"Music Broadcast Limited Q4 FY 2017 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good morning and welcome to the Music Broadcast Q4 FY 2017 Earnings Conference Call.

This conference call may contain forward-looking statements about the Company which are based beliefs, opinions, and expectations of the Company as on the date of this call. These statements are not the guarantee of future performance and involve risk and uncertainties that are difficult to predict. As a remainder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes.

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 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, ma'am!

Apurva Purohit: Thank you. Good morning and hi. I welcome you all to the conference call for quarter and year ended 31st March 2017. Along with me I have Mr. Shailesh Gupta -- Director, Jagran Prakashan Limited; Mr. R. K. Agrawal -- Group CFO; Mr. Prashant Domadia -- CFO, Music Broadcast Limited; Sangeeta and Jimmy from our IR team along with Payal from SGA.

I hope, you had an opportunity to take a look at the Company's FY 2017 results as well as the Presentation both of which have been circulated and uploaded on our website and Stock Exchanges.

Before we start with a brief view of MBL, we would like to take this opportunity to thank you for all the support given during our IPO and thereafter. Our IPO was subscribed 40 times and received a very good response from all categories of investors.

Since, this is our first call post the listing, we will quickly take you through the business of MBL followed by a summary on the financial performance. As you all know we are the first private FM radio broadcaster in India operate under the brand name Radio City. We have grown our presence from four stations in 2001 to 39 stations currently. These 39 stations include 8 stations from Radio Mantra and 11 new Radio City stations acquired in Phase-III. All our Phase-II Radio City stations have been migrated to the Phase-III policy.

The new radio stations acquired in Phase-III got fully operationalized in Q4 and Mantra got rebranded to Radio City too. These 39 stations in Tier-I, Tier-II and Tier-III cities give us over 62% coverage of the new Phase-III FM footprint and because they are all in high advertiser potential markets they give an optimum and efficient reach to both national and regional advertisers.

We also operate our online Web Radio on a web portal which is www.planetradiocity.com which was launched in 2010. We operate 42 Web Radio stations in eight languages. Our Web Radio stations offer 24 hours of internet radio along with live RJ shows along with the mobile app that plays various station such as Radio City Freedom, Radio City Electronica, Radio City Metal and Radio City Smaran in several languages both on mobile and other devices.

We have the highest likes on Facebook amongst all radio station at 27.3 million likes and are number one on Twitter and number two on Instagram across all radio networks.

We believe that our understanding of audience preferences and research based mindset has enabled us to provide content which is customized to the taste and culture of each city's local audiences. Based on the listenership's statistics from third-party research agencies we have been ranked number #1 in (Mumbai) Bombay, Bengaluru (Bangalore), and Delhi in terms of top "Top Of The Mind Recall" for the last 12 months ending January 2017 and Radio City reaches over 52.5 million listeners in 23 cities covered by the AZ Research.

This leadership position has helped us increase advertising volume for over six years at a CAGR of 12.1% compared to industry CAGR of 9.1%. This based on the AirCheck data available for 14 top markets.

To support our well network sales team last year we recreated an in-house creative solutions team audacity which provides customized advertising solutions across on ground, on air, and digital media to address the needs of our advertisers. As of March 31st 2017 we approximately had around 4,500 advertisers.

I would like to now give you an update on the Phase-III policy. You are aware that our expansion strategy under the Phase-III policy was driven by identifying markets after taking into consideration their advertising potential, population density, per capita income in that particular city, retail advertisers and other such parameter. Most importantly quick breakeven and margin accretion was something that we focused when we looked at the new stations.

As I have already mentioned that in Phase-II our markets cover 60% of India's population and approximately 70% of the advertising revenue, we ensure that even under Phase-III and the enhanced footprint, we cover 62% of India's population and approximately 70% to 75% of the ad potential of the radio industry.

With the new stations, we believe we will be able to capitalize on the growth in the radio industry. As you are aware the radio industry is expected to grow at 16% in the next five years as compared to the media industry which is expected to grow at approximately 14%.

We believe the growth in the industry will be predominantly contributed by operationalization of new stations both in existing and new cities. Radio becoming available to thousands of new local advertisers and radio transitioning into a reach medium for national advertisers. Since, FM currently reaches only 45% of India's population and going forward it is likely to go up to 65%.

Radio City strengths have always been about creating operational excellence through an inordinate emphasis on processes, research, best in class people practices and on delivering consistency to both our advertisers and our listeners. This has created a much awarded leader brand and listenership position in the FM industry which coupled with our focused approach on concentrating on high reach and high relevance market has helped in delivering better than industry growth year-on-year both in volume and in value consistency.

