"Music Broadcast Limited
Q1 FY2020 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Music Broadcast Limited Q1 FY2020 earnings conference call. This conference call may contain forward looking statements about the company which are based on the beliefs, opinion and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict. As a reminder, all participant 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 "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Ms. Apurva Purohit. Thank you and over to you Madam!

Apurva Purohit: Good afternoon everyone. I welcome you all to the earnings conference call for quarter ended June 30, 2019. Along with me I have Mr. Shailesh Gupta – Director, Jagran Prakashan Limited, Mr. R.K. Agarwal – Group CFO, Sangeetha and Jimmy from our IR Team.

It has been a challenging start to the year to put it mildly for MBL as well as for the media industry at large while national advertisers delayed their campaigns due to reduced demand and margin pressure, local advertisers sought low cost opportunities to advertise.

Political advertising which was supposed to give an upsurge in Q1 was also lower than expected and was not able to compensate for the government or other category's shortfall. Weak sentiments, slowing economic growth and poor consumption trends have impacted most categories directly or indirectly. Based on corporate results thus far, it is clear that the slowdown is broad based and not confined to any specific sector. Inspite these severe pressures MBL was able to deliver EBITDA margins of 32% and improve yield by 4% this quarter.

Topline however showed a degrowth which was across both national and local advertisers as well as across most categories except Auto and BFSI. The industry degrew by 9%; however, for the first time ever MBL degrew at a higher pace at 12% in volume terms.

While degrowth in national advertisers were similar for all players, local advertisers continued to advertise but however moved to cheaper options in the market. As a consequence the local to national skew today is 60:40. As leaders in the market who have played in the premium segment we have to let go off some of these low rate advertisers so as not to erode our long-term proposition and are hopeful that the yield increase we have managed to get will bring us better results as volumes start flowing back into the industry and the market conditions improve.

Lastly with regards to our acquisition of RBNL, all the binding agreements have been signed and the documents have been submitted for MIB approval. We await a quick response from the Ministry.

Since I am sure you have a lot of questions to ask, I will now open the floor for question and answer.

Moderator: Thank you very much. Ladies and gentlemen we will now begin a question and answer session. The first question is from the line of Vivekanand Subbaraman from Ambit. Please go ahead.

Vivekanand S: Thanks for the call. You mentioned about advertisers especially local advertisers choosing to pursue low cost advertising option so can you delve a bit deeper into this comment and also you mentioned that the local national skew is 60:40 so is it 60:40 or 40:60 I am a bit confused because this does not tie with your top down thesis? Second question is on things that you can do to mitigate these economic challenges we have seen that in the past you have been very resilient and you have managed to grow ahead of the industry consistently so what is it that you can do in this slow economic environment to mitigate some of the slow down pressures? Thanks.

Apurva Purohit: Let me take your two questions one by one. Your first question really is looking at this entire skew between national and local and also you wanted me to delve deeper into the categories. So, what really happened for the radio industry is that at a national level broadly the entire industry has degrown by around 12%-13% and Radio City also has degrown by 12%-13%. In local advertisers there has been degrowth but the degrowth is far lesser; it is around half of national, so around 5%-6% and currently I am talking about everything in volume terms. We believe national advertisers have not cancelled spend but just delayed it to Q2 and Q3 because we are getting a lot of proposals and conversations are going on but I think because of tightening margins and poorer consumption that in Q4 of last year and Q1 of this year they have delayed their spends. So we believe that all spends will move closer to the festive season. That is the case in national advertiser. As far as the local advertisers are concerned as I have already said they continue to spend but moved to cheaper options or options that they are getting at a local level, attractive deals which are consolidated deals between print and radio put together, so they have moved to that kind of advertising. In a sense that is silver lining because it is continuing to use radio. As far as Radio City is concerned two things have played out for us, you know we are largely metro skewed and therefore that national advertisers not spending impacted us more and except for the Auto and BFSI category which grew and we grew higher than the rest of the industry all the other categories did not grow in fact they showed a degrowth.

