"Music Broadcast Limited Q4 FY-18 Earnings Conference Call"

May 23, 2018

MANAGEMENT: **MR. SHAILESH GUPTA – DIRECTOR, JAGRAN PRAKASHAN LIMITED**
MR. R. K. AGARWAL – GROUP CFO, JAGRAN PRAKASHAN LIMITED
MS. APURVA PUROHIT – PRESIDENT, JAGRAN PRAKASHAN LIMITED & DIRECTOR, MUSIC BROADCAST LIMITED
MR. PRASHANT DOMADIA – CHIEF FINANCIAL OFFICER, JAGRAN PRAKASHAN LIMITED
MS. SANGEETHA KABADI – IR TEAM, MUSIC BROADCAST LIMITED
MR. JIMMY OZA – IR TEAM, MUSIC BROADCAST LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Music Broadcast Limited Q4 FY18 Earnings Conference Call. This Conference Call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a remainder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Apurva Purohit – President, Jagran Prakashan Limited and Director-Music Broadcast Limited. Thank you and over to you.

Apurva Purohit: Good Morning! I welcome you all to the Earnings Conference Call for quarter ended 31st March, 2018. Along with me I have, Mr. Shailesh Gupta, Director– Jagran Prakashan Limited, Mr. R.K. Agarwal, Group CFO, Mr. Prashant Domadia, MBL CFO, Ms. Sangeetha Kabadi and Mr. Jimmy Oza from our IR Team along with Payal from SGA.

Firstly it gives me great pleasure to inform you that in Q4 we recorded revenues of Rs 75.9 crores at a 14% revenue growth on YOY basis. This helped us deliver an EBITDA of Rs 27.4 crores with a growth of 65% YOY and thus our margins in this quarter are a very commendable 36.1%. PAT is at 16.27 crores with 21% margin.

Some of the reasons for this creditable performance are as follows:

- Revenue growth has continued due to volume increase in the New Stations and robust value and volume growth in other stations given the improvement in the macroeconomic scenario.
- Our Phase III stations have performed better than our estimates and have delivered a healthy utilization levels. If you remember we had guided 2.5 years as a breakeven period for these stations, however, I am happy to inform that these stations have already achieved a break even within 15 months and will start contributing meaningfully towards the EBITDA in the quarters to come.
- We have seen an increased focus of advertisements from sectors like BFSI, Auto, Real Estate etc. Government continues to be a major contributor to our revenue.
- This encouraging thrust from all the categories is only proving that with a positive shift in macro economic factors the operating leverage of our business model and the consistent competitive advantage our network has; will help us in sustaining these margins in the quarters to come.

We would also like to inform you all that, we recently acquired Friends 91.9 FM in Kolkata from Ananda Offset Pvt Ltd. (subject to MIB approval) which gives us an entry into one of the Top 5 markets of the country. Friends FM is an established brand since last 10 years and we have been their sales alliance partners for last 5 years. The station runs at an EBITDA margin of 20% which has a potential to go up further as the synergies post the acquisition play out. It will also expand our reach to 72% of the FM population which currently stands at 62% with 39 stations.

For the year ended March 2018, our topline revenue stands at 298.3 crores delivering 10% growth. We had initially anticipated EBITDA drop of couple of points due to the Phase III investment phase, but we are extremely pleased to inform you that our EBIDTA is at 97.1 crores with a margin of 32.6%. PAT grew by 41% from 36.7 crores in FY17 to 51.7 crores in FY18.

- In the consecutive 7th year, we have grown more ~2% more than the industry and for the year specifically we did a total volume growth of 8% against the industry growth of 5%. We now enjoy 21% volume share in 15 Aircheck markets
- Our listenership market share percentage has remained intact in Mumbai and Bangalore. In Bangalore, we top the position by with a share of 25% of the listeners and in Mumbai we hover around 13.7%.
- Recently, as per the RAM findings, we stand at second position in the Delhi Market, enjoying the listenership of 12.4%. These ratings strengthen the loyalty conferred by the listeners and motivate us to provide them with even better and refined content.

As we have covered most of the financial numbers in our investor presentation, we can now open the floor for question and answer.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Yes, thanks, my first question is Phase-3 stations. You have attained profitability in 15 months vs the 2.5 years of target. So, what's driving this and which are the stations which are not done well. You have highlighted five to six stations which have done better, however which are the ones which have not done well?

Apurva Purohit: There are 2 to 3 reasons for this growth. Clearly the network effect of all our stations and our ability to sell to national clients in these markets has been better than what we had thought earlier. And obviously the advertisers were looking for this expanded geographical reach that we have been able to give them. Equally in all the markets that are doing well, Abneesh the local advertisers have also picked up quite substantially, and when the effective rates of the local and national advertisers are same, we are able to get this kind of an uptake. The markets that are not particularly not doing well are, Sangeetha will tell you.

Sangeetha Kabadi: Actually, if you see, all the 11 markets are going as per what we expected them to be. There are these set of 6 markets, who are doing exceptionally well which has helped the breakeven happen faster against the 2.5 years to 15 months. And these markets are Kanpur, Kota, Udaipur, Kolhapur, Nasik and Patna.