I would like to move over to the financial performance of the Company now. The revenue for year ending 2017 stood at Rs. 271 crores against Rs. 226 crores in FY 2016, delivering a growth of 20%. However, this included the full year impact of Radio Mantra without that our growth was around 11% which again is 2% better than the industry growth. This of course, could have been far higher had demonetization not happened since till October our growth was around 18%.

The revenues for quarter four 2017 was Rs. 67 crores. EBITDA for the year stood at Rs. 91 crores as compared to Rs. 78 crores in FY 2016 which was a growth of 17%. The margin for this year was 33.6%. EBITDA for quarter four was Rs. 17 crores.

As you all know this margin of 34% is higher than expected and anticipated despite all the investments for the launch of our 11 stations playing out in quarter four because all our stations got operationalized then and revenues have just started kicking in. And also despite muted revenues because of demonetization.

For our 28 legacy stations, we have expanded our EBITDA margins by 112 basis points to 36%. Our newly acquired stations are also performing well and we expect to breakeven earlier than anticipated.

The sustainability of these EBITDA margins is a testimony to the prudent financial approach we take in running our business and emphasis on profitable growth which is part of the growth and philosophy.

The PAT for the year stood at Rs. 37 crores as compared to Rs. 28 crores last year with a growth of 33%.

We have also reduced our debtor days from 123 days to 110 days this year total working capital days have also reduced to 66 days as compared to 87 days in the last year.

We have also reduced debt by Rs. 73 crores in this financial year. Our net debt to equity stands at negative 0.26 times.

With this, I would like to open the floor now for Question-and-Answers. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the Question-and-Answer Session. We will take the first question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Yeah, my first question is on advertising. Till October, growth rate was around 18%. Now, if I see your main large segments for example, real estate is 10% of the portfolio which is facing change from the RERA Act, similarly e-Commerce, now consolidation is happening. Also, GST related there will be innovations being pushed towards post August. So, do you see Q1 again being challenged for the entire sector and do you see double-digit growth difficult for the entire year.

Apurva Purohit: So, Abneesh certainly quarter four had the demonetization challenge and even BFSI did not perform as one had expected. Government spends also slowed down I think because of some elections happening. However, I am happy to say that April, May, have been good and yes, of course, GST and RERA are a question mark. But I am quite sure, the kind of muted growth that happened in Q4 that is not what we are seeing this year, definitely not.

R. K. Agrawal: And Abneesh, as far as GST is concerned, it is going to be positive for all those sectors which were already under the regime of Service Tax because there, the advertisers are pretty used to reimbursing the Service Tax. Now, what will happen is instead of 14% they may have to reimburse 18%. So, it is not going to be any material difference. If at all these industries particularly media platform, radio, digital, etc., will be affected it will be only a positive effect. Whatever little purchases they do make on that they pay excise duty, VAT that is something which is going rate. They will be able to recover that also. They will be able to set it off also.

Abneesh Roy: Okay. My second question is on the market share data. You are leading in quite a few key cities. But in (Mumbai) Bombay when I see the last Y-T-D trend almost 4 players are very close to each other. So, in that context are you able to charge a premium in this market because everyone is close to each other?

Apurva Purohit: So, Abneesh, you are more aware than anybody else that leadership position is something which gets built over a period of time. So, it was really after two years of us being consistent leaders and we were able to start taking rate hike. Now, there is a period of more than four years or five years where we have been a number one player. Yes, in (Mumbai) Bombay currently this position is shared with a couple of other players and figures are very close to each other. Having said that I think, there is because of the consistency we have been able to demonstrate in holding either a unique leadership or a share leadership has allowed us the ability to take rate hikes. And in fact, you know that over the last four years we have been taking approximately 6% to 8% rate hike in all the big markets. We started with four markets then we started taking a rate hike in eight markets. This year we have taken a rate hike in 12 of our top markets.

Abneesh Roy: And how is the rate hike panning out, is it getting absorbed well in the market? What is the real yield increase?

Apurva Purohit: Yeah, we have never been the kind of player who goes around making a big song and dance and coming out with Press Release saying that we are going to take a 20% rate hike, etc., etc., because we believe it is a kind of a relationship with our clients which is a long-term relationship and we are equally concentrating on ensuring that the churn in our clients is not there at all. So, we work along with them and we start sensitizing well in advance that we are going to take a rate hike. And our rate hikes again have been around 8 to 12 percentage point which the clients are willing to buy, so it has now become really a norm that Radio City will come every year with an 8% to 10% rate hike.

