



“Music Broadcast Limited
Q3 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Music Broadcast Q3 FY2021 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 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 call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Apurva Purohit from Music Broadcast Limited. Thank you and over to you Madam!

Apurva Purohit: Thank you. Good afternoon everyone for joining the MBL Earnings Conference Call for quarter and 9 months ended December 31, 2020. Along with me, I have Mr. Shailesh Gupta, Director, Jagran Prakashan Limited; Mr. R.K. Agarwal, Group CFO; Ms. Sangeetha Kabadi; and Mr. Jimmy Oza from our IR team; and the team from SGA. At the start, let me wish everyone a very Happy New Year, and I hope the year continues on the positive note it has begun. With the rolling out of vaccines everywhere, we are seeing the economy revive at a faster pace than expected earlier, and this seems to have augured well for all businesses to restart advertising spend.

As a consequence, the Media and Entertainment industry is continuing to show a strong performance, and we are seeing a gradual improvement on Y-o-Y basis in different media. The radio industry too recorded a 1.6x growth in terms of volumes for this quarter compared to the last quarter. There was a healthy addition of new clients who advertised on the radio platform for the first time, reiterating our belief in radio as a strong medium with appeal across all markets and demographics. Continuing its past track record, Radio City outperformed the industry with a growth of 9% on Y-o-Y basis for the quarter.

We also maintained our market leadership with a market share of 21% for the entire period of April to December. A big positive we saw during the quarter was revival in advertisement spend by few large categories. Real estate, which contributes 13% to the industry, grew by 28%, whereas auto sector, which contributes 11%, grew by 18% on a Y-o-Y basis. Other categories like finance and food and soft drinks continue to be steady contributors with volume growth of 63% and 18%, respectively. As I mentioned earlier, the radio industry has witnessed new client additions at more than 2,200 clients in Q3, and Radio City continues to be a major beneficiary with a market share of 34% of this new client base.

Our revenue for the period was Rs.40.7 Crores, which is a 35% improvement from the last quarter and in line with expectation. During the quarter, due to better operating leverage, we achieved break-even at operating as well as net profit level. We reported operating profit of Rs.4.2 Crores and net profit of Rs.0.1 Crores in Q3 FY2021, and this will only improve in the coming quarters. Our cost savings initiatives have also played a major role in reporting profit for the quarter. We were able to reduce our operating cost by Rs.40 Crores for 9 months of the current financial year. Since a large proportion of this cost reduction is permanent in nature, this would enable us to improve our operating margin by nearly 300 basis points when revenues normalize.

We continued our effort to improve collections and collected Rs.33 Crores during the quarter, of which Rs.5 Crores was from government. As you may be aware, recently, IPAB passed an order on royalty payment by FM broadcasters to PPL and non-PPL members. As per the new order, the royalty payments will be calculated on needle-hour basis as compared to the earlier method of a percentage of revenue. When we ran a simulation on our FY2020 operational numbers considering this new methodology, we found that the payment of royalty as per the new methodology and the old methodology are more or less the same. Thus, we do not foresee any major impact of the IPAB order on our royalty payments going forward.

Our bonus issue of the non-convertible fully redeemable preference shares, which we announced in the last Board meeting, has been received extremely well by all shareholders. As mentioned last time, it will require various regulatory approvals, which, I am very happy to state, are progressing quite well. The stock exchanges have already accorded their approval to the scheme, and it is being currently reviewed by SEBI. With this, I open the floor for Q&A. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Jinesh Joshi from Prabhudas Liladhar. Please go ahead.

Jinesh Joshi: Thanks for the opportunity. I have 2 questions, first is on the ad volumes, which were up by 9% in this quarter, while our revenues were down by 42% implying that there was massive erosion in yield, now I understand that this could be because of promotional discounting, so my question is, by when do you expect this discounting to come off and by what time frame will the yields stabilize?

Apurva Purohit: As we had mentioned in one of our previous earnings call, around COVID, we had given promotional and bonus scheme to a fair amount of clients to encourage them to spend.

Obviously, those schemes that we had offered lasted for 3 months, 6 months in some cases and none of us were very clear about when the impact of COVID, how long it will last and how long it will continue, so a large part of the discounting that you see is overflow of those schemes. Clearly from quarter 3, when we saw festive show a certain uptick, we started reducing the schemes and, to a large extent, the schemes have started getting neutralized; however, we believe that, that overflow will still last till quarter 4 definitely, and it is only from the first quarter of next year that we expect the yields to go back to the 2019-2020 yields.