The second impact was government and the government again impacted the entire radio industry for several reasons that they have not spent at all. All of us were expecting that after the new government gets formed there will be advertising immediately but even now there is no advertising upsurge from the government. The third reason for Radio City is as far as local is concerned we do not do consolidated deals between print and radio because we feel that will cannibalize on the radio rates and advertisers who were spending wanted very low rate. So approximately around Rs. 3.5 Crores to Rs. 4 Crores of advertising we did not pickup in this quarter because of the low rates. As the consequence, our yields have grown by 4% but our volumes have not grown. This is my answer to your first question.

Coming to the second part where you have asked what can I do? What can we do as an organization to mitigate and thank you for making that comment about our resilience. We are also backing our resilience and have already put in several steps which we can do to mitigate whatever were the internal issues. Obviously, as far as the environment is concerned there is a precious little that we can do; however, we are very determined and there is a lot of changes that we have made including increasing our effort to get advertisers through the creative route, which have shown huge success for us in the past, making a huge amount of proactive pitches, not only as a national level, but at the local level also., We believe that while we will not be able to give low rates to our clients, we will certainly be able to give better creative solutions to them than our peers and that is really where we are focusing on. So there were always a task force audacity at a national level, we have now setup a task force with programming heads at each of the local levels working along with the sales team to see how we can ensure that we get advertisers using Radio City on the back of creative options.

Vivekanand S: Thanks for the elaborate answers. All the best.

Moderator: Thank you. The next question is from the line of Jinesh Joshi from Prabhudas Lilladher. Please go ahead.

Jinesh Joshi: Thanks for the opportunity. We have reported about 8% de-growth in this quarter but if I look at peer, one has reported about 19% growth in topline while the other one had growth by about 9% excluding the acquisition impact so if you can just first help me connect the dots over here?

Apurva Purohit: Of course I can do that. If you look at the first peer that you are talking about which has shown a 19% growth as I had explained earlier largely that peer operates only in the smaller market and in the markets where it is in combination with its parent company which is print. There they have been group deals that have been operating in and extremely low rate deals that have been operating in, which is something that we do not participate in at all because we believe that will cannibalize on the rate and we are not willing to offer those kind of rates to any advertisers. I think that is where the growth has come from local consolidated with print and low rate. As far as the other peer is concerned while on an individual basis you will see the 9% growth if you combine the acquisition and the parent company you will actually see that it is flat. In fact the acquired company has shown degrowth of around 22% to 25%. When you look at it in a consolidated basis it is flat.

Jinesh Joshi: If you can just help me with the effective rate for phase II and phase III stations in this quarter, we have taken a 4% hike but I believe that is for the 12 markets so if you can just help me with the blended rate?

Apurva Purohit: So 4% is the rate hike on an average across all the markets. It would be around 5% to 6% in the top 12 markets and would be flat in the rest of that, so there would be no rate hike beyond the 12 markets.

Jinesh Joshi: One last question, I mean if I understand correctly in the past our focus on non-FCT business was not very high but considering how the performance of radio business has been in this quarter, do you consider that diversification is more important now?

Apurva Purohit: I think this non-FCT is understood a little differently by everyone, so let me just clarify. So there is one part of non-FCT that we believe which is the creative integrations that we can do with a on-air product and there is the events part of the business which a lot of our peers have been experimenting with that or doing that. As far as we are concerned, we are focusing an inordinate effort on the creative integrations because we believe that is not only something that our advertisers want but it also helps us retain high margins because the solutions are provided on our on-air platform. As far as the events business is concerned, we see that as a fairly low margin business, which is the margin that it delivers is around 10%, so there are two reasons why we do not really want to grow our topline using that business one is the low margins, the other is already have Jagran Solutions as part of our group company and whenever 360 solutions are required by our advertisers, we are happy to get that in association with Jagran Solution.

Jinesh Joshi: Thanks a lot.

Moderator: Thank you. The next question is from the line of Manish Poddar from Reliance AIF. Please go ahead.

Manish Poddar: I believe you all have let go some yield in this quarter, so can you please explain the rationale for that?

Apurva Purohit: We have not let go yield. We have let go off some volume in this quarter and that was really because the advertisers who came looking for advertising were really, really low cost advertiser and our long-term proposition is to be a premium player in the industry and year-on-year be able to show a yield growth across all our stations, most of them are in leadership positions as far as the listenership is concerned.