Abneesh Roy: And in terms of the National and retail corporator vs retail local split, how does Phase-3 station compare vs your overall legacy stations, and in terms of the inventory utilization how is Phase-3 stations in Q4 and for the full year?

Sangeetha Kabadi: Phase-3 stations like we already said for the breakeven we need to be around 40% of the inventory utilization. So, Phase-3 stations have hit 40% in the Q4 and hence the break even. Talking about the corporate-retail split, we are expecting the DAVP, which is the national government to also start participating. Ones this starts happening, obviously the growth trajectory would be far better, and the corporate impetus will be even higher.

Abneesh Roy: And in terms of the split, in terms of revenue, could you give us the detail, Corporate vs. Local.

Sangeetha Kabadi: As of now it is 60:40.

Abneesh Roy: In Legacy or in Phase-3.

Sangeetha Kabadi: The Phase-3 I am talking about.

Moderator: The next question is from the line of Lakshmi Narayanan from Catamaran. Please go ahead.

Lakshmi Narayanan: I have one question related to the Radio Mantra station. So, what has been the utilization, what has been the revenue growth from these stations and what is the contribution of revenues of Radio Mantra?

Sangeetha Kabadi: The Radio Mantra stations have continued the growth in line with our legacy stations. Primarily when we started 3 years back it came from the lot of corporate, the network users. As of now Radio Mantra set of stations contribute to 11% of our overall revenue annually.

Moderator: Thank you. The next question is from the line of Srinivas Seshadri from Mirabilis. Please go ahead.

Srinivas Seshadri: The first question is regarding this acquisition that we announced. I had a few sub-questions here. You have mentioned that the purchase consideration is Rs. 35 crore and there is a working capital adjustment of some Rs. 9.24 crore. So, the first question is whether these Rs. 35 crores are inclusive of this Rs. 9.24 crore or not. Secondly, in radio business, my understanding is working capital is primarily receivables. So, if I look at the revenue of about Rs. 10.8 crore in FY17 and may be add some kind of percentage growth in FY18, still the receivables look on the higher side. So is there any, situation here, and if yes then what kind of recourse we have in case there are some bad debt situation after we absorb the operation and the final question regarding that is, what is the effective date of financial integration of this operation. And if I can just squeeze a second question, the days outstanding in terms of receivables have gone up from about 110 days to about 135 days. So, what has been the reasons for this increase on a y-o-y basis for the company and how do you see that going forward? Thank you.

Apurva Purohit: Let me answer the last question and then Jimmy will talk about the acquisition. So as far as the days receivables are concerned, the increase is primarily due to government receivables which I think across the media industry have gone up significantly for all players. There is a large chunk that the government typically clears in Q4 which did not happen. Having said that, subsequent to March, the government has started clearing their historical dues, and April, May, June, we have been getting the payments from them. Non- government dues frankly have not changed dramatically, and the change is hardly a couple of days from what it was last year.

R. K. Agarwal: Just to add to that, Mr. Seshadri, this time what has happened is, this year there was 2 to 3-year end holidays, that also caused poorer recovery, number one, especially in case of government. Secondly this service tax rate which used to be 15%, now GST is 18%. So, as it is, there is a 3% increase in number of days on account of GST getting blocked. Thirdly, in Q4 you have seen the highest growth. So, on an average it may look like some debts and some number of days have increased, but in reality, it is accumulation of debtors out of the sales in the Q4.

Jimmy Oza: As far as the acquisition is concerned the Rs. 35 crores includes Rs. 9.24. So, under balance sheet, they are supposed to keep the Rs. 9.24 crores as the working capital in the books. Having said that, yes, the Rs. 9.24 crore as compared to top-line is very high in case of Radio industry. And it also has a susceptibility of not being collected. However, we have secured ourselves by a one-year indemnification, where in if we are not able to collect Rs. 9.24 crore within one year, Ananda offset will repay that money back to us.

R. K. Agarwal: In other words what Jimmy is saying is that this clause what we kept in the agreement is only on account of that as you are apprehending out of Rs. 9.24 crore if anything goes bad, we will have that amount coming back to us. And for that we have already kept a deadline of 365 days from the date of our agreement. Secondly, it has been acquired through slump sale and effective date is 1st April. Am I right Jimmy?

Jimmy Oza: No sir, it will depend after the MIB approval date sir.

R. K. Agarwal: Okay. MIB approval date.

Srinivas Seshadri: Okay. So that will be separately intimated when it happens!

Apurva Purohit: Yes

Moderator: Thank you. The next question is from the line of Amit Kumar from Investec. Please go ahead.

Amit Kumar: Just a couple of bookkeeping questions if I may. 14% growth that you have seen in this particular quarter you know exactly how much the contribution from the legacy stations and you know what is the contribution from new stations. What is the sales contribution of new stations in this particular quarter if you can help me with that?

Apurva Purohit: Half of the growth has come from legacy stations and half of it has come from the new stations obviously all the 7% growth that has come from the new stations is volume lead and the 7% growth that has come from the legacy stations, half of it is rate lead and half of it is volume lead. And I specifically here want to stress the volume increase that we see in our legacy stations which was a little average in the first three quarters. Which ties in very well with the fact that we are seeing resurgence in quarter 4. We are seeing all categories increase their spends and as government, BFSI, auto, etc. start increasing the spends, they end up filling volume in all our 39 markets.