Jinesh Joshi: Sure, Madam, and in the last call, if I remember correctly, we had guided for a Rs.40 Crores to Rs.45 Crores kind of cost savings for FY2021, and in the initial remarks, you mentioned that we have already achieved 40 Crores year-to-date, so are we expecting further savings in FY2021 from here on and if yes, then which are the cost heads, which might see a further reduction?

Apurva Purohit: So you are right, there will be savings in quarter 4 also, so we anticipate that by the time the year ends, the total savings that we will have will be around Rs.50 Crores to Rs.55 Crores. Half of them will be permanent cost savings, so as I mentioned in my opening remarks, we anticipate that when revenues normalize, these permanent cost savings will add 3% points to our margin.

Jinesh Joshi: Sure, Madam. I just have one last question, we also have some long-term deals, which we had assigned earlier during the year, so can you just kind of quantify what proportion of revenue from these long-term deals is about to get recognized in Q4?

Apurva Purohit: So our long-term deals have been around Rs.70 Crores to Rs.75 Crores in the year. What we are very happy about is that clients agreed and did sign these long-term deals. As of now, the conversion at the end of quarter 3 is broadly around 45%, 50%, and by the time the year ends, we think 15% more will get consumed.

Jinesh Joshi: So some spillover can happen in FY2022 as well?

Apurva Purohit: Yes. We will be, obviously, trying to build further on these long-term deals, so I think the call, whether we close this and renegotiate for FY2022, or continue and give the impact to clients because several of the clients started their campaigns a little later naturally because, again, I want to remind you that nobody was very clear about when COVID will end, etc., etc., so many of the clients started not in quarter 2, but in quarter 3, so they will expect some spillover, but it will be a kind of a push and pull kind of negotiation because

obviously we would like to sign the new deals at higher rates, whereas the advantage of continuing these deals is we already have Rs.30 Crores, Rs.40 Crores to begin the New Year with.

Jinesh Joshi: Got is Madam. Thank you so much.

Moderator: Thank you. The next question is from the line of Jayesh Shah from OHM Portfolio. Please go ahead.

Jayesh Shah: I wish you all a very Happy New Year and nice to see the break-even at the EBITDA and profit levels. My first question is that the yields are down in the seasonal quarter, so is that a sign of overall weakness because I thought in seasonal quarter, which is supposed to be the best quarter, perhaps the promotions may have ended and they may continue in the off-season quarter?

Apurva Purohit: Jayesh, very Happy New Year to you too. I think the point that you are making is very valid, but that point really, Jayesh, is valid for a normal year. I think we must not forget that this has been an extraordinarily abnormal year and that abnormality continues and even in the festive season, given that there was no consumption happening outside, we all know what a muted Deepavali it was, what a muted Christmas it was, to encourage clients to spend, the low rates continued, not only for us, but for everybody in the media industry. It is only in a normal year we see 2 things happening in festive season. We see new clients coming in and because they do tactical campaigns, those rates are obviously higher and there is more spending happening at that time. This obviously was an abnormal year and we must take cognizance of that.

Jayesh Shah: Right and how do you see directionally January, February panning out in this quarter, do you see any significant improvement or it is a bit too early even now?

Apurva Purohit: I think there will be a significant improvement clearly in quarter 4. The way I would like to say is that if quarter 3 being festive season, if quarter 4 matches the numbers of quarter 3, that itself is a growth, so that is what really what we are looking forward to.

Jayesh Shah: If I take a slightly broader view that you are much lower than your quarterly run rate, say, from FY2019, so would you look at a new normal now given the slow recovery or you still think that you can reach the FY2019 figures, say in a year from now?

Apurva Purohit: Jayesh, I would like to answer the question in this manner that if you look at the degrowth that have been happening quarter-on-quarter as compared to the last year, clearly, it has

been falling. Quarter 1 was 75% degrowth, it fell down and now I think this quarter is 42% degrowth. Quarter 4, more or less, we believe that we will be at the same numbers as Q4 of last year, so there will be no degrowth. It will match the Q4 numbers and then from quarter 1 of next year, clearly, there is going to be a growth. Now does it reach 2019-2020 numbers next year, I personally believe that if things improve, the best-case scenario is that it will hit 2019-2020 next year, the more realistic scenario is that it will hit 2019-2020 in the year after.

Jayesh Shah: Right, so in that case, would you still look at more cost-cutting next year?

Apurva Purohit: See, already, when we are looking at how this year will end, we are talking about nearly Rs.50 Crores cost saving, right. As I said, Rs.25 Crores of it we can assume as permanent, okay. Now let us look at the balance Rs.25 Crores, that is completely linked to revenues. It will match the revenue. So if the revenue goes up to the same numbers, those Rs.25 Crores will come back. If the revenues go in steps, that cost will grow in the same proportion.