Manish Poddar: If I am not wrong, earlier the yield was around 7% growth which you have taken in last year somewhere in the second half Q2-Q3 so if I see the yield growth now it is about 4%, which you are mentioning?

Apurva Purohit: Correct, last time when you look at the end of the year, the yield growth was around 8% and that is a weighted average of the full year, so again if you remember what I had said last year we take a yield growth in the beginning of the year and then yet another yield growth which is through tactical advertiser comes in at a festive time together that gave us an average growth of 8%.

Manish Poddar: Something on this ad spend when you all are witnessing a lot of this ad spend curtailment by your clients is any of your cost line there would be some part of it, which would be discretionary, right or this a Rs. 47-48 Crores of run rate which you are not running in Q1, is the normalized run rate which one should expect?

Apurva Purohit: More or less it will be this. Yes, when we do some marketing properties that will give another upswing or spike of around approximately Rs. 2 Crores a quarter but yes you can take between Rs. 47 Crores and Rs. 49 Crores as broadly the trend that we will be operating with.

Manish Poddar: Just one question on this acquisition, have we paid anything for the acquisition as of now and can the acquisition be re-evaluated? Is there anything which can be done I am just trying to understand?

R. K. Agarwal: I did not hear you clearly, but as far as payment is concerned we have not yet made payment. It is subject to fulfillment of certain conditions precedent, which they are in process of fulfilling.

Manish Poddar: Would it be fair to assume Sir, let us say given the current scenario is there an option let us say where you can re-evaluate the price which is paid already?

R K Agarwal: No, see again we do not value business on the basis of one quarter or two quarter performance. It is too unfair because we do not find any structural changes in the industry. This is just an aberration.

Manish Poddar: No worries. Thank you so much.

Moderator: The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Madam, can you throw some more light, I mean, you explained some of the numbers of yours versus competition, but can you throw some light on the business per se of yours as well as the competitors because we have seen a divergence in the performance?

Apurva Purohit: Broadly if I were to segment all the players operating in the radio industry, I would segment them along two grids. One is the premium and other is mass proposition. In the premium category people like us and ENIL would fall. Both of us play the price game and that is our focus how do you increase yield especially in markets where we have been operating for a long time and which has leadership status. The rest of the players largely operate in the volume game for two reasons. One is either they have a huge amount of smaller markets or a very large network or they are only in regional pockets, for example MyFM, which operates in specific places where their group parent print company operates. So that is one grid that would segment the players. The other way to segment these would be the niche players who have only seven, eight markets whether in metros like for example Fever or in smaller markets like MyFM and the more broad based players which are people like ENIL, Big FM and Red FM which are national in that sense and operate in 40-50 to 70 markets. I have already explained that the mass / low ER players have got growth coming in from local advertisers who move to low cost options in these prime times, the premium players did not get the kind of share. If you look at it from the other perspective which is niche players who are in a fewer market and then a national player, all the national players got impacted by the lack of national advertising taking off in this quarter, the lack of government advertising taking off in this quarter and players who would have more of an even skew so that the right set of big market and small market for example ENIL would have got lesser impacted. Players who are more metro skewed like us and Fevers or RadioOne's would have got a little more impacted.

Sarvesh Gupta: Understood and Radio Fever as per your presentation has gained a lot of market share in one of your core markets while we have one of the four five competitors broadly with similar market share levels, any comments on that and what we can do to possibly exert or increase our market share in that particular market?

Apurva Purohit: I think you are talking about listenership share and yes, there is Nasha FM which has been doing reasonably well and gaining market share in these markets. All of us obviously are looking at how to counter that and we have developed our specific programming strategies which keeps us largely consistent. The good news is that in Delhi after a very long time for the last few quarters, we have been able to have the No.2 position and that took nearly three years of effort, consistent effort across programming, marketing, music changes, a lot of on ground activation that were done by our morning RJ or evening RJ, which has delivered these numbers and you can see there is a certain consistency there. Yes, lot of work keeps on happening, but the answer that I would specifically give is that while these markets definitely determine the perception of what is happening the research that is done by all of us in all the 39 markets where we are able to show a consistent No.2 position or No.1 in some cases goes a long way in deciding advertiser preference. So I would not worry too much if in one market Fever consistently showed high numbers because as a group they are available in 8 of markets and now 14 markets.