Amit Kumar: Just to get this right, because there are Rs. 10 crores increase broadly in your topline, around Rs. 9.5 crore increase. So, you know 50% coming from new stations would imply about Rs. 5 crores is the revenue from new stations. Is that estimation correct?

Apurva Purohit: Yes, broadly.

Amit Kumar: More of a book keeping question here. Your other expenses have declined both on a y-o-y as well on a Q-o-Q basis. 7% decline y-o-y. And 12% on a Q-o-Q basis. So just wanted to understand which particular line item within the other expenses is driving this?

Apurva Purohit: Our collections have been better and as you know that we have a very conservative policy where we provide for 180 days plus. So Q4 typically ends up being a good collection quarter and therefore there are write backs happening in that quarter. That's some of the quarter cost savings. Having said that, on an annual basis I think we were pretty much clear that the year is going to be a reasonably average year and therefore we took enough cost saving measures into consideration whether it is efficiency building measures or at a particular point in time looking at head count and seeing that the variable part of the head count doesn't change much etc., etc.

Amit Kumar: Sorry I just want to get this right. Did you take any sort of provisions in the first 3 quarters which were sort of reversed in this particular quarter and if you could quantify that?

Apurva Purohit: Anything that goes above 180 days we provide for it in our books every quarter It's an on-going impact. And it continues, its there every year.

R. K. Agarwal: Prashant please clarify what Amit is asking. Did we have any write back in Q4 on account of these provisions. That is what he is asking, that is one part, because the collection improved that is what madam was explaining Amit. Secondly if I am not mistaken, in Q4 of the last year, there was certain news station launch expenses as well.

Amit Kumar: Yes, I remember that as well. So, what will be the quantum of that write back if you please help me. Would it be fair to say that the annualized run rate number? This quarter you have other expense

R. K. Agarwal: I do not think that it is going to be much Because I think for whole of the year, they had added additional provision of I think Rs. 2 crores or Rs. 2.5 crore.

Amit Kumar: Alright. Understood. So final question from my end is, there is a little bit of divergence between, and we have seen sort of very limited data on radio from an IRS perspective. There is a little bit of divergence between IRS and what RAM is reporting. So, if you can just comment on that, and then of course we have the new currency that is expected to come through in the next 6 to 9 months. I guess by the end of this year. On that also if you can give us any sort of update that you might have.

Apurva Purohit: The radio industry is in talks for a while now, on which agency to look at and they went through a very detailed analysis of looking at the technical parameters etc. and finally currently there are 2 agencies short listed. And the cost negotiations are going on as well as well as discussions on how many markets will these agencies cover. Everybody has their specific markets that they are interested in getting measurement for. It has taken longer than all of us anticipated but we are very hopeful that it will close some time in this particular month and hopefully in H1 itself we see some measurement out. Having said that I have always maintained that while that is something that is good for the industry and that is something that all of us will work together to make sure happens, in the meantime, definitely at Radio city we don't believe in not proceeding, whether it is on internal programming or external sales without any proper research in place. And thus, for the longest time now we have been working on the AZ research and of course the RAM data that you are all already aware of. And I think AZ research is coming of great use to us in terms of improving on content. Having said that recently, we also did a power of radio research. That was more of an industry research than a Radio city specific research, and this research we really did based on a lot of questions that you all were asking us as well as for us to understand that in light of the dramatic changes that are happening in media, in digital etc., what is the role Radio plays in today's media environment. We have shared this data with many of you. And I would like to reiterate that the research tells that out of all media, radio is the most credible medium, it is the most trusted media, the engagement of RJs is extremely high. We believe on the bedrock of this research and any other research that we or any other players do, will help validate to our advertisers that radio is the medium of choice. Because this research also pointed out that if you add radio to either print or television, it improves awareness and efficacy of advertising by around 17% to 30%.

Moderator: Thank you. The next question is from the line of Vikas Mantri from ICICI securities. Please go ahead.

Vikas Mantri: Just one question from my side. I wanted to know the growth in revenues from government that we got for the quarter and for the year?

Sangeetha Kabadi: Government as you know Vikas had been subdued for almost 3 quarters. In the Q4 specifically for the overall industry the government as a category has grown by mid 30s growth that is 35% growth. However, Radio City has grown by 50%. So, at an annual level they are still the largest contributing category. Still maintaining 16% share. To specifically answer your question, we have seen a government revenue growth for the year to the tune of 10% to 12%.

Vikas Mantri: For the full year it is 10% to 12% is it?

Sangeetha Kabadi: Yes.

Vikas Mantri: And what is this quarters' contribution. So, the 14% growth can largely be at attributed to government then ...?

Apurva Purohit: No. Actually, the categories that grew, of course government, the other categories that grew were the BFSI, auto and Real Estate also.

Vikas Mantri: No, no. I am asking the net contribution. So, can you share this quarter share of government in overall advertising for us? You have told us it is 50% growth.