R. K. Agrawal: And Abneesh, as you know well, if you are talking about increase in card rates, etc., print industry may have taken increase in card rate by 20%, 25%, 30% that is what you know some of us have been doing. But effectively what matters is what customers pay and that is what Apurva is clarifying, it cannot be a standard hike for everyone. It depends on case-to-case basis, it depends how you have relationship and it also depends your long-term relationship.

Abneesh Roy: Apurva, in your opening remarks you mentioned breakeven in new stations is going to be earlier than expected. So, what has changed because your inventory utilization currently seems to be low. So, what changed?

Apurva Purohit: Yeah, so, Abneesh, as I said all our stations except for Kanpur which started in October, rest have started in quarter four and its only by March 31st that all our 11 stations were running. The March part which is the last month really gives us the confident that the kind of revenues that we anticipated we started higher than that and that run rate also seems to be higher than what we had anticipated, the kind of long-term deals we have started signing up in these markets, we didn’t have to sell Radio City to anybody in this market, they were all aware of the brand and coupled with the effort that the team has put in doing power of radio workshops across trying to educate all the local advertisers and our run rate from March onwards seems to suggest that we will break even faster than normal.

Abneesh Roy: When is the breakeven you are targeting?

Apurva Purohit: So, we have said that breakeven would be around two and a half years later and now, we believe that it will be definitely six months - eight months earlier than what we have said and utilization when you are looking at, it is really on annualized basis the utilization is around 20% - 30%, right now but you would just see something like 6% but actually it is annualized 20 to 30% which is quite high.

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

Neeta Khilnani: I just wanted to understand the volume strategy in your legacy stations. So, we are currently operating at 65 percentage to 75 percentage and with the 8% to 10% hike how are we looking to build it up considering other players are probably operating at 90 percentage - 95 percentage, so are we looking at could this number shoot up to like 90% in the next two years or will this be more gradual?

Apurva Purohit: So, clearly, absolutely the figure can go up to 90% and that is really the potential of the radio industry and all the brands who are at a leadership position. Now, how does the 65% go up to 90%? So, if you really look at our markets once it hit 60 odd percent, Neeta, we start taking a price hike because what 60% really translates is into higher utilization in prime time and lower utilization on let us say weekends etc., etc., and therefore the average comes to around 60%. So, we look at taking price hikes, when our four markets hit 60% we started price hikes around four years ago as I was explaining to Abneesh from the last two years in our eight markets we have been taking a price hike. Now, 12 markets are approximately at 60% plus and that is where we started taking up price. So, price hike is one strategy. So, around 8% to 9% price hikes are taken, another 8% to 9% growth is expected to come from this 60% moving to 90% and a critical part of that strategy is the whole philosophy that we are following this year and on reducing variance. So, as I am explaining in some slots the utilization will be far higher. It could be 80% - 90% in fact during season time it crosses 100% even. So, our entire effort this year is to manage this variance. And I think that gets managed as there are a lot of strategies that the team is putting in place including improving programming and programming content on the weekends working with advertisers to tell them that there are certain audiences that they can reach out if they look at non-prime time in the afternoon, house wife's for example, etc., etc., So, there are four strategies - five strategies in place to ensure that 65% goes up to 85% - 90% over the next two years - three years simply to reduce the variance between 80% and 60% within the station.

Neeta Khilnani: Okay, all right. And my second question was you mentioned a reduction in debtor days, so indeed that is commendable thing. So, what has driven the reduction and is this sustainable?

Apurva Purohit: So, I would Prashant to answer that question.

Prashant Domadia: So, what has happened is, since there are different category of debtors and the collection happens over a period of time between the different part of the year. So, the focused effort on the collection has made this debtors days reduced to 110 days.

Neeta Khilnani: Okay. Does it have anything to do with your government revenues share coming down to 16% which I think earlier was about 18% - 19%?

Apurva Purohit: So, it is being averaging at around 17% and I think only quarter four had come down to 16%. But the impact of this on debtor days will only come in the next quarter, right?

Neeta Khilnani: Okay, right. Okay. So, it is just early efficiencies that you are building in.

Apurva Purohit: Yes. In fact, if you remember when you met the team and earlier we had talked about the fact that there was a huge concentration at that time which we were taking on increasing our revenues and October in fact was a month that had achieved the highest ever revenue for Radio City as a whole and post the festive season as it happens the focus and emphasis on reducing debtor days invariably from a team perspective also goes up.

R. K. Agrawal: Let me clarify, this is something which is very remarkable effort on the part of the team because on overall basis, if you look at any industry that has increased in DSO, especially because there was a more thrust in these circumstances on pushing the sales instead of realization. So, increasing DSOs has been a trend wherever you look at.