Sarvesh Gupta: Understood. If I may ask one more question now we are seeing a lot of automobiles especially the cars which are coming up with digital screens, etc., sort of you can use all the apps and being integrated with all these Internet based services, so how do you see the long-term impact of that on radio because now I can play an app very easily on my car dashboard's entertainment system?

Apurva Purohit: I think before worrying about the App and whether that can play streaming music we should actually look at the penetration of cars in the country. The last I know the penetration of automobile was around 6% which a very, very small share of listenership. That would not worry me much. The good news is that a lot of people on the go, people on the move who are using public transport end up using the mobile phone and in that the listenership of FM is very high.

Sarvesh Gupta: Understood. What percentage of listenership is coming from cars, people who are either being driving cars or using taxis?

Apurva Purohit: Around 6% is coming from Cars, around 30% is coming from mobile devices or with people on the move in public transport and the balance is at home.

Sarvesh Gupta: Okay so only 6% is coming from peoples on the car?

Apurva Purohit: Yes.

Sarvesh Gupta: Okay. Thanks a lot for answering all the questions.

Moderator: Thank you. The next question is from the line of Himanshu Shah from Dolat Capital. Please go ahead.

Himanshu Shah: Thanks for the opportunity. This quarter had there not been the political ad can you just provide some color what would have been the numbers or degrowth like?

Apurva Purohit: Political advertising actually grew. If you compare it with the last quarter there is a growth. Government advertising is the one which has gone down dramatically for the industry it have actually halved what it was in the first quarter of last year. However the political advertising growth that happened was not able to compensate for the sharp drop in government advertising. If you were to add both together there is degrowth of around 20%.

Himanshu Shah: Okay and otherwise the government advertising was declined by 50%?

Apurva Purohit: On a higher base, so government advertising has declined by 50% on a higher base. Political advertising as we have shown in our presentation grew by 80% but on a far smaller base. So the net impact is minus 20%.

Himanshu Shah: Secondly I am just trying to understand that ENIL had also tried taking price increases in last couple of years and it had also suffered quite severely during that timeframe on the volume front, we are also trying to follow a similar strategy in the pricing front at that point of time we were slightly divergent, I am just trying to understand why so much persistence at this point of time? I understand that touching the prices might be very difficult if it is reduced once, but then there is a significant flow impact we are also seeing in the short-term, so just trying to understand will this be slightly bit more tactical?

Apurva Purohit: To answer the first part of the question both ENIL and us keep on pushing the envelope upwards in terms of ERs and I think that is natural as leaders in the industry that is our job. We have to raise the entire bar for the industry especially given the fact that the difference between us in terms of cost per thousand as compared to television has gone up. So there used to be a time where between the radio industry and the television industry the gap was 1:7 now it has become 1:10 and therefore I think we should, all of us should keep our eye on the ball of trying to increase ERs as and when possible. Now obviously from a timing perspective each of the companies will have the own strategy as to what they believe is the right time, so in that sense sometimes you have to be strategic and say especially when you looking at long-term deals especially when you are looking at people who already spend on television and you keep on think strategic and say, no I want an annual increase inflation level or upwards on a consistent basis. In the other cases you have to be tactical, so sometime let us say when the market is not too great to do look at keeping your rates consistent and not taking a rate hike in some cases during the festival season where you see an opportunity to increase rate, but it is a mix of strategy and tactics. It is also dependent on the individual players' timing. So I think this is how both of us keep on trying to play the game. Yes, at this point you may say given the environment being so tough why are you so focused on rate hikes but let me tell you that April – May started off reasonably well and June – July is where we are seeing some kind of bottoming out happening and then again we are hopeful that August-September will pickup. So let us analyze whether this was a right or wrong decision only after H1 but I would say that if we have been able to get 4% rate hike in these kind of very trying circumstances, I would pat my team on the back for getting it done despite of the volume drop that has happened and I think it is also a sign of the phase the advertisers who are continuing to use radio have in the medium.

Himanshu Shah: Thanks Madam for the elaborate answer. Just a follow up, so we are reasonably sure at least we would not create the risk of losing the advertisers permanently on a structural basis and fair to assume that whatever number of advertisers especially the national advertisers that would have been two years back similar count would have been there today also or not much of a variation on that front can you provide the color on this front?