Sangeetha Kabadi: Government for the quarter contributes around 18% to 20% the highest, followed by BFSI because BFSI anyways as we all know is very high in quarter 4 around 10%, and followed by real estate at 8%, Auto is 7%.

Moderator: Thank you. The next question is from the line of Ishpreet Kaur from Karma Capital. Please go ahead.

Ishpreet Kaur: If you all could share in the capacity utilization for the full year of the old stations and the new stations?

Sangeetha Kabadi: For the Old set of stations it is still at around 60% to 70% of the inventory utilization. For the new set we are between 35% to 40% of the inventory.

Ishpreet Kaur: And this year for the old stations, have we seen any price growth? For the full year.

Sangeetha Kabadi: Apurva has already mentioned that we have taken around 4% to 5% of rate hike in the legacy stations.

Ishpreet Kaur: And the new stations, would that be somewhere around 30% to 40% in terms of the rates of the legacy stations or would they be higher.

Apurva Purohit: Each market is different. Kanpur rate would be higher and Bikaner will have a very different rate. So, there is no comparison. And Bombay Delhi will be at a different level. You really can't compare in that sense, whether they are 30 or 40 percent of the legacy stations. What we look at is, when we enter a market is what is the rate in comparison to the stations that are already operatingin that market, and we always enter at above the average of that market. So, if the market is operating as say 300 or 400, we enter at a slightly higher and then slightly move up to the highest.

Moderator: The next question is from the line of Shobht Singh from Anand Rathi. Please go ahead.

Shobhit Singh: On the dividend side can we declare dividend in FY19 as I am assuming at some portion of accumulated losses are still left?

R. K. Agarwal: Yes, this time also we wanted to work out in case something is payable, or something can be paid, unfortunately as you rightly said, because of the accumulated losses Law does not permit us to make payment of dividends. By 2019 we are pretty confident that this would happen and even for the current year, let us see. If something could be done.

Moderator: Thank you. The next question is from the line of Vivekanand S from Ambit Capital. Please go ahead.

Vivekanand S: My two questions are, one on the strategic side where you mentioned that your strategy of having greater reach seems to be yielding better results than player which have depth. So, any thoughts on how long run growth for the industry should look like in light of your strategy of not having multiple stations in large markets. That's the first question. Secondly, on the cost initiative I understand you mentioned that there was some provision write backs in the current quarter. But in terms of the fixed costs of the business, what has changed at the aggregate level to help you deliver this kind of operating leverage? Thank you.

Apurva Purohit: So, let me take your first question. When we look at the expansion of the medium and we looked at the expansion of Radio City, I think the question that was in front of us was is where is the growth for Radio going to come from? And when we saw the numbers that radio as an industry had it was 4% of the entire advertising pie, its geographical reach was around 40% to 50% of urban reach which was half the size in terms of reach as compared to a media like television. So clearly, we saw that there was a possibility for this medium to expand geographically and for advertisers to benefit from the geographical expansion. It is not that the advertisers where not buying into the concept of radio. They were already spending a lot of money on radio, but because radio itself didnt have that kind of reach, the ability to spend was limited. Therefore, the moment we started our reach expansion, you have seen that the new stations have broken even earlier than anticipated, we are getting more volume uptake even on our legacy stations because for national advertisers they are clearly seeing this network as giving them 60% to 70% of the reach that they wanted. It is additive to what they are spending on television, and able to give them a multiplier effect.. In comparison there was the choice to go in for multiple frequencies and go deep down in a market. As a concept there is nothing wrong with multiple frequencies obviously if one is able to do segmentation well in big markets like Bombay, Delhi, Bangalore, which are mature markets, which have seen radio for the last 15 years, the ability to garner additional audiences is always there. Unfortunately, we realizes very early on that the kind of rates that we would have to pay for the new stations, for the multiple frequency stations would be extraordinarily high. As a consequence, it would limit us from trying to go into niche or segmented offerings. We would have to necessarily go and offer a me too option which is what has clearly happened with every player who has launched a multiple frequency. There is no difference between the core station and the secondary station whether it is in language or the kind of music which is typically Bollywood or popular film music. As a consequence what is happening is that it is cannibalizing from the mother station. And therefore, that is creating an inability for multiple frequencies to really expand their revenue pies. Whereas in comparison the moment we tell our clients that we had 40% reach now, we have 60% reach, immediately the clients are seeing a value proposition in the enhanced network. We believe that given the fact that growth in India takes its own time, this expansion that we have already done as far as radio is concerned will help us in the next 10 years benefit from the consumption story which is slowly moving to Tier-2 and Tier-3 markets.

Vivekanand S: My second question was on Fixed cost. I am convinced with this explanation. I want the answer to the second question.

Jimmy Oza: its fixed cost, as you know, the radio broadcasting is normally a fixed cost model. Having said that we can built in efficiencies in terms of operating leverages such as staff cost or say other operating expenses. Of course, apart from our provisioning write back we have done in this quarter. In the last quarter if you remember we had Phase-3 launches and secondly the IPO expenses which went in, so, that's where you had an efficiency coming in this year, And plus, the staff cost which Apurva madam has already said, we were very much in line with what to expect of the market and how much we should commit as our cost in terms of staff.