Jayesh Shah: And one last question is, are you seeing any select segments, which are growing further for instance, you mentioned realty or something, are any new segments opening up because of your initiative?

Apurva Purohit: If I were to talk about categories, clearly, what we are very happy with is that some of the large categories have come back, so whether it is real estate or durables, etc., or auto, we are seeing a growth. Clearly, what we are expecting is finance to grow in quarter 4, e-commerce to grow in quarter 4, so all the big guys in my mind have come back and will continue to grow. Government is the only one, which has been a sore spot, and I do not think government will ever come back to the levels that used to happen in the earlier years for anybody, so no new categories, but certainly new types of clients. We are very much seeing MSMEs advertise, we are very much seeing local brands in regional markets increase their spends, we are very much seeing the smaller entrepreneurs and indeed, this is till YTD, nearly Rs.26 Crores for us has come from new initiatives.

Jayesh Shah: Thank you, that is very interesting and best of luck and best wishes.

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

Depesh Kashyap: Thanks for taking my questions. Can you please give a monthly breakup of revenues of third quarter, please, as you gave in the last quarter?

- Sangeetha Kabadi:** It is Rs.14 Crores, Rs.14.5 Crores and Rs.12.5 Crores.
- Depesh Kashyap:** Understood and what is the outlook on, will you be able to sustain this Rs.12.5 Crores, is January generally looking good because I clearly see that after festive season, there has been a dip, right?
- Apurva Purohit:** Yes, as I said, festive season is obviously the highest season for any business, but we are hoping and expecting that quarter 4, more or less will deliver the same numbers as quarter 3, and that itself is a huge upside.
- Depesh Kashyap:** Understood and then on this new IPAB order on royalty costs, which has gone back to the charging on the production instead of revenue, it looks against the spirit of increasing the penetration of radio to smaller cities right because those cities will have a higher fixed cost now, so firstly, is it acceptable to all the parties now and is it the final order?
- Apurva Purohit:** See, any order can be challenged, right, so obviously, we will be picking it up, as far as the radio industry is concerned, you are right, while it has not made any difference to players like us who are spread equally in big markets and small markets, it has impacted the smaller stations because as a fixed cost, this cost is high. Clearly, what we are not very happy with is the fixed costs in smaller markets and the fact that there is a payment that has also been awarded for IPRS or the live recordings of underlying works, which we have had a very favorable order in Mumbai High Court. ENIL has got a very favorable order in Delhi High Court and we do not believe that when we play any song on radio, underlying works need to be paid for and that is something that we will be challenging.
- Depesh Kashyap:** Understood and on your Slide 5, I just wanted to understand why the Category D stations have a lower royalty costs as compared to Category B and C because I understand like they will have a lower revenue, right, as a percent of revenue, the cost should be higher?
- Jimmy Oza:** Correct. So basically, the D stations are Sanghi, Solapur, the smaller ones, which hardly earn any major revenue as category A and B. Hence, the percentage over there looks higher as compared to the top line revenue for those stations.
- Apurva Purohit:** No, he is saying it is lower than categories.
- Depesh Kashyap:** In D, it is lower than B and C, that is what I was?
- Apurva Purohit:** Because that rate is very tiny.

- Jimmy Oza:** The difference is very tiny and there are only 2 stations in D, in our case.
- Depesh Kashyap:** Lastly, Jimmy, can you please help me with the revenue and EBITDA split between the legacy and the phase 3 stations and the utilization level, please?
- Sangeetha Kabadi:** So the phase 3 stations contribute to 13% for the quarter, Depesh and the inventory utilization at an overall level is at 60% for the quarter.
- Jimmy Oza:** And EBITDA is at break-even for phase 3 stations.
- Depesh Kashyap:** So both the stations are in break-even, right?
- Apurva Purohit:** Yes.
- Depesh Kashyap:** And lastly, what is the net cash position at the end of third quarter, please?
- Jimmy Oza:** Rs.235 Crores.
- Apurva Purohit:** Which has improved from the beginning of the year.
- Jimmy Oza:** It was Rs.220 Crores at the start of the year. It has gone to Rs.235 Crores after, even you remember, we had not paid license fees to government till quarter 2. We have already paid that payment to government, thereafter, we are positive.
- Depesh Kashyap:** Right and what is your internal assessment like, when should the NCRPS should get approved by SEBI and other parties, by March, it should happen or it can get delayed?
- Apurva Purohit:** It would not get delayed because SEBI has already sent us a list of questions that we have responded back to, but you should expect around April, beginning May is when everything will happen.
- Depesh Kashyap:** So SEBI is the last body that we need approval from, right?
- Jimmy Oza:** No, it would be NCLT.
- Depesh Kashyap:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