Apurva Purohit: Clearly in quarter one the national advertisers have not spent. There is a 12%-13% volume degrowth itself the national advertisers are showing but I am quite confident that it is a temporary degrowth and as a festive season starts coming closer they will turnaround. My confidence is based on the fact that conversations have not stopped. We are talking everyday to the advertising agencies who service these national advertisers, we are talking directly to client who are asking pitches, we are providing creative solution I think it is just a matter of time. Hope I am right there.

Himanshu Shah: All the best on that one. Just one last question, the local advertisers you mentioned they have moved to cheaper option and you highlighted that it has been more to a combination of print plus radio so is this the only cheaper option or there are more beyond this also in terms of avenues for local advertisers?

R.K. Agarwal: Different options we are referring to, she was referring to the competitors as well, even though the combination may not have been opted for but if there are competitors who are offering at cheaper rates they are offering a cheaper deal that is also included in cheaper options.

Himanshu Shah: Fair enough. So that is more like cheaper option like competition but I am just trying to understand any other avenues also by the local advertisers from a medium perspective because radio we were presuming we are one of the cheapest?

Apurva Purohit: I think the only other option they have really is outdoor, and that is where we see that some advertising does go to outdoor in these kind of situations but you are right, radio is possibly in terms of cost per thousand the cheapest possible option available, even as an overall medium term.

Himanshu Shah: Thank you. Thanks a lot that is all from my side and all the best.

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

Srinivas Seshadri: Thanks for the opportunity. Just a couple of questions, the first question is regarding the local advertising, you mentioned that they have downgraded or kind of approached stations at a lower rates so what do you think can bring them back to Radio City at any point of time? I mean is it that at some point, I am not clearly able to kind of understand why they should come back to you I mean if they move to a lower rate player and the potential reach is effectively the same so it is only a question of measurement of efficiency which is also a kind of a very nebulous issue so what brings them back to you?

Apurva Purohit: Srinivas, I would say two things, one is from a pure play volume perspective also I had mentioned that there has been degrowth. The degrowth has been lesser but there has been a degrowth so I would say that the moment volumes come back into even local advertising then and there are bigger volumes then they would take more stations itself per city. That is one answer. The other bit is that why would they come back to a Radio City? My answer there is that the trend that we have observed in the past few years whenever there is let us say tightening happening (a) local advertisers reduce the outlay so they would be spending on an average around Rs. 25 lakhs, they go down to as low as Rs. 5 lakhs to Rs. 10 lakhs and in that Rs. 5 lakhs to Rs. 10 lakhs if you want the same kind of number of secondages, someone like Radio City certainly cannot offer that so they look at wanting the same secondage at that cost, which is why they go to lower cost options. Then what happens is if they do not get the impact that they would get by using a leader brand or a higher listenership brand and we have clearly seen the play out every time. They spend only Rs. 5 lakhs firstly the amount is insufficient, the volumes that they end up consuming on a low cost player do not give them the footfalls and there may not be measurement like RAM available there but they are better able to judge the impact because of the footfalls they get into their outlets and then they switch back to what they were using earlier. So the answer is twofold they take more radio stations in an upturn kind of a situation and they move back to players where they get response from.

Srinivas Seshadri: So your answer is slightly counterintuitive because what I understand is typically in a downturn I understand budgets will get cut but usually what the advertiser will do is slightly maximize listenership within that budget so they would end up cutting the tail stations than say a leader station like what you are to be, so the response to this kind of situation seems a bit kind of out of the box?

Apurva Purohit: Srinivas, you are absolutely right. This kind of thing we see play out in national advertisers, you know people who have media agencies working with them and showing listenership and doing multiple options to see their reach can be maximized, I think a lot of smaller advertisers do not see it like that.

Srinivas Seshadri: Second question was about this measurement because I mean my perception is that probably one reason why radio as a medium is still seen on the periphery or it kind of reflects in the spending they do especially when the budgets are constraint is because there is no good measurement beyond say these three four cities and I mean obviously several years have gone and we still have not seen any progress on any industry measurement which would kind be credible or agencies across at least 15-20 market, so being one of the leaders now and with some measure of consolidation already happened what are the plans to kind of the industry on the same page on getting measurement up in say a year or so, or is it still something you cannot agree upon for various reasons?