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

Aliasgar Shakir: I had couple of questions versus on your revenue. So, I believe on a Q4 basis we have grown at about 4%. Could you give me the split between what would be the like-to-like growth in your existing stations and what incremental revenue you would have gained from your new stations? And just a follow-up over there is if you can share in terms of broad based, in terms of sector wise, what sectors would have done good or bad for you in Q4 and how they would have delivered that is my first question.

Apurva Purohit: Sure. First, let me just explain this growth. As I already mentioned in my opening remarks that really this was because of demonetization that the growth in quarter four was quite muted and the categories that sort of did not spend as we had anticipated was of course, government and real estate and indeed every category got hit because of lower consumption. So, clearly that had an impact. And again, as I have already said that this kind of a 4% growth I would way is across our legacy stations because the new stations really started only march. So, more of the growth is really the legacy stations only.

Aliasgar Shakir: Okay, got it. So, one can assume that the entire growth of 4% is from your existing.

Apurva Purohit: Yeah.

Aliasgar Shakir: Okay. And this second question is on the cost, so your Q4 cost has gone up significantly, I understand that would be because of your new stations but I just wanted that part, two things here. First is your ad expenses haven't gone up which I thought that with the new stations launch would add significant to ad expenditure. So, if you could just explain what are the other expenses which has that has led to this increase and second thing is that also you said that majority of your launches happened in March, so, should one assume that this has not seen a full quarter impact and probably Q1 we could see a significant increase in our cost structure?

Apurva Purohit: No, so let me just clarify. The costs actually started playing out from quarter three and quarter four because October onwards we have started getting ready for the new stations because the launches were not in really in our control, right, it was dependent on the infrastructure that the government would give us. So, they had committed that they would start giving us the infrastructure October onwards. So, all our costs actually started playing out a part of our cost in October but I would say that all quarter four had the full impact of all the costs of the 11 new stations however it will be fair to say that the revenue impact you can consider only approximately a month or a month and half. So, cost impact in quarter four is the full quarter and revenue impact is approximately a month and there was some cost also in quarter three. So, that is the way to look at it. In fact, if you remove the impact of the new station cost our EBITDA margins on our legacy stations is as high as 36%. So, nearly 3% has been the impact of the new stations in terms of cost. Why marketing spends are not high?, I think currently if you look at it our marketing spends are around 9% typically we operate between 5% and 7%, so there has been a little bit increase. But again, let me tell you that why we have not spend beyond this and which came as a pleasant surprise for us is that the places were we started launching our 11 new markets, Radio City as a brand name was extremely well known. For example, we have already been in Lucknow and Kanpur everybody knew about Radio City, or we have been in Jaipur, Udaipur everybody knew about Radio City, so it has been easier for us to enter the markets and not significantly over spend on marketing.

Aliasgar Shakir: Okay. And could you just give us some more insight in terms of the other expenses, is it simply the station cost or anything specific that has gone up which has led to this increase?

Apurva Purohit: So, I mean broadly these are station cost, the only other cost which is exceptional which one can consider in quarter four as you know we did in IPO, so there were expense related to the issue. And again, if you remove both these impacts of new stations and these issue cost etc., the margins would have gone up to 31% from 25%.

Aliasgar Shakir: Okay. Could you quantify what would your issue cost which would have been built into your Q4 numbers which may not be a recurring cost for your subsequent quarters?

Apurva Purohit: So, the details are not here but as I am saying that the difference is margin going up from 25% to 31% which is a mix of the new stations and the issue cost. I think that is the way to look at it.

Aliasgar Shakir: Okay. So, just to clarify, you mentioned 31% is your margin ex of that.

Apurva Purohit: Ex of these two. Yes, absolutely, right.

Aliasgar Shakir: Okay, got it. And just last question, being in May if you could just share some insight in terms of what do we see in terms of the impact currently in the market due to demonetization. Are we seeing most of the sectors apart from real estate or probably around the retail sector resuming back and what is the sort of feedback on the ground.

Apurva Purohit: So, the way I would answer this question, if you look at the big impact that happened November 8th onwards, I think that sort of stayed at high level and muted revenues till the end of last year, till March last year. Fortunately, April May have been quite positive and while there is a slightly softer sentiment, I think on an overall basis if you look at the growth figures that we are looking at, we are very much in double-digit kind of growth and typically every year we grow at approximately 2% more than the industry and the industry is slated to grow keeping in mind the new launches and the new stations, etc., at approximately 15% to 16%. So, April May at least suggest that both us and the industries in line with those figures.

