

Good evening everybody. For the first few minutes, let me just take you through what has indeed been another good quarter for CyberMedia. I am sure you would have seen the investor release, however, I would like to give some of the highlights.

In terms of the net profit, there has been a 51% Year-on-Year (YOY) growth, and a 26% increase in revenue. This quarter has been particularly interesting for us due to the tie-up that we had with CMP Media. CMP Media, as some of you might know, is a \$350 million media giant in the United States that has a number of publications including the flagship brand being *Information Week*. We have entered into a Joint Venture (JV) with them for a product called *Global Services*, which has a 50:50 investment. Some of the specific highlights have been that the three core businesses — publishing, research [taken up by IDC] and online [taken up by CIOL] have all shown remarkable growth. I think, I had mentioned during my previous conference call also that the online revenue has been showing a very good growth YOY. Online saw a growth of 72%, research revenue marked a 56% growth, while publishing revenue grew by 40%. If I were to combine the first and second quarters, then the net profit for the half-year ending is up by 65%. This, of course, includes the Rs. 2.85 million that is out of other income. But if I look at the total figure, it is an increase of 65%, and the gross income is up by 28%. The Earnings Before Interest, Depreciation, Taxes and Amortization (EBIDTA) of the company have also been going up. Thus, it's a 48% YOY increase that we have had in H1, and the EBIDTA has gone up from Rs. 39.47 million to Rs. 58.26 million.

In terms of the new project that we had talked about at the time of the IPO, I have already mentioned about our JV with CMP Media, and we will be coming out with the first issue in January '06. *Biospectrum*, another sister publication has received the approval from the Singapore Government, and we would be ready to launch it also in January 2006. We foresee scope for a sizeable growth in the content BPO business. In lieu of the same, we have set up our office in London and appointed a full-time employee. We have done the same in the U.S.A., wherein we have set up an office, and are in the process of hiring a full-time employee. We have been able to appoint locals in both the places, as they would be better suited to handle enquiries.

The multimedia and event businesses, the two essential businesses, were slightly low-margin for us. In these two businesses, we have been shifting our focus to the higher-

margin business, so the strategy is to look more at the bottom line and not just chase the top line. Another thing that we decided during the board meeting today was that these subsidiaries, which are 100% owned by CyberMedia, should be merged back into the main company, so that a consolidated portfolio is available.

In terms of looking ahead, I think the sort of growth that we have shown so far is likely to continue. The company is on a growth path, and will continue to grow. All the sectors whether it is IT or telecommunications or biotechnology, we are continuously showing a robust growth. Due to a robust growth in the sectors in which we are operating, we are seeing an increased communication spend. An increased communication spend definitely augurs a good business for us.

I would like to conclude with these opening remarks, and open this forum to a discussion. It will be my endeavor to provide suitable answers.

Moderator:

Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press *1 now.

First in line is Mr. Nimish Chandan from Birla Mutual Fund. Over to you sir.

Nimish Chandan:

Yeah, hi! Congratulations on the good numbers. If you can just dwell a little more on the content-BPO side, and what kind of investments are you looking at in this part of the business, and when are you likely to show good numbers in this segment?

Pradeep Gupta:

As far as the Content-BPO business is concerned, we have already built up the capacity, for 360 people. Currently, about 108 people are deployed in this particular groove, plus as I mentioned earlier, we now have an office in London as well as in New York, so that we can do direct sales. The commencement of this particular business happened on June 1st '05, and you will be able to see this. If you look at the financial figures under Media Services, it will show the numbers that we have been able to make. The total amount of loss that we have shown in our balance sheet is Rs. 5.71 million for the H1, and it includes the impact of the above-mentioned losses. But for these losses, CyberMedia's performance would have been much better. The total investment that has gone in so far, in terms of building the entire capacity, was roughly about Rs. 2 crores or so. So that is the sort of an investment, which has already been made by us.

Nimish Chandan:

Okay, for the quarter you had about Rs. 4.3 million of loss in this business. Is this figure likely to continue for the rest of the quarters this year or do you see some kind of upward or downward change?

Pradeep Gupta:

I am sure you will appreciate that in Q3 the number is likely to be similar, however, towards Q4 we will start seeing a reduction taking place in this number as we start generating more revenue, and start executing on those orders that we start getting. But yes, even in Q4, I think we will still have some losses that will be there, which will of course be lower than this particular number.

Nimish Chandan:

Okay, thank you.

Moderator:

Thank you Mr. Chandan. Next we have Mr. Sadanand from Kotak. Over to you sir.