Vivekanand S: Any specific comments on marketing costs and rent and direction where this has headed for FY18 on the whole?

Jimmy Oza: On overall basis we see the marketing cost as more or less remain in line to what was there in last year.

Apurva Purohit: We look at it as a % age of revenue and more or less we keep it at a % age of revenue as far as marketing is concerned. Everything else is typically fixed cost and I think we had marginal inflation-led increases, there is nothing else.

Moderator: Thank you. The next question is from the line of Neeta Khilnani, from B&K securities. Please go ahead.

Neeta Khilnani: Two questions. Firstly, it will help if you can breakdown the utilization levels in that top 15 markets in FY18 and how we see this shaping in FY19 and also for these markets how the local and national advertisers are behaving in terms of growth and in terms of proportion as well. Second question is on the cost saving. We have spoken of cost savings I believe this quarter the EBITDA margin for legacy stations would be in excess of 36% because the news stations have broken even. So, what is the sustainable run rate that we anticipate going into FY19 and FY20.

Apurva Purohit: As far as utilization is concerned Neeta, we have typically talked about the big 8 markets and the balance markets and more or less the utilization levels have been 70% to 80% in the top 8 markets and around 60% to 70% in the next markets. Broadly that hasn't changed too dramatically in the last one year. On the local and national, 55% is national and around 45% is local advertising in our legacy markets. In our Phase-3 markets as Sangeetha has already mentioned its 60% corporate and 40% locals.

Neeta Khilnani: Are these behaving differently in terms of growth, so are you saying national is picking up much faster and local being slower?

Apurva Purohit: I think both have grown more or less equally. The point that I was making earlier is that when we added our 11 markets, it was easier for us to sell it as bouquet to our national advertisers. Which is why the proportion of our national advertisers in those markets is a bit higher. And that again goes back to the point that I have been repeatedly making that advertisers want enhanced reach. And that is what our network is able to provide to them.

Neeta Khilnani: And in terms of sustainable margins for the legacy stations?

Apurva Purohit: Obviously in Quarter 4, I mean if the average is 36% the legacy stations have been higher. We believe that if macroeconomic factors support us, as on an overall basis we ended the year at 33%, we expect that we will grow from there and I think they are very much sustainable as we have explained. It is a fixed cost business and largely whatever we put in the top-line does flow through to EBITDA. So clearly, we are saying that we will grow from 33% especially given the fact that Phase-3 stations have broken even. Of course, there is a seasonality impact which we should always remember. Q3, Q4 are the high margin generating quarters largely because of the way the seasonality plays out. But again, I repeat that 33% is in a sense the lowest we hit because of the investments that we made into our Phase-3 stations and now it's an upward trajectory only.

Moderator: Thank you. The next question is from the line of Aliasgar Shakir from Motilal Oswal Securities. Please go ahead.

Aliasgar Shakir: My question was related to this lock-in period which is expired in the radio market. And I understand it has been about 1.5 months since then. So just wanted to get your sense about, there would be many smaller fringe players how are they behaving, are they on the block and basically what is the kind of supply in the market for old stations and in terms of buyers, is there demand over there? Or there are limited buyers but too much supply which becomes a favorable environment for us.

Apurva Purohit: The answer here Ali is there will be some amount of consolidation clearly that will happen. There will be the individual stations, the fringe players as you say, smaller networks which are not aligned to either a big print major or to a large multimedia network which will be available. That's on the supply side. On the demand side I think most of the bigger player have done the consolidation whether it was through acquisition of new stations or the deals that happened prior to Phase-3. So, we don't think that there is going to be too many players on the demand side. Now does this demand-supply mismatch, therefore, make it very easy to acquire stations, I think it all depends on timing. There may be stations available who may be keeping the valuations very high. Over a period of time when either they realize that they can't sustain those valuations they will become more attractive. I think timing will be what will be of essence here.

Aliasgar Shakir: Okay. And the kind of utilization that we are operating and I think probably 2 to 3 years down we will require inorganic growth opportunity to continue the growth rate. So, in that context basically if we have to continue to grow I think that becomes very-very important for us so just wanted to get your sense of what are the inorganic opportunities we are scouting and what's happening on that end?

Apurva Purohit: Ali let me just correct your assumption here. Your assumption is that we will require inorganic growth to sustain our growth levels in the future, so I don't agree with that statement, because even now we are talking about growth and utilization, the 40% in our new markets and around 70% in our older markets. So, Point one there is still possibility to grow in volume; Point two is that in a muted and tough economy we were able to take a 5% rate hike. So, when the economy supports us, the possibility of taking a larger rate hike is very much there. And that gives us yet another growth opportunity. Point 3 is, I am talking about all radio players, not only just Radio City, we are looking at how do we keep on adding value within our FCT for our advertisers and thus our ability to increase rates. So specifically, in Radio City when we launched Audacity, when we started doing creative integration, when we started actually being able to give large properties like Radio City Super Singer, or RCFA to our advertisers, we have seen a price hike being given to us. So, from a stage when RCFA as a property was sold for 30 lakhs to 50 lakhs, this year we sold that property at Rs. over one crore. So that's the kind of expansion we are able to see in our non-FCT properties also. I think there is enough potential for us to grow within the 39 and shortly 40 markets that we will have. So, let me correct that point on inorganic being the only way to grow. Second point is that, as a business we have always believed in being very conservative and efficient as far as cost is concerned. I think all of us have seen how the economy behaves. There is a lot of volatility. If you take a five-year span, there are years that you will really see an upswing and if you remember we grew at 30% also one year and there will be years headwinds will not support us. So, we are always ready to benefit and extract what ever we can from the revenue upswing we get as a result of the economic environment but when we plan our cost, we are always very prudent. We always come from the point of view that our cost should be independent of economic tailwinds or headwinds. And that's how I think we have done well. So mentally if we start thinking that our only solution is inorganic growth we may end up taking unwise decisions., I think all of us should be very clear that if inorganic growth comes to us at a good price, good. If that doesn't come, that's also fine by us. Because there is enough opportunity within the network to grow.