Apurva Purohit: We have restarted the conversations at AROI. In fact the last meeting that happened in the first week of July we have restarted the conversation and there seems to be consensus that measurement is required but again as I said it is always about which markets because each of the players want different set of markets and how much to pay for them. We have at least restarted the conversation and you are right from the consolidation perspective everybody should pushing for the top three players at least given the fact that they have many frequencies now should certainly be pushing for it more aggressively.

Srinivas Seshadri: So is there any timeline you are seeing?

Apurva Purohit: Not right now it is just restarting the conversation.

Srinivas Seshadri: Thank you.

Moderator: Thank you. The next question is from the line of Neelesh Dhamnaskar. Please go ahead.

Neelesh Dhamnaskar: I had two questions, one is currently what is the pricing gap between a Radio City's pricing versus that of ENIL as well versus say the other smaller players on a like-to-like basis if you could give some sense?

Apurva Purohit: I think the pricing difference between us has remained constant so wherever we are at a listenership ranking premium we are at 10% to 15% better than our peers and wherever ENIL to answer your specific question they would be 10% to 15% higher than us. This has remained constant and between us and the bottom end now I think the gap would be even higher around 35%-40%.

Neelesh Dhamnaskar: Fair enough and this is after the 4% yield increase, which you spoke about which you took last quarter?

Apurva Purohit: Yes.

Neelesh Dhamnasker: Okay and the second thing is you said that a lot of the other radio companies is also benefited because they bundle plans quite lucratively, so why do not you also do that because your parent is a strong player in the print space so why are not you also doing that in a proper way wherein you do not damage your yields but at the same time participate in the way the things have been happening in the industry?

Apurva Purohit: Let me clarify I did not say that lot of other players benefited from it. I have just said that the specific question that was asked that one of the peers has shown a higher growth and to which my answer was that in the case of that specific player because no other player have shown a growth so far as far as the figures are concerned that have come out that one player has either sold at low ERs separately as a radio spot or bundled it with their print major. We do not believe it in the short term it may show some limited impact in a quarter or so but we do not believe on a going forward long-term basis it can ever translate into a good strategy because invariably when you see with print you cannibalize on the rates that you able to sell separately. Imagine print rates are four-five times higher than radio rates on a CPT basis I am saying and in that sense the cannibalization is always with the radio.

R.K. Agarwal: That is one part another part what we believe is each medium should be in a position to establish its own value, which does not get possible when you start consolidating so there becomes lot of transparency issue also, how to allocate the value between different mediums.

Neelesh Dhamnaskar: My second question was could you share some details about the utilization levels of your old stations and newer stations and say what are the margins of the newer stations, EBITDA margins?

Apurva Purohit: Currently, the older stations would be around between 55% and 60% and the newer stations would be around 40% as far as the volume utilization is concerned.

Neelesh Dhamnaskar: This would be for the previous quarter because of the low volumes.

Apurva Purohit: Yes, correct I am talking about this particular quarter.

Neelesh Dhamnaskar: So new is around 40% which was say around 55% plus?

Apurva Purohit: That is right around 10% drop in both.

Neelesh Dhamnaskar: Got it. Are they still making profits I mean the newer one?

Apurva Purohit: Yes all of them.

Neelesh Dhamnaskar: That is all from my side. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Sachin Shah from Emkay Investment Manager. Please go ahead.

Sachin Shah: Thank you for this opportunity. I just wanted to understand that the national advertisers which are your clients, we also hear commentary from some of these large companies and they all are talking about that they have reduced their advertisement budgets so when they reduce these advertisement budgets and I am sure you talked to some of this media agencies who get this business so do they reduce the budget across the medium so like if we are seeing a 10%-12% drop in radio volumes from national advertisers would they have reduced the similar volume with television, digital and others ? I just wanted to understand how do they think I mean would they not really want to advertise more on a where it is little more cheaper and get a better wider impact or something like that?