- Sanjesh Jain:** Good afternoon and thanks for the opportunity. First question on the pricing side, though the volume has recovered, it looks like the realizations have been under pressure, now that we are expecting to come at least flattish Y-o-Y basis, will it be more driven by the pricing, reversal of the bonus and discounts we used to offer or will it be again driven by more of volume, how do you expect this next year breakeven to come in terms of mix?
- Apurva Purohit:** See, we are already at a breakeven level with the current pricing and the current volume, right, in quarter 3, that trend will only become...
- Sanjesh Jain:** No, I did not mean in terms of EBITDA break-even, so when I say breakeven, I am asking, reaching to the pre-COVID levels in terms of revenue?
- Apurva Purohit:** Yes. Okay. So it will be a gradual improvement. We believe that for the next 2 quarters, it is really going to be more and more of the volume fill because even now the volumes are not at a stage that we are comfortable with. Only at the beginning of the first quarter of next year or the second quarter of next year is when we expect that the price increases will start and the mix of two towards the end of next year is when we believe we will start hitting the run rate of 2019-2020.
- Sanjesh Jain:** So on a Y-o-Y basis, we said we will be flattish in the revenue in the Q4, did that I hear right?
- Apurva Purohit:** Yes.
- Sanjesh Jain:** So that means on a quarterly basis, in Q4, we will be where we were in FY2020, right?
- Apurva Purohit:** Correct, that is quarter 4 to quarter 4.
- Sanjesh Jain:** I just wanted to understand, this quarter, we are 9% above in terms of volume, 40% lower in terms of revenue, that means that there is a 30% kind of a realization compression, when we speak of a very flattish kind of revenue in Q4, I can understand there was some impact of COVID in Q4, but it was very small, so how do you expect to reach there?
- Apurva Purohit:** So quarter 4, there was a base effect, right. One was the impact of COVID and let us not forget that 2019-2020 was not a great year, quarter 4 per se was not very robust. When we are saying we moved to flattish, more or less matched that, it takes into impact the base effect also. Then when we start moving into quarter 1 of next year, the comparisons will be with the first 3 quarters of 2019-2020, right, so if you compare with that, what I am saying

is that first quarter and second quarter broadly it will be either flattish or lower, it is only the H2 that we will start doing 2019-2020 numbers.

Sanjesh Jain: Got it. I wanted to understand 2 things here, what is the average minute per hour kind of advertisement we are doing today and what is the threshold level up to which we will be comfortable, that is one, number two, it is ironical to see that radio has been such a large pressure on the realization, whereas television, we are now understanding that they are normalizing even on the revenue front, there is some help from the volume obviously, the realizations are not pre-COVID level, but the pressure is not as steep as what we are seeing in the radio, can you help us understand what is the difference here in terms of the realization pressure for us and the TV?

Sangeetha Kabadi: So the current volume utilization against the benchmark of 15 minutes is around 8 and 9 minutes, that is to for this quarter.

Sanjesh Jain: So there is enough headroom you are telling in terms of minutes growth for us to drive the revenue?

Apurva Purohit: Of course, which is what I said, so we will continue to see the next 6 months getting filled only by volume improvement. The rate improvement will happen after that. Precisely for this reason that we are right now at 10 minutes instead of the 15 minutes.

Sanjesh Jain: Got it and in terms of the realization difference between radio and television?

Apurva Purohit: I think television is a far bigger medium. It is a fact that smaller media get impacted more than the larger medium. Second thing is, FMCGs, which have been a big consumer on television, did not get impacted to the extent that other industries did during the COVID period. We know that even during that time, the big FMCGs were continuing to show growth. The third thing is, when we look at overall television growing, it also takes into impact the tent poles that they have, whether it is cricket or IPL or any other sports that happens, those end up being the big revenue driver for television, which is why you are not seeing, so all these reasons put together, you will see lesser impact on television and I think it is good news for all of us because if television has started recovering and growing like this, it is just a matter of time before all the other media play catch-up.

Sanjesh Jain: Got it. Just one follow-up question here, in terms of the mix, volume mix for us versus pre-COVID in terms of the national players, the local players who were doing earlier and the new local minutes, which we have secured in terms of reaching out to a much larger advertisement population, if you can help us break that, that would be great?