Moderator: Thank you. The next question is from the line of Priyankar Sarkar from Motilal Oswal Asset Management. Please go ahead.

Priyankar Sarkar: I just wanted to get a sense of what is the size of the markets of the 11 stations that we have got into markets like Ajmer, Bikaner, Udaipur, what is the current size and what is the expected growth of these markets?

Apurva Purohit: Okay. So, let me just first tell you that the reason why we got into these markets is just because it completes our network. So, at Radio City we look at the whole network being sold because 60% of our advertising comes from large national players, okay? And for them we wanted to be a both a relevant and an efficient player which means as long as we are able to give them 60% - 65% of the markets that they want to address in the FM industry, we will be seen as a significant player. So, to ensure that we are at 60% in the enhanced footprint because you know Phase-III has expanded the radio footprint, we chose these markets. The second reason we choose these markets and if you see the list of markets they are largely in the North where our parent company is and to look at the benefit that we can drive from especially local advertisers, Jagran for example has 25,000 local advertisers in their footprint these markets were selected. Our original 28 markets were mostly focused in West, South, and thus North was a zone that we needed to expand in. So, that is really how we have looked at these kinds of markets. Answering your specific question, what do they add to our revenue, so for us at least they would broadly add to approximately on a steady state add 10% to 15%, 18% to our top-line. So, that would be the size of those markets, from a Radio City perspective. And that would really also be what they would from a national perspective.

Priyankar Sarkar: And ma'am just one follow-up question, pardon my ignorance. But what is the sales alliance in Calcutta and Gwalior?

Apurva Purohit: So, we do not have our own station in both these markets. So, ABP has a station in Calcutta and Suno Lemon is a standalone station in Gwalior. So, we do national sales for them. So it is commissioned based approach. So, we sell their stations to our national advertisers, it also helps us complete our network.

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

Amit Kumar: Just a bookkeeping question to begin with. Radio Mantra got consolidated with City from fourth quarter of FY 2016, I just wanted to understand what was the incremental contribution of Radio Mantra to growth on a full year basis essentially.

Apurva Purohit: So, it is around Rs. 20 crores - Rs. 21 crores.

Amit Kumar: Okay. Second bit a little bit surprise by the growth in this quarter and the commentary on government advertising as well. I mean we got to know from one of your peers that there has been a very impressive rate hike I think it is to a tune of 20% - 25% on government advertising essentially somewhere in the third quarter. So, that does not seem to have filtered through in this particular quarter, any reason why?

Apurva Purohit: So, let me tell you that the rate hike that government does and it is across all radio stations, so it is not that one radio station gets a rate hike and the other radio stations do not get a rate hike. So, even we have got a rate hike which would vary from around 15% to 30% depending on different markets. So, the rate hike is very much in place and I think till the end of quarter three, all of us and especially Radio City benefited both from the rate hike and from the increase spend that government did. It is only in quarter four that the spends itself went down.

Amit Kumar: All right. And how are you looking at this right now in the last two months April to May has this sort of recovered back?

Apurva Purohit: So, April was not great as far as government spends are concerned, though other categories as I already said started pending. It is only around the middle of May that they have started spending a little bit. But we believe that June, etc., and especially with the three-year of the Modi Government etc., , the spends are likely to go up.

Amit Kumar: All right. Just final one on GST, so this 40% local advertisers, as far as national advertisers are concerned your point is well taken they will have set off available. In terms of local advertisers and in terms of government advertising I mean do you see an issue in terms of passing that incremental 3% delta? Rather I should say that what is the share of very small advertisers in your mix and what happens to government advertising, we have government department, I do not think that they pay GST I do not know how that works essentially if you can help me with that please.

Jimmy : So, the local advertisement, we already charge them Service Tax. So, it is only the percentage moment which is going to happen in case of an advertisement piece.

Amit Kumar: No, the point which I was trying to understand is that whatever share of very sort of small local advertisers….

R. K. Agrawal: Amit you are probably worried about those advertisers who may be having turnover less than less 20 lakh per annum because they will not be able to get set off. But otherwise, now as people expect under the GST regime, the tax recovery structure is going to be strengthened and I do not think there will be any advertiser, who will not be able to claim the set off in our case.

Amit Kumar: Sir, even in case of essentially retailer with up to Rs. 50 lakh sort of top-line they have been put under 5% GST but without any sort of set off available to them, so there is where I was really coming from that you know…

R. K. Agrawal: So, that is going to be positive. You are talking about the minimum 5% where there is no set off available where there is a merit rate kind of a situation, right? That is what you are referring to?