Apurva Purohit: At a national advertiser level I would say that they have reduced overall because one is the reduction and largely it has not been reduction as much as delay, everything is now pushed closer to the festive season so clearly there is a reduction across the entire media plan itself, whether it is television, print, digital etc., and I think that also been shown in the result that I have seen at least of the television players so far. At the local level again they tighten the fit, they would go for a single medium option or low cost option.

Sachin Shah: But suppose from a national advertiser perspective how do you see like today they are allocating 4%, 5% to radio suppose this downturn continues say for the next two three quarters just for argument sake will they actually increase the allocation more to the mediums which are little economical as compared to the more expensive ones, will that however happen or that does not really play out accordingly? I mean what is the real thought process? How do you really think about in a tough environment because this tough environment continues say for another two three four quarters how will they really allocate their advertising budgets across mediums?

R.K. Agarwal: Let me answer this question if at all we have to assume that we are assuming a gloom, perfect gloom because we believe it is bottoming out and if it God forbidding it continues for another two three weeks be sure about it, people will not spend on advertisement and on many other things. That was very, very clearly assumption to have, because unlike once you have already been confronted with the highest ever degrowth in automobile industry since 1995 what else is left.

Sachin Shah: I agree with you, just that understanding the advertiser’s thought process?

R.K. Agarwal: The advertisement as we all know continues to be a discretionary spent, so this is the first item on which axe falls so if we assume in that direction we do not find any rays of hope.

Sachin Shah: Thank you.

Moderator: Thank you. The next line is from the line of Ashish Kumar from Infinitive Alternatives. Please go ahead.

Ashish Kumar: Thanks for giving me an opportunity. A couple of things one is that while we have seen a reduction in revenues can you give us some indication as to what happened in the case of Reliance, the acquisition because now that we are singing binding agreements that is a material acquisition, what has been their trend line, has it been in line with what we saw, worse than that or better than that?

R.K. Agarwal: We have not yet having access to their operations nor we inquire from them on their performance till we make first investment which is due to be made anytime.

Ashish Kumar: Yes, but I though the binding agreements is signed

R.K. Agarwal: Binding agreements have been signed.

Ashish Kumar: The commitments are there from our perspective.

R.K. Agarwal: Commitments are there but then you know there are limited rights you can have under law and also very limited rights till you invest but our sense is that trend is also more or less similar to us.

Ashish Kumar: Second thing is that Apurva, somewhere you mentioned that you are hopeful that the festive season we should see a recovery what is giving you that confidence? Is that something which you are seeing based on booking that you have received or is it more conversational at the moment?

Apurva Purohit: I would say currently it is more at a conversational level. I was answering the question in the context of what has happened in Q1 and so on and I was saying that I seem to see a bottoming out happening in July and post that the way people are asking for proposals and the fact that festive season will start from H2 we hope that it will translate back into numbers in August and September.

R.K. Agarwal: If you break a first quarter also into months April-May we were you know 95% to 96% of our target achievement. It is June only which has nosedived and during elections commercial advertising dips, this is not something which is uncommon, what has been uncommon is such a steep degrowth and for that reasons have already been explained. In the same way we are expecting growth in August forget about festive season so August and September both these two months June and July have been bad so they do not indicate that the festive season too will be bad. This is what our feeling is.

Ashish Kumar: That helps get a better sense of it. Wish you all the best for the festive season. Thanks.

Moderator: We move on to the next question from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: Can you comment on the growth in the existing and new stations separately?

Apurva Purohit: There has been a yield growth as I said in the old stations of around 5% but volume degrew. As far as the new stations are concerned there is neither a yield growth nor a volume drop. They have remained flat.

Yogesh Kirve: So they would sort of be flattish?

Apurva Purohit: Yes.

Yogesh Kirve: The shift in preferences towards the lower rate network. Has it not benefited our newer stations where these rates would be much lower?

Apurva Purohit: That is why in the newer stations there has been no volume degrowth.

Yogesh Kirve: Secondly, regarding the RBNL acquisitions so just wanted a comment regarding the debt which is there in RBNL so are the things under control and we do not see any risk to the transaction on account of how the debt situation pans out over there?

R.K. Agarwal: No.

Yogesh Kirve: It would be helpful if you could just give us some color regarding the maturity profile of the debt which is sitting over there?