- Sangeetha Kabadi:** So in the pre-COVID times, the mix between national and local were 45% and 55% in the previous fiscal, today, it stands at 35% and 65%.
- Sanjesh Jain:** And within the 65%, what could be the contribution of the new advertiser who are earlier not advertising with us?
- Sangeetha Kabadi:** So the new advertiser typically contributes to around 30% of the mix.
- Sanjesh Jain:** 30% of the entire mix, 100% of the volume?
- Sangeetha Kabadi:** Yes.
- Sanjesh Jain:** Got it. Thank you and best wishes.
- Moderator:** Thank you. The next question is from the line of Apurva Mehta from AM Investments. Please go ahead.
- Apurva Mehta:** Just wanted to understand that you said that Q4 will be as good as Q4 last year, so last year, we had a turnover of close to 46 Crores, so do you want to say that we should match that 46 Crores because you were telling that we will be happy with the Q3 numbers?
- Apurva Purohit:** Yes, so broadly, it will be the same number, so Rs.2 Crores, Rs.3 Crores here and there, between Rs.41 Crores and Rs.45 Crores is not much difference, so we should be somewhere in between.
- Apurva Mehta:** Yes and another thing, which you were telling that out of the Rs.50 Crores, Rs.55 Crores, which the savings will be there, 50% will be permanent in nature?
- Apurva Purohit:** Yes.
- Apurva Mehta:** So assuming that if it is also Rs.50 Crores, then it is Rs.25 Crores of savings?
- Apurva Purohit:** That is right.
- Apurva Mehta:** That translates into 10% EBITDA and you are just guiding us that 300 basis of EBITDA will be normalizing, when we will normalize, 3% will go up, so is it something, which I did not understand or there is something else?

- Jimmy Oza:** Sir, here, what you are considering is the base number of FY2021. What we are looking at is not the FY2021 number, but I was comparing it with FY2020 numbers because current year we should not look at as a normal year and secondly, with revenues moving up, the variable portion of the cost will keep back to an extent, so hence, we are guiding improvement in EBITDA margins on a like-to-like basis comparing to FY2020 numbers.
- Apurva Mehta:** See, Rs.25 Crores savings on a normalized basis of Rs.250 Crores of revenue, FY2020, the revenue was Rs.248 Crores?
- Jimmy Oza:** Correct.
- Apurva Mehta:** And you are going to save Rs.25 Crores?
- Jimmy Oza:** Correct.
- Apurva Mehta:** So that will translate into a 10% of EBITDA improvement?
- Jimmy Oza:** Sir, when we look at Rs.25 Crores, we consider revenue reaching FY2020 and cost base remaining at the current levels.
- Apurva Mehta:** So roughly, that is normalized EBITDA of 30%, 33% will shift to 36%, that is the thing which you want to suggest?
- Apurva Purohit:** Yes.
- Apurva Mehta:** And the last question, in FY2019, we had a turnover of Rs.325 Crores, so when can we hit that number as per your understanding of this industry and all this?
- Apurva Purohit:** I think we have already said that the growth is going to be reasonably gradual and we believe that 2019-2020 numbers we should expect to hit the year after next.
- Apurva Mehta:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Ayaz Motiwala from Nivalis Partners. Please go ahead.
- Ayaz Motiwala:** Good afternoon. Thank you for taking my question. Apurva, just a quick question on the royalty agreements with the content music owners, is this a time-bound solution with a review in a few years or is this now into perpetuity?

- Apurva Purohit:** The order has been passed for a year.
- Ayaz Motiwala:** Okay. So it is up for review every year?
- Apurva Purohit:** Yes.
- Ayaz Motiwala:** So what would be the revenue performance and if you start doing well, they try and get a higher share or what is the logic of such a short duration of these agreements?
- Apurva Purohit:** We are not clear why IPAB has passed the order only for a year, but as per the new revised Copyright Act, it is supposed to give only an annual rate order. Having said that, I think we have been maintaining for a long time that whenever we do any projections and look ahead, we should always assume that the royalty payments will be around 2% to 3%, whether it is fixed, because the last time when the 2% calculation was done, it was done after 10 years of intense study of what is happening in India and what is happening globally, so the point that I want to make to you that whether it is a year-long order, whether it is a 5-year order, the 2% to 3% is something which we must always consider will be the benchmark and this is the point that I not made just now, I have been making it for the last 2, 3 years whenever this question has come and indeed, the IPAB order, while it has moved from revenue sharing to fix, it confirms yet again this point.
- Ayaz Motiwala:** Sorry, I missed out that. I heard some ABR or something, so this is going to be not linked to revenue you said and it is going to be a fixed payment of what, fixed of what number, what is the base?
- Apurva Purohit:** So the IPAB order, as I said in my opening remarks, has fixed royalties as a fixed fee model, so depending on the type of station Category A, Category A-plus, B, D, etc., and the timing during the day, there has been a fixed fee that has been decided, which is different from the earlier order, which was a revenue share order. However, if you run the simulation, which is what we did, we took a 2019-2020 revenue numbers and the music that we played and we applied the fixed fee model to it, the percentage is coming to be the same, which is around 2.5%.
- Ayaz Motiwala:** Right, applying it to different data?
- Apurva Purohit:** Exactly, so applying the fixed fee order to the different day part is coming yet again to 2.5%, which is what we have been paying for the last so many years.