Amit Kumar: Yes. So, how many of those kind of…

R. K. Agrawal: I do not think there should be many although Apurva will be able to tell you, Rs. 50 lakh per annum turnover I think they may not be contributing much and if at all they were advertising for 3% addition they are not going to compromise. Because if you are talking about those advertisers who have turnover of Rs. 50 lakhs and they are not able to set off, let us believe with that even if they are contributing, they may not be contributing more than Rs. 50,000 - Rs. 1 lakh per annum. So, for them if it increases by Rs. 3,000 it does not make difference, am I right Apurva?

Apurva Purohit: Absolutely, right.

Amit Kumar: All right. And in terms of government advertising how does GST impact government advertising?

R. K. Agrawal: Same, I do not think government will be having any problem on that front or they will be cutting the ad spend because of that.

Jimmy: Okay government also, we were charging Service Tax. So, again the percentage change is going to happen?

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

Dipesh Kashyap: I just want to understand the revenue split with the FCT and the non- FCT revenue for FY 2017 please?

Apurva Purohit: Yeah, so, firstly, all our revenue is FCT. The way we look at it is that beyond FCT how do we start creating premiumization of our content which is where we add on things like sponsorship or on air events and stuff like that. But ultimately, between sponsorships and content integration, etc., everything hinges around FCT. So, activation kind of revenue, we have actually nothing, it would be possibly less than 1%.

Dipesh Kashyap: Okay. And last year it was like 93% and 7% right in the IPO like document you said like the FCT was 93% and non-FCT was 7%.

Apurva Purohit: No, it would possibly. be this content and the creative integrations, etc., that I would have splitted up, not activation.

Dipesh Kashyap: Okay, sure. Secondly like, your average inventory is like 15 minutes for 18 hours and the peer was talking about that there is a talk in the industry that to improve the listenership they are actually reducing the inventory, so do you have any plans to reduce the inventory or you will stick to this 15 minutes.

Apurva Purohit: So, our inventory has always been pretty much in control, in fact our clock have always been designed in a way that maximizes interaction and engagement with our listeners which is the reason why we are number one, not only that our listenership in terms of time spend listening is one of the highest in the industry. So, we do not have that challenge. But as I have already mentioned the one specific challenge we have is at times like the festive season etc., the inventory goes beyond what we would normally like to do. So, for that, already much before the festive season starts we have started taking corrective measures.

Dipesh Kashyap: Okay, sure. One last question, if I may, so the Radio Mantra you have already rebranded to Radio City. So, in how much time do you think the pricing of these stations will reach closer to the Radio City stations or are they already closer?

Apurva Purohit: No, so let me just explain. The way we look at pricing is not whether it is a Radio Mantra station or a big station or a small station. The way we look at it once the inventory utilization starts hitting 60% that is when we start taking price hikes. So, as I already explained currently in 12 markets the inventory utilization has hit around 60% and that is when we started taking price hikes. Similarly, in any of the erstwhile Radio Mantra and now Radio City market if there are any markets for example Gorakhpur, etc., where the inventory will hit 60% that is where we will start taking price hikes.

Moderator: Thank you. The next question is from the line of Rohit Dokania from IDFC Securities. Please go ahead.

Rohit Dokania: I had three questions, if I may. The first one was can you talk about an effective rate for the network and how it would have moved over the past three years to five years essentially is it possible?

Apurva Purohit: Okay. So, again as I said in the top markets and we have been taking around a 6% - 8% rate hike in the cumulated total set of markets this would translate approximately in to a 5% rate hike on a year-on-year basis. So, every year you can assume that the rate hike has been approximately 5%. If you add up all the stations together I think currently we are operating at around Rs. 8,500 for all our markets per 10 seconds.

Rohit Dokania: This is all 39 markets you are talking about?

Apurva Purohit: Yes.

Rohit Dokania: Okay, sure that is very helpful, thanks. The other thing was you know is the radio industry doing anything about a measurement on which all of us can sort of agree I mean something similar like a BARC or something because that will also to strengthen the medium as a whole. So, there any talk on that front?

Apurva Purohit: So, see, of course measurement always helps and I think the industry has been talking on measurement for a fairly long time. So, it is nothing new that we have suddenly started discussing. The fact Rohit is that you know somewhere the measurement also in as sense has to be funded by advertisers because it benefits both and I think that is really where the challenge comes in. But having said that all of us are trying to do as much objective measurement as possible for example our AZ Research because ultimately that is something that we use not for selling but for internal benchmarking and internal KPI setting so, I think that is as objective as you can get. I just also want to just quickly correct my number, that Rs. 8,500 I said was for 28 market; for 39 markets it is around Rs. 9,500.