R.K. Agarwal: Part of the debt is falling due the current year and remaining part is falling due next year, so we have already planned how to repay the current year debt falling due and for the next year we will be stepping in their shoes and therefore we do not expect any problem.

Yogesh Kirve: Sir when you say partly due in this year and part next year so is it the breakup like 50%-50%?.

R.K. Agarwal: Almost.

Yogesh Kirve: Again I understand a lot of discussion on the ad revenue side so we were at minus 8% in first quarter and could you just give us some sort of guidance of how fast this can recover and would we be in the positive trajectory from the second quarter itself or it could take a quarter or two longer?

Apurva Purohit: I think it is all depends on how August – September pans out and how these conservations that we are currently happening translate back into these orders coming in so given the intensity of the conversations we are quite hopeful that August – September will show a growth. July as I said has seemingly shown a bottoming out right now.

Yogesh Kirve: Regarding the challenging conditions which are prevailing so is it affecting also in terms of any balance sheet in terms of receivables?

Apurva Purohit: The receivables more or less remained at the same level.

R.K. Agarwal: You know that is again a problem. We have never compromised with any long-term requirements. I mean, we have been very selective in extending the credit if we were liberal probably it could have added some more revenues.

Yogesh Kirve: Would it be possible to comment regarding the cash balance as at the end of June?

R.K. Agarwal: Cash balance as of end of June would be Rs. 260 Crores including everything.

Yogesh Kirve: Right. So this numbers would be around Rs. 250 Crores in as of March right?

Jimmy Oza: Yes, around Rs. 235 Crores so we have added Rs. 20 Crores in Q1.

Yogesh Kirve: That is helpful. Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Avneet Singh from Skyline Equity Managers. Please go ahead.

Avneet Singh: Good evening. Can you reveal some absolute number of volume reductions in number of seconds this past quarter?

Apurva Purohit: 12%

Avneet Singh: Absolute numbers in terms of seconds?

Apurva Purohit: Absolute numbers I do not have, I just have the percentage with me.

Avneet Singh: So it is 12% in terms of volume?

Apurva Purohit: That is right.

Avneet Singh: 4% of increase in yield?

Apurva Purohit: That is right.

Avneet Singh: And that is unequivocally in all the stations?

Apurva Purohit: Only the top 12 markets.

Avneet Singh: Rest have seen a decline or they stable or what?

Apurva Purohit: Flat, both volume has been flat and rate has been flat.

Avneet Singh: Thank you.

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

Deepesh Kashyap: Thanks for the opportunity. Firstly can you please help me with the EBITDA contribution of phase III stations in this quarter please?

Apurva Purohit: It is 10%.

Deepesh Kashyap: Next question is basically the revenue quarter-on-quarter has declined around 15% but your license fees has broadly been the same so can you please help me understand why is that? Is there any timing issue or something in that?

Apurva Purohit: The formula for license fee calculation is either 4% of revenue or 2.5% of the OTF whichever is higher and therefore there is a number that it balances out there.

Deepesh Kashyap: Can you spell out how many stations are working on 2.5% of OTF right now?

Apurva Purohit: Some of the older stations, the six – seven of the older stations which have very high OTFs like Delhi, Mumbai.

Deepesh Kashyap: Can you please remind us what is the difference between gross and the net revenues? Is the GST paid by the customer also part of growth revenues?

R.K. Agarwal: No.

Deepesh Kashyap: It is all in the commission that the advertising industry gets that is deducted?

Jimmy Oza: Are you talking about license fee calculation or is there any P&L number which you are talking about?

Deepesh Kashyap: License fee calculation.

Jimmy Oza: Here you have to add up GST.

Deepesh Kashyap: So GST is added as part of the gross revenues?

Jimmy Oza: Yes.

Apurva Purohit: For license fee calculation.

Deepesh Kashyap: Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question for today, I now hand the conference over to Ms. Apurva Purohit for closing comments. Over to you Madam!

Apurva Purohit: We thank all of you for your participation in our call. As you are aware we have already uploaded the investor presentation on the company's website and in case for further queries please do get in touch with anyone of us. Thank you so much.

Moderator: Thank you very much members of the management. Ladies and gentlemen on behalf of Music Broadcast Limited that concludes this conference call. Thank you for joining us. You may now connect your lines.