Ayaz Motiwala: Sure. This is well explained and yes, it kind of hangs a little bit like a toll for 1 year is a little short duration for anyone to think through, but we take it as that, my second question to you, Apurva, and the team is, if you could throw some more light on 2 parts of the digital initiative, one is essentially digital radio and second is your partnerships that you have engaged with yourself including payers like Spotify?

Apurva Purohit: As you know, we have been indeed the pioneers in running radio stations ourselves, so we currently depending on the strategy, we changed the mix of the radio station, so currently, we run around 17 radio stations on the web. Apart from that, we also do a lot of content on social media because that is another place where the brand gets marketed and we get new listeners to our terrestrial radio stations. From a revenue perspective, the web part, the digital part of our radio stations breaks even, so the kind of costs we put in, other revenues we get out of those stations. Apart from that, because we create so much content, we also look for opportunities to market that content and one of the things that we did was we tied up with Spotify, which we had talked about in our earlier earnings call, and we have done approximately a 2 Crores content deal where we share our original content with them.

Ayaz Motiwala: Just the last sort of to the answer that you shared on the digital radio, you called, web stations, the 17 stations that you have, I mean how is the geography on this because once you are on the web, then anyone can listen to any station from anywhere in the world, right?

Apurva Purohit: Yes. So it is indeed, our web radio stations are accessible to anybody across the world and the latest figures, I do not have the latest figures with me, but the last figures seem to suggest around 30% of our listeners are international and 70% are India.

Ayaz Motiwala: Right, so are the 17 stations identical and play the exact content as the terrestrial channels?

Apurva Purohit: No, not at all. Indeed, that is one of the, I would say, possible future opportunities for us because as of now, we cannot because of royalty reasons, we cannot play the same radio stations on the web, so we have different, different genres. We have a lot of languages that we are not currently operating in like Bhojpuri, etc. We have got independent music, electronica, metal, hip-hop, devotional, and so on and so forth.

Ayaz Motiwala: Right and you source this content the same way essentially, the content revenue license share would be the same?

Apurva Purohit: Can you repeat your question?

Ayaz Motiwala: Yes. I am saying for the rules for digital IPR payments, are they the same as they are for terrestrial radio or are the terms of trade different?

Apurva Purohit: No, which is the reason we are not able to play our normal terrestrial radio stations on digital because the digital royalties are extraordinarily high. In fact, a single player people, the digital web radio stations pay close to Rs.50 Crores per year.

Ayaz Motiwala: Right, that was the sense on the subscription services we have got one on this?

Apurva Purohit: Yes, that is right.

Ayaz Motiwala: And lastly, this could open up as a very interesting medium, are you putting a lot of efforts on this or it is just playing along the digital radio initiatives?

Apurva Purohit: Currently, the effort is all directed towards trying to give original and differentiated content and not really duplicating a terrestrial station both from a strategic point of view and from a cost point of view. Yes, you are right. If one day the royalty payments become equal, and more than us putting the effort, the government is trying to sort of streamline digital, as we are all aware. Once there is an equal playing field at that stage, of course, it will take us 24 hours to shift our terrestrial radio stations onto the web.

Ayaz Motiwala: There was another part, I am really sorry, I am going on, but just a quick question on this, is there a room to experiment with such differentiated content with your initiatives to drive a small subscription business and test that out because it is obviously from anywhere in the world, you have unique sort of content that you are creating and these are identifiable customers or listeners versus a generic sort of terrestrial play-out in a car or something of that sort, so are you are you thinking aloud on that, that here is the place where you can try and experiment with building, for now a small subscription model, but over time, it can become something very serious, if assuming obviously your listeners like what you are playing out?