Rohit Dokania: And the last question which I had was from 1st of April, 2018 obviously the three year lock in. So, just wanted your views on consolidation, if at all there is any further consolidation possible in the industry what is sort of our view on the same as Radio City and at the same time if you could intertwine this with your dual station strategy, if you plan of sort of do anything of that sort in the future?

Apurva Purohit: So, you asked many questions in that one question. Yes, I think we definitely believe that with the lock-in getting over there will be consolidation opportunities in fact, because it is almost happening in the next six months - nine months various talks have already started and I think people who would be running either a single station and especially in the big metros or small networks which are neither strong regional dominant network nor national players are the ones who will be willing to sell and opportunities for us to acquire also. So, certainly there are talks in the market, that is a fact. As far as our multiple frequency strategy is concerned, I think we have always maintained that there is nothing wrong with a multiple frequency strategy, it is at what price you get those frequencies and the kind of irrational pricing that got paid for will not breakeven through the period of the license which is for the next 10 years - 15 years. So, if we get multiple frequencies at good prices certainly we will be interested otherwise not.

Rohit Dokania: Which would mean from here on from sort of acquiring players on it.

Apurva Purohit: Yes.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investment. Please go ahead.

Aman Vij: My question was related to your 5th to 10th radio stations basically the next six where you have mentioned in the slides that the average realization is around 150 to 300. So, first of all what is the average price hike we are able to take in this segment and how long does it take for these players to come to the top four where price realization is significantly higher.

Apurva Purohit: So, I would say that when you look at the six markets they are really small markets, right? So, in that sense the market itself will be operating at around Rs. 200 - Rs. 300 and I have been talking about price hikes like 5% to 8%, so you can imagine doing your own calculation. See, when those kinds of prices will go up because ultimately it is about the potential of that market, right? It is not so much about them getting compared with the top four markets. The top four markets are markets like Bombay, Delhi, etc., where the size of the audience itself is so high that you can charge higher rates. So, that is the way to look at it that you can take price hikes is inevitable and the moment as I have already explained that, the moment you start doing 60% utilization, you will start taking price hikes.

Aman Vij: Okay, ma'am, this also includes Hyderabad if I am not wrong, apart from top four, right? Hyderabad comes in this segment?

Apurva Purohit: Yeah.

Aman Vij: So, there also the price is comparatively lower compared to the top Tier cities.

Apurva Purohit: So, I think the way to look at it is when we are talking about the metros, yes, the Hyderabad with the recent changes that happened in the State, the potential that Hyderabad had and we sort of always thought that it would be more amongst the top four kind of prices and not amongst the Second Tier did not play out. So, Hyderabad is within the second lot of markets for everybody in the industry.

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

Srinivas K.: Firstly, in your 4Q numbers which you have reported. Is it fair to assume that all the kind of fixed operating cost are kind of fully baked in all the 39 stations or is there some increase likely in the base? That is number one. Secondly, I mean you have stated in your offer document that the royalty the way you negotiate will be more bilateral for the new stations, etc., so, can you comment on what would be broadly the trend in terms of inflation in this particular line item over a two year to three years period as a percentage of revenues, will it be similar to as of now or will it kind of trend faster than where it is now?

Apurva Purohit: Okay. So, to answer your first question, first, I think all the cost that have to play out have played out in quarter four, so there is going to be no further operational cost which is additional to the numbers that we have presented in quarter four. That is the first part. To answer your question on royalty, even for the new stations, the judgment that came on 2% continues and we will continue to 2% to PPL based on revenue. There are a few players who are not part of that agreement and therefore, with them we have fixed fee kind of deals which again were there existing for our 28 markets and we will continue to apply for the new 11 markets. So, for all 39 stations put together the music payments are broadly the same. As of now we pay around 4% of our revenue as royalty part of it being fixed and part of it being variable linked to revenue and that is what will continue for all 39 stations.

Moderator: Thank you. Ladies and gentlemen, due to time constraints we will be taking the last question that is form the line of Pavneet Singh from Sky Line Equity Managers. Please go ahead.

Pavneet Singh: My question is regarding the new frequency which have been launched, by far which are the top three to top four best performing stations among the latest launches and as you are saying that you are able to achieve breakeven within next couple of years. So, are you targeting revenues close to like Rs. 2 crores per channel in the latest frequencies?