Sadanand:

Hi! I just want to understand how is the operating environment on the advertising front? Have you been able to get any advertising rate hike, and what is the outlook?

Pradeep Gupta:

In terms of the advertising rates, we have included three different rates in our rate card. There is an economy rate, a business rate and a first-class rate. Over time, what we have been noticing is that there has been a shift that has been happening in terms of more people advertising in the front or the rear pages of the book rather than the back, and because of that particular reason our realization per head per ad is something that has been going up. In terms of the overall outlook on the advertising front, as I mentioned each of the three areas that we are in, are showing good growth. There is a competitive environment in each of the areas, and because of that we are showing a good growth in terms of the top line as well as, of course, the bottom line. As you might know, in the print business there is very little increase in cost in terms of the direct cost that happens, and that is what is reflecting in a strong growth in the bottom line.

Sadanand:

Okay, thank you very much.

Moderator:

Thank you Mr. Sadanand. Participants who wish to ask questions, may please press *1 now.

Pradeep Gupta:

I would just like to add one more thing to the previous question, which was asked by Mr. Sadanand. As you know *Pitch* magazine had recently done a survey on the entire media industry, and found that the highest growth that they are expecting in the entire media industry was the highest in terms of online, followed by print. In fact, print is expected to better television this year. Growth in television is expected to be nine or 10%, while print is expected to grow by 15%. So those are the some of the numbers that I think analysts may be interested in.

Sadanand:

Right, I just have one question on that. Hello?

Pradeep Gupta:

Yeah!

Sadanand:

How is your online job portal doing? How is the operating environment there?

Pradeep Gupta:

On the online job portal, the losses are still there. If you look at note #3, the total number of losses, which were primarily incurred on account of brand-building expenses we have incurred, amounting to almost a crore or so. Once again, you know, if these losses had not been there, the performance would have been still stronger, but this is again something that was planned for. In terms of the brand building, what has happened in this market is that unlike a lot of other markets where CyberMedia has always been a pioneer, this is one market where we are late entrants. Strong players like Naukri, Monster and Times Jobs are already there on the pitch. So we have taken a focused approach that we are only looking at technology jobs, not at technology-related jobs.

Moderator:

Mr. Sadanand

Sadanand:

Yeah, yeah, I am here.

Moderator:

Sir, there is some background noise coming through your line, somebody is speaking in the background I think.

Sadanand:

Okay, I will take care of that.

Moderator:

Mr. Gupta you can go ahead sir.

Pradeep Gupta:

Yeah. So I was saying that what has been happening there is that you are looking at a much better skill set and so on. Now towards that when we started off in April, we had about 16,000 people whose CVs were there with us, but today that number has almost reached about 75,000. In terms of the total number, because you know, we started an HR newsletter, which was our way of getting more and more job seekers to come on, the total enrollment that is now there is about 180,000. Now our goal is two-fold. One is to increase this number of 180,000 and also to ensure that more conversion happens, which means that these people then actually provide their CVs as well. So last six months have

been good, now we need to move into the next step of making it monetary. In terms of *Dice Inc.*, getting acquired by General Atlantic Partners in the US — General Atlantic Partners is, of course, looking at an aggressive strategy of globalizing the entire business. I think, we see good numbers and good growth coming here. Again in terms of Q3 and Q4, we will have losses in this particular business, which will mainly because we will take time to build the brand, but next year we are looking at the break even in this business.

Sadanand:

I have a follow-up question to that. What kind of an up-scaling opportunity on the top line side you would be looking at going forward?

Pradeep Gupta:

On the up scaling of the top line, I think the two businesses which are going to really contribute to growth are both international in nature. One is *Global Services*, which I think that over the next three years should be able to generate a business of \$5 million. If we are running an international magazine until and unless we look at this sort of a business happening, it does not make sense for us to run it. That is the sort of a goal that one would set for that publication. The second one is, of course, the content BPO work that we are doing, and in CyberMedia Services once again we think that over the next three years, we should be able to build it as a strong business. So these two businesses are expected to be solid contributors to the top line. In terms of the bottom line, the impact of both of these will obviously come in more towards the latter half of 2006–07, because initially there will be an investment phase that we will be going through.

Sadanand:

Okay.