Apurva Purohit: Yes, so subscription-based content is something that I personally am very passionate about, and I strongly believe that for the entire media and entertainment industry, the faster we are able to garner half our revenues from subscription, the better it will be for the industry, so certainly, that is our desire. As of now, in the current scheme of things, the kind of radio stations that we are running, subscription is not something that we are actively sourcing right now because right now we want to build the reach of these stations and only then try to start subscription base. However, what we are very keen to do is to do some alliances with other players who are bigger in the digital firmament and see whether a joint content



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Radio City plus a digital platform can that generate subscription revenues and those are the conversations that we are pursuing currently.

- Ayaz Motiwala:** Thank you very much, Apurva and all the very best to you and your team.
- Moderator:** Thank you. The next question is from the line of Sundeep Allamraju from L&T Mutual Fund. Please go ahead.
- Sundeep Allamraju:** This is basically to check on the status of RBNL acquisition, any incremental updates, Madam?
- Jimmy Oza:** No updates, Sir. It is at status quo.
- Sundeep Allamraju:** Anything you heard from the regulator, etc., nothing?
- Jimmy Oza:** No, Sir.
- Sundeep Allamraju:** That is it from my side.
- Moderator:** Thank you. The next question is from the line of VP Rajesh from Banyan Capital. Please go ahead.
- VP Rajesh:** Thanks for the opportunity. I just had a request for the Board members from Jagran side that if you can please restart the conference call for Jagran also, that will be very helpful because we do not get an opportunity to understand what is going on in the business, that is all, thanks.
- Apurva Purohit:** Sure.
- Moderator:** Thank you. The next question is from the line of Vijay Kumar Subramanian from Trustline PMS. Please go ahead.
- VK Subramanian:** Thank you for the opportunity. You might have seen that digital marketing will eventually gain ground and it can go up to 50% by 2025, where you are supposed to come down from 3% to 2% in terms of the wallet share by the advertisers, now I am just thinking, you are in the business of promoting, branding, marketing, does it make sense for you when you go to the client, tell them that you have a both digital strategy plus radio and then try something different because there seems to be a huge drop coming your way in terms of 3% to 2%

even the pie grows big, still you will be able to at best reach the current level or go down, do you have any thoughts on that?

Apurva Purohit: I am not sure where this market share drop figure you have got from. We believe that the market share of radio will remain constant and as the media and entertainment pie grows, radio will grow at the same rate as the larger pie because as all of us know, media money chases consumer time spent and we have not seen any drop in consumer time spent on terrestrial radio, that is the first point. The second point is that as far as packaging, digital and radio are concerned, I think increasingly not only digital plus radio, but digital plus print plus events and a 360 solution is something that the clients will want and something that we are happy to supply. As you know, Jagran is there in all media and package solutions, 360 solutions is something that we are actively offering our clients. Similarly, as far as radio itself is concerned, yes, terrestrial radio plus our web radio solutions plus also the huge numbers that we have on social media, we are #1 on Facebook, for example, those numbers and the constant, for example, the videos we put out there, our RJs put out, even that we package as media solutions to our clients.

VK Subramanian: You might have seen Radio Mirchi rebranding as Mirchi, so anything on that line, do you also have, your thought about it or you will come in a different way?

Apurva Purohit: Yes, we have always believed that we, as the leaders in the radio industry have to be the flag-bearers of this medium, and we have amount of belief and faith, as do our listeners, in the audio medium and we believe that this medium is going to remain a steady and strong part of the media and advertising pie. Therefore, for us radio is extremely integral to our business strategy, radio is extremely integral to our brand story, and radio is extremely integral to the engagement that we believe the loyalty that our listeners have with us and therefore, it is always going to be Radio City

VK Subramanian: Thank you very much.

Moderator: Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: Thank you for the opportunity. I joined the call a bit late, so I do not know if this is a repetition, but I wanted to know the breakup between your government revenues and private sector revenues and I heard you say that the government has not come back, so is that what is impacting the revenue going back to pre-COVID levels?

- Apurva Purohit:** Indeed, government has not come back for the last 2 years, so it is not necessarily only COVID, but even in 2019-2020, one of the biggest impacts of lower revenues was government spends going down. As we speak, currently, the government spends are down to half their contribution, so they used to spend approximately 16% on the radio industry, now they are down to nearly 8% and I think this is a fact across all media.
- Tushar Sarda:** So 16% of your revenues were coming from government?
- Apurva Purohit:** Which is down to 8%, yes.
- Tushar Sarda:** And you do not see any hope of that coming back?
- Apurva Purohit:** Yes.
- Tushar Sarda:** So what is the degrowth in the private sector revenue and would that come back because if one sees the results of consumer companies, they are very strong, so they should be spending more now, right?
- Apurva Purohit:** Absolutely. In fact, we have seen that quarter-on-quarter, the degrowth, I would say, in the private sector was around 70%, 75%, that is down to 30% and as I said, by quarter 4, it is going to be practically 0. So clearly, the strong performance of so many of the industries will have a follow-through effect in the following quarters on media and entertainment.
- Tushar Sarda:** Can I ask one more question?
- Apurva Purohit:** Of course, please.
- Tushar Sarda:** You seem to have lost market share to Fever and Big FM in some of the larger markets like Mumbai and Bangaluru, so what is it that these channels are doing, which is growing in more listeners and you are losing the market share, if you can throw some light on that, that would be helpful?
- Apurva Purohit:** I do not know which market share you are talking about because as far as revenue market share.
- Tushar Sarda:** It is from your presentation, I think you have given some graph.