Apurva Purohit: So, it is too early to answer the question because as I said the stations became fully operational only in quarter four. So, it is just a couple of months. Too earlier to say having said that I think our better performing stations are Kanpur, Udaipur, Kolhapur, and Nasik, Madurai again, though it is launched just now, it is doing extremely well for us. So, these are the markets where we have done better than we had anticipated or projected. As far as breakeven is concerned, I think, we have said, we have always maintained, Rs. 20 crores - Rs. 24 crores is the cost of all these 11 stations put together, so at Rs. 2 crores as you mentioned, Rs. 2 crores across these stations we will breakeven.

Pavneet Singh: And more over digital internet radio Wynk and Gaana.com like they have over 10 million subscribers and they enjoy close to like 4.2 - 4.3 rating in that too from almost like 1 billion subscribers and as far as we are concerned, we have just got 50,000 plus downloads on the Radio City and that too with meager 1,300 ratings and that too of 4 stars. So, would you not like take actively into the digital marketing because almost like we are opening 200 plus pages while browsing online every day visiting different websites. I have never found any advertisement from Radio City or from the Planet Radio City and on that front, do near-term you think that we are lacking behind?

Apurva Purohit: So, you are absolutely, right that you will not find any advertising of Planet Radio City anywhere. So, let me just explain this. First, let me contextualize the Gaana and Planet Radio

City and Radio City combine. So, Gaana is a music streaming site, right? Planet Radio City is not a music streaming first. Radio City as a terrestrial FM station has very different consumer needs that it fulfills versus streaming devices like Gaana of Saavn, etc., are in our mind iPod equivalent. So, if you were to compare something like Gaana with Radio City the terrestrial FM stations I think there would be no comparison in terms of numbers and reach.

Pavneet Singh: But seeing the changes in the preferences of people these days that people are shifting to downloading of the applications and listening everything on the internet instead of going through the ear piece device they are putting for plugging-in FM. Don't you think like making Planet Radio City as big as Wynk or Gaana would be an attractive preposition in times to come?

Apurva Purohit: So, let us get our facts a little aligned here because when we look at all the figures and we look at figures for example in the U.S. which is the most evolved digital market, much more evolved then India is, even there 93% is the reach and penetration of terrestrial FM, in comparison the reach of music streaming devices and internet radio, etc., is around 23% that is the difference that is very respectfully I submit the point that FM reach is going to be that mass that it will always remain four times the reach of any music streaming. So, we have done research in practically every market both from a terrestrial FM point of view, from a print perspective and from a digital perspective and there clearly what is coming out is that, yes digital listenership, viewership, engagement is going up but it is not taking away share from any traditional media. So, event print which was read 29 minutes a day is 27 minutes a day. FM radio was listened to 45 minutes a day now it is approximately an hour a day. Digital has only added. So, people were spending around four hours - five hours with media in a week, they are now spending six hours with media, the additional one hour or two hours is coming via digital. So, digital is not taking away from any core listenership of any medium be it television, print or radio, I think that is the first point I am making. Therefore, we do not see the digital has competition, we see it as enhancing the media and entertainment pie in the country which as it is limited. The second point that I am making is now coming specifically to Planet Radio City, what is Planet Radio City? Planet Radio City is just for us yet another distribution device for our Radio City content. So, for the limited people who also want to access Radio City via digital and via internet and via app, we are giving them an option. So, it is just that and because the digital consumer in this whole firmament of audio, if you want to look at audio listeners is just the miniscule percentage of 10% to 15% we believe we should only spend 10% to 15% of a cost there.

Pavneet Singh: Okay. And like could you give me a break-up for the newer stations, what was the break-up of national and regional advertisers as you said that last time they were able to access Jagran's thousands of SME and regional advertisers also for the new channel, for the new frequency.

Apurva Purohit: Yeah. So, again the new channel, again too early to give you those kind of breakups because in a month and half kind of numbers I cannot really break that up but overall on a network level around 55% of our advertising comes from national; 45% comes from local; a couple of years ago it use to be 60% - 40%. So, local advertisers is only going up. As I mentioned out of the 4,500 advertisers who are on Radio City approximately a thousand advertisers would be national the balance would be local.

Moderator: Thank you. Ladies and gentlemen, due to time constraints that was our last question. I now hand the conference over to the management for their closing comments.

Apurva Purohit: Thank you. So, we thank all of you for your participation in our Earning Call. We have uploaded Investor Presentation as you have seen on the company's website. In case of further queries, you may get in touch with SGA, our Investor Relations Advisors or please feel free to get in touch with us. Thank you very much once again. Good bye.

Moderator: Thank you. Ladies and gentlemen, with that we conclude today's conference. Thank you for joining us and you may now disconnect your lines. Thank you.