Moderator: The next question is from the line of Manish Poddar from Renaissance Investments. Please go ahead.

Manish Poddar: Just wanted to get your thoughts on this pricing, let us say given the macros remain status quo and you have an election here, so what sort of pricing growth can we envisage for FY19?

Apurva Purohit: So, we hope to be able to take an 8% to 10% price hike which is double of what happened last year. We have started our talks with all our long-term clients. Let's see how that goes. It's really between Q1 and Q2 where these kinds of conversations happen.

Manish Poddar: Can you probably give us the revenue, EBITDA and PAT number for Ananda Offset broadly, for FY18.

Jimmy Oza: FY18 the topline is 11 crores with a margin of 20%. We don't have PAT.

Manish Poddar: Okay. Just two small bookkeeping questions. One is, what will be the tax rate for FY19 and FY20, and how much was the amortization cost for FY18 for the company as a whole?

Jimmy Oza: Tax rate is roughly 32.1% for the current year. Next year would be more or less same. And the amortization is roughly Rs. 26 crores. Which will remain same over a period of next 3 to 4 years.

Manish Poddar: In these 26 odd crores, roughly about 20 crores be amortization and the remaining is debt?

Jimmy Oza: Yes.- 20 crores is amortization and rest 6 crores is depreciation on tangible assets

Moderator: Thank you. The next question is from the line of Dhruv Bhatia from Aum advisors. Please go ahead.

Dhruv Bhatia: Hi, just wanted to check whether you mentioned that DAVP empanelment once that comes in the growth will increase for the new stations. So, what is the criteria for this empanelment and how long does it take for this whole process to get completed?

Apurva Purohit: I think it is after really 3 or 4 years that they empaneled the new stations. So, its reasonably adhoc. When they do the empanelment, they are supposed to look at measurement and since there was no measurement available across all markets they looked at IRS. The older IRS, which you know was in a situation of flux. There was some criticism around those figures. So, for some radio stations they had come out with certain numbers, but because those rates were so low, many of the players did not agree to those rates and therefore were not taking DAVP ads So, the short answer is its reasonably adhoc and they try to look at some kind of measurement and we are not very clear about what is the formula they use.

Dhruv Bhatia: And just one clarification. You mentioned earlier that 50% growth in government advertisement for Q4 right? That means the other sectors, the categories have not grown assuming that the new stations are anyways contributed 50% of the growth and the remaining 50 being that government is almost 10% to 15% of the revenue, it seems like the other categories haven't grown this quarter.

Sangeetha Kabadi: What we wanted to say was, this 50% growth has made the government for the quarter, contribute to 20%. The rest of the 80% of the contributing categories have been BFSI, auto and real estate, which has given an overall growth for MBL at 14%.

Apurva Purohit: I think what Sangeetha is trying to say is that the 50% that we were talking about is the growth within government revenues and not the overall revenues.

Moderator: Thank you. The next question is from the line of Dipesh Kashyap from Equiris securities. Please go ahead.

Dipesh Kashyap: According to RAM data, the Friends FM is amongst the last 2 stations in terms of listenership share in Kolkata. So, I just wanted to understand what steps you can take to improve its share and what kind of marketing spends are we expending in for the same over the next 2 years.

Apurva Purohit: I am very happy to tell you that none of our stations are in the last two and obviously that is where the opportunity lies right? So, when we are talking about improving our margins from 20% to 30% once they are part of the Radio City network obviously, the drivers for the margin improvement are two. One is our ability to access far more national advertisers and use our network to increase advertising and of course our ability to increase listenership share in these markets. And if you see, that is what we consistently do. Whether it is an old FM market or a new market, we enter that market we research the content drivers of each of the markets, we design our programing around those content drivers, we consistently do music research so that we remain at the top of the listenership preference and put in systems and processes which are duplicated across 39 markets, and we sort of build a very good formula around the kind of clock that every hour should have, what should be the RJ links in the clock, how much music we should play, what type of music we should play, etc. That entire formula gets in a sense cut and pasted in our new markets. And that's how we believe that we will be able to up the listenership share, and therefore, the revenues and margin.

Dipesh Kashyap: If you can please tell us the revenues that you booked from the Calcutta market in FY18, given your sales alliance, we can get a sense of incremental revenues.