Apurva Purohit: Yes. You are talking about listenership then because revenue market share, we are clearly ahead in fact from the beginning of the year to now, we have gained 2% market share point in revenue terms and in volume terms.

Tushar Sarda: Listenership is important, right, because that is what will ultimately determine the revenue share in the long run?

Apurva Purohit: Well, that is not strictly true in the case of radio, and I will just take a moment to explain why, whether it is Fever or whoever, 3 years ago, they had shown a listenership market share increase, but it has been 3 years now and that has not translated into a revenue market share increase, so I am just correcting that first assumption, it is 3 years, so it is fairly long term in that sense. The reason why listenership share does not necessarily convert to revenue market share is for 2 things. One is, it depends on the footprint that you have. For example, a player like Fever or a regional player is only available in 7 markets or 3 markets, whereas clients are looking for a national presence and there are very few players currently who are able to provide a national presence and national strength, so a large part of the revenues go to the national players as compared to the niche players, that is reason number one. The other reason is that currently, the listenership data is available only in 2, 3 markets, and that really is not used as a benchmark to decide what is happening in 40, 50 markets, where clients end up either doing their own surveys or relying on larger surveys.

Tushar Sarda: I think that is very helpful. Just a follow-up, what is the breakup of your revenue in terms of national players and regional players?

Sangeetha Kabadi: So national players is 35% and local players are 65%.

Tushar Sarda: So that 65% can get impacted, right, because of this regional competition or that does not get impacted?

Apurva Purohit: In that sense, what really happens in the regional players is they look at city-by-city and then look at the strength. For example, in most of our markets, Gujarat and North, we have the highest volume share and in that sense, what the local players do is they test out different radio stations and see the impact on their sales, on their footfalls, etc., and then take a call, so those players are very city specific and we believe that we have a leadership position in most of the cities we are present in, which is where it automatically translates into higher volume share for us.

Tushar Sarda: And what is it that Fever and Big FM are doing that they are drawing more listeners, I mean is it something on which you can throw some light?



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Apurva Purohit: I'm not particularly sure of what Fever is doing, sometimes it surprises us also, but Big FM has done a differentiated strategy, which is really they have gone for more, if you know, their music is completely retro, so morning to night, they play only older music and therefore, they end up attracting the older TG, right now we have shown you overall numbers, but if you separate it out amongst younger than 45 and older than 45, older than 45 is where they have their strength and then, therefore, they attract that type of advertiser, whereas we attract an advertiser who is cutting across different target groups that he wants to reach out to.

Tushar Sarda: Thank you for answering the questions in so much detail.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Ms. Apurva Purohit for closing comments.

Apurva Purohit: What I would like to do here is invite our group CFO, Mr. R.K. Agarwal to give the closing remarks. Thank you.

R.K. Agarwal: Ladies and gentlemen, in the end, I would like to highlight 3 points, which you all know, number one is, any fixed cost-based model, business model, suffers maximum when there is a disruption, a COVID-like disruption and this is the model where you will see hockey stick like growth when the things improve, so do not worry about radio as well, the way you do not worry about TV. The moment the economy is normalizing, you will see hockey stick-like growth, so there is no point in discussing about quarter-on-quarter growth or short- to medium-term growth, I would say, short-term growth in profits or in the topline, that is number one point. Number two point is in media entertainment industry, it is the leader, which gains maximum the moment economy comes out of the disruption and it stays well settled even during the disruption, which you have seen Radio City doing. Number third, Radio City has always done better than the overall industry, and it will continue to do better, so in 2019 whether we achieve the topline numbers in 2020, 2021-2022 or maybe 2022-2023, but be rest assured, the moment economy is normalizing, we will be the biggest gainer and we will get faster to 2019-2020 numbers than any other competitor will. That is all. Thank you very much for sparing your time and attending the call of Radio City.

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