Pradeep Gupta:

But again, you know that in terms of the investment phase, considering the fact that the three core businesses — online, research and publication — all three of them are growing well and are showing good profitability. There is sufficient strength available in the company to be able to absorb those investments. In terms of *Global Services*, of course, what has also happened is that our exposure is now de-risked owing to the 50:50 JV with CMP, and since they are putting in half the money and we are putting in half the money, the total exposure that we had earlier planned for was also half, and the total investment that we were planning to make in that also becomes half.

Sadanand:

Thank you very much.

Moderator:

Thank you sir. Next in line we have Mr. Rabindranath Nayak from Capital Market.

Rabindranath Nayak:

Hello.

Pradeep Gupta:
Hello Mr. Nayak.

Rabindranath Nayak:
Sir, can you please give me the break up of the revenue, i.e., advertising revenue coming from the economy, business and first-class rate?

Pradeep Gupta:
I do not have this really available with me right now. I could definitely e-mail this to you.

Rabindranath Nayak:
Okay.

Pradeep Gupta:
Let us finish this and I will email that to you. There are other people also who are interested then I could... can I have your email ID please?

Rabindranath Nayak:
Rabindranath@capitalmarket.com

Pradeep Gupta:
Sorry Rab, okay, Rabindranath.

Rabindranath Nayak:
Yeah, another thing, how do you see your tie up with *Business Week* happening?

Pradeep Gupta:
Well, *Business Week* is, you know, in a bit of suspended mode right now that is what I had informed the stock exchanges earlier. Because you know, once the government policy came out which permitted either 100% foreign content with no Indian ads and no Indian content, which means essentially it becomes a print and distribute option or the other option, which is like you can own only 20% of the content from the foreign title and 80% has to be our own content. Those models were not the kind we were looking at for *Business Week*, because in that we wanted something where 80% of the stuff would come from *Business Week* and 20% would come from India, because it was being positioned at the global Indian, and then gradually over time we would have moved to 70:30 and 60:40, and finally we were hoping to settle at the 60:40 range. Here it is you know either 100:0 or 20:80. So therefore we discussed the entire thing with the McGraw Hill group of companies, and we said that let us work out what should be the entry strategy now, so we have been continuously sort of trying to figure out what would be the best way of doing it.

Rabindranath Nayak:
Okay, thank you sir.

Moderator:

Thank you Mr. Nayak. Next is the follow-up question from Mr. Nimish Chandan of Birla Mutual fund. Over to you sir.

Nimish Chandan:

Yeah, hi! Again. I guess by '07 you will have a more stable model, like the businesses that are taking in investments currently would start showing up numbers. So for '07 what kind of business mix or revenue mix do you see from different segments?

Pradeep Gupta:

Right now, I think I would wait for another quarter before I gave those mixes, so you know as I mentioned the two areas that we are in are high-value areas, high-value growth areas, but at this time I would just like to wait for another quarter before giving you those numbers.

Nimish Chandan:

Okay, fair enough. On the margin side, we have seen some good improvement, but on the steady state what kind of PAT margins would you be targeting?

Pradeep Gupta:

These are better because, you know, if you look at these numbers you might find that even the manpower cost is something that has gone up for the company because as you must all be aware of that today you know in the media world there have been a number of battles that have been going on, and consequently there has been a pressure in terms of manpower cost as well. So we also have gone ahead and have revised our manpower cost as well, and these numbers that you see are despite those changes that we have already incorporated.

Nimish Chandan:

These increments in manpower cost were affected in the last quarter, this quarter ending September?

Pradeep Gupta:

Yes, they have been, you know, we do it twice a year, so some bit of it started happening from 1st of April and some bit of it would happen from 1st of October.

Nimish Chandan:

Okay, all right thank you and all the best.

Pradeep Gupta:

Thank you

Moderator:

Thank you Mr. Chandan. Participants who wish to ask questions, may please press *1 now. I repeat, participants who wish to ask questions may please press *1 now. At this

moment, there are no further questions from the participants. I would like to hand over the floor back to Mr. Pradeep Gupta for final remarks. Over to you sir.

Pradeep Gupta:

Okay, so finally what I would basically like to say is that the globalization track, which we have taken, is something that is definitely going to take CyberMedia places. We are the first Media group in India to launch a truly global publication, which we are now more or less in the final stages of doing and from 1st January we would have launched two international publications. In terms of media services, again it is a high-growth area, so the company is essentially entering into specific areas, which are high-growth areas, and because of those investments that are now being made by the company, we definitely would ensure that there is a good return for the investor. With that I would like to thank all the participants for having spared their time and to be with us today. Thank you very much.

Moderator:

Thank you very much sir. 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 evening.