Jimmy Oza: So right now, only the commission part gets booked at a top line. So, this doesn't make any sense looking at that number.

Apurva Purohit: We don't book the total revenues, we only have the commission in our P&L.

Dipesh Kashyap: Just want to understand, with the sales lines that we had for the past 5 years, so you are already routing the national advertisers through you right, to the Kolkata market? So, incrementally that will not be any improvement in that case. Right?

Apurva Purohit: No. So, let me just correct that point. Yes, certainly our national sales people were delivering national revenue into Friends FM as part of the sales alliance but increasingly what we are seeing and this is what has played out even in the case of Mantra for example is the fact that the moment that station is part of your brand, the entire brand ethos changes, the programing and content changes and the moment the programing and content changes two things happen. One is, I was telling you that the listenership share itself starts moving up. It gives you additively more revenues. So as a number, Number 1 or 2 player vs as a number 7 player, obviously there is a difference in the revenues that we will get which will be our attempt as we take over Friends FM. The second thing is that there is a lot of content integration. In one of my previous answers I was explaining that one of the ways to increase both volume and value is the kind of content integration you are able to do. And that you can only do when the programing team is part of your network. When it is just a sales alliance where you have no control over programing, you can't do those content integrations.

Dipesh Kashyap: Lastly, can you please help me with the revenues and EBITDA from the legacy stations in this quarter please?

Sangeetha Kabadi: The revenue growth like what Apurva has said has been around half of the 14% the quarter growth. And margins for the legacy station in Q4 have been around 39%.

Dipesh Kashyap: Can you please help me with the absolute revenue number please over the legacy stations?

Sangeetha Kabadi: Phase-3 stations are now contributing to the 6% of our total revenue annually.

Moderator: Thank you. The next question is from the line of Danish from Prabhudas Liladar. Please go ahead.

Jinesh: Hi Jinesh here, I understand that we take a price hike after reaching a desired utilization level of 60%. But by the time we reach that level the client is used to do a certain benchmark price for a certain period of time. So, when we approach them for a hike, isn't there any resistance on their part, and if yes how do we convince them to not go offboard and absorb the hike.

Apurva Purohit: That's a very fair question. And obviously nobody wants to take price hike ! So, there will always be a push back from the client's end, which is the reason why when we enter a new market we make sure that we are not amongst the lowest. We are either at the average of the market or slightly above the market. That gives us a competitive advantage. Because typically most of radio players believe that when you enter a market you should enter at a base level, we don't do that. So, in none of our markets have we entered at lower than the average. The second thing is that, over the last 5 to 6 years after we hit the (+60%), year-on-year we have either been able to take a 5% or a 10% rate hike depending on how the economic environment is. And the reason we are able to do this and push back with clients is (a) every year obviously we talk about inflation level price hikes, but beyond that we constantly are working hard to give some value-addition or the other for our clients. For example, Audacity was a big value addition that we did last year. This year it is the whole mindset of taking our entire network together and the increased reach we can give. The third bit is we talk about our listenership position that we are leaders whether number 1 or number 2 and we ask for a premium for that listenership. Many times, local advertisers tend to say, that no let me try a cheaper option, but when they don't get any results out of having advertised on the cheaper options, they realize the efficacy of leaders such as ourselves and therefore are able to give us a higher rate.

Jinesh: In the history of radio city, have we ever reversed on in price hikes that we have taken in the past?

Apurva Purohit: In the history of Radio City, yes, we have in 2005-2006, and that was the time when, from being a single player we went to being eight-player markets for example, Bangalore, Bombay, Delhi. So, at that time not only us, but all the other historical players, who were operating at 2000 plus kind of 10sec rates took rate cuts because competition entered at 500 -600 kind of rates. All of us had to push the table down, from Rs. 2000 to around Rs. 700 to Rs. 1000 So, it has happened. But it was in that situation where there was huge competitive intensity and fragmentation in 2005-2006.

Jinesh: One last bit from my side on DAVP front. You just mentioned in the initial remarks that some of the stations where not empaneled by a few radio players because of a lower rate. But some business is always better than no business, right? Essentially industry should have got empaneled these stations with DAVP. So, what do you think could be the reason for not taking the lower rate and letting the business go?

Apurva Purohit: I think this furthers my earlier answer on how are we able to raise rates. I answered by saying that, the moment your benchmark is low you will never be able to raise rates as much as you want. So, if I start taking DAVP at Rs.40 and Rs.50, then there is no question of me be able to charge Rs.100 or Rs.150 to other clients or non DAVP clients, right? Plus, inventory in a station is finally limited. So why would I fill it up with such low DAVP rates.

Jinesh: But essentially a non DAVP client would understand that DAVP rates are lower than the private rate. So, should there be any distinction on his part or rather will that set a benchmark of lower rates going ahead. Is that what you mean to say.

Apurva Purohit: Of course, DAVP rates are lower and that's also because DAVP ends up taking a lot of run of day part or run of schedule and not having fixed slots. But in that case they are lower by around 15% to 20% not more than that. And therefore, anything that goes beyond 15% to 20% whether it is DAVP or any other client, I don't think at least we would be comfortable having such a wide deviation on rates. We operate in a very tight benchmark of what rates are acceptable to us.

R. K. Agarwal: More importunately there is no limitless inventory. Why she would fill the inventory with lower rate advertisements when higher rate advertisements are available.

Moderator: Thank you. The next question is form the line of Chaitanya Jai from RW Advisors. Please go ahead.

Chaitanya Jai: My question was on if I look at the data that you have on the Survey of Power of radio, it seems like streaming services put together is about 11%. Just based on experience you sort of tend to see that more number of people are using mobile for streaming services, I am wondering what sort of competitive threat you see from streaming services and what is our sort of competitive reaction to that?

Apurva Purohit: It's a question of the glass being half full or half empty right? So, when we look at that 11%, we are quite happy because the noise that is being made around streaming services, the way people ask us questions, it seems to suggest that the world has moved to listening to music via the streaming services. So, 11% is actually a pretty insignificant number. Even if you look internationally and I have repeated this point earlier, 90% of people access FM stations and just around 23% access streaming devices. So that is the wide disparity. Similarly, here put together all the possible streaming devices reach is 11% whereas in comparison radio has 60% to 70% reach. So, I think that's the point very much in favor of radio. The other interesting thing that

Power of Radio throws up is that, 42% access radio for music and there is a large percentage which is listening to radio for non-music stuff. So, whether it is engagement with RJs, whether it is local news, whether it is city connect, I think all these are the reasons why they are listening to FM and it sort of supports our hypothesis that FM is much bigger than just music. And therefore, no streaming service will ever be able to replicate the entire package of content services that FM provides. This validates for us that FM is very much alive, kicking and there for the long-term future.

Chaitanya Jai: Absolutely! I mean that's the change after Jio tying up with Saavn and infusion into Gaana. I am just trying to understand the competitive dynamics, do they change at all, is there an opportunity for that sort of stuff.

Apurva Purohit: For media players, opportunities exist where ever the consumers go. Because that's the service at the end of the day that we are providing to our advertisers, a bouquet of different types of consumers. So, if in the long-term future, 90% of our consumers are always going to use FM and they are using it with large numbers, 2.5 hours on an average they spend listening to FM in a week that's a significant number. And they are finding the medium credible and trustworthy. I think all these are signs that they are deeply connected with FM. So, for us that consumer is very important, that engagement of the consumer translates into ad effectiveness which our clients and advertisers value. So, one part is that we will continue with building on the terrestrial FM engagement even further. We will keep on stressing on that and keeping on proving to our advertisers that we are able to give them efficacy. Now additionally, if our listeners are also accessing our content via the net digitally while they are on their laptops through some app, we are happy to provide that because for us it is nothing but another distribution mechanism, another pipeline that we have opened out to our consumers. Our objective is our consumers deepening their engagement with us and thereby giving our advertisers a more engaged consumer. And if that means giving him access to our content via any option that he is using, why not.

Moderator: Thank you. The next question is a follow-up from the line of Lakshmi Narayanan from Catamaran. Please go ahead.

Lakshmi Narayanan: See I understand that government is a large revenue contributor for us, right? What is the mix of state and central government in this? That's he first question. The second question which I have is that, if I look at your DAVP rates, which I pulled it up from the websites, across Bangalore, Bombay, Delhi and Chennai, there is a disparity between us and our large competitors. Especially in Mumbai, Delhi and Chennai, where it is mostly 30% cheaper? Now how do we plan to address that gap because that will meaningfully move our revenue contribution. So, these are the 2 questions. What's the mix between central and state, and why our DAVP rates are lower than our large competitor and how will it be bridged.

Apurva Purohit: So, the mix is as follows, approximately 80% to 90% comes from central and around 10% to 20% comes from state government. Central government is mostly all the various welfare schemes that they have, which they promote quite aggressively and different ministries use radio for that. As far as the DAVP rates are concerned, as I explained in my previous answer Lakshmi, the rates are dependent on a formula that the government has worked out which none of us are aware of and for lack of any other measurement, they use IRS. From there they have applied a formula. Since I am not aware of the formula and none of us are aware of the formula, we don't know why the rates are different. Obviously, I am not talking of an individual player, as a group we keep on going and talking to the ministries and asking them to raise the rates and set the benchmark rates for all players Having said that I think we are free to take or not take DAVP rates and I think we very efficiently used DAVP more for run of daypart inventory rather than giving then any fixed or premium slots. So, we are very clear in our hierarchy of advertisers and clients.

Lakshmi Narayanan: Is there a certain percentage of your clients who actually benchmark on DAVP and then give a premium to DAVP or discount.

Apurva Purohit: No.

Moderator: Due to time constrains that was the last question. I would now like to hand the conference over to Ms. Apurva Purohit for closing comments. Thank you and over to you.

Apurva Purohit: That was a fairly detailed call. We thank everyone for your participation and we have uploaded the Investor Presentation on the company's website and stock exchanges should you require to look at them. Obviously, we are very happy to take further questions and please feel free to get in touch with us. Thank you for your participation once again. Goodbye.

Moderator: Thank you. On behalf of Music Broadcast Limited that concludes this Conference. Thank you for joining us and you may now disconnect your lines.