"Music Broadcast Limited Q1 FY 2018 Earnings Conference Call"

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MANAGEMENT: **MS. APURVA PUROHIT -- PRESIDENT, JAGRAN PRAKASHAN LIMITED AND DIRECTOR MUSIC BROADCAST LIMITED**
MR. SHAILESH GUPTA -- DIRECTOR, JAGRAN PRAKASHAN LIMITED
MR. R. K. AGRAWAL -- GROUP CHIEF FINANCIAL OFFICER, JAGRAN PRAKASHAN LIMITED
MR. PRASHANT DOMADIA -- CHIEF FINANCIAL OFFICER, MUSIC BROADCAST LIMITED
MS. SANGEETHA -- INVESTOR RELATIONS TEAM, MUSIC BROADCAST LIMITED
MR. JIMMY -- INVESTOR RELATIONS TEAM - MUSIC BROADCAST LIMITED

Moderator: Good Day, Ladies and Gentlemen, and Welcome to the Q1 FY 2018 Earning Conference Call of Music Broadcast Limited.

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 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 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.

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 "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

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

Apurva Purohit: Thank you. Good morning, all. I welcome you to the earning conference call for quarter ended 30th June 2017. Along with me I have Mr. R. K. Agrawal -- Group CFO, Jagran Prakashan Limited; Prashant Domadia -- CFO, Music Broadcast Limited; and Sangeetha and Jimmy form our IR team along with Payal from SGA.

I hope, you have had the opportunity to take look at the Company's Q1 Results as well as the Presentation both of which have been circulated and uploaded on our Website and Stock Exchanges.

Before discussing the financial performance of the company, I would want to give you a quick update on Music Broadcast for the quarter ended 30th June 2017.

Firstly, it gives me immense pleasure to announce that once again, the company has emerged as a great place to work in India in 2017 and is amongst the top 50 companies to work for across all sectors. It has also been ranked as the best place to work for in the media and entertainment space. This is the 6th time that the company has been on this list.

During this quarter, the company launched Gig City Season 2, the first ever live Radio Concert series in India based on the stupendous response we received last year. Stars like Shankar–Ehsaan–Loy, Farhan Akhtar, Shaan, and Mika has performed in these concerts.

We started a digital foray way back in 2008 with a web radio network that has remained unchallenged this far. With the launch of radiocity.in in this quarter, we have further enhanced our reach by taking a marquee on air radio properties to the digital audience.

Today radiocity.in has 43 web radio stations in 8 languages and more than 2,700 podcasts. It is the #1 Indian radio brand on Facebook and #2 on Twitter.

We are also very pleased to inform you that we are only Indian radio station that has partnered with Apple music to offer curated playlists for Apple music subscribers. The fact that we are the preferred partner of Apple music validates our deep understanding and expertise of music which is one of the biggest reason for a continued leadership in listenership.

AZ Research data has once again showcase Radio City as the number one station in India with a listenership of 52.5 million in 23 cities.

The company continues to hold its position in the top markets of Bombay (Mumbai) and Bengaluru (Bangalore) as per RAM where the market share in terms of listenership in Bengaluru (Bangalore) is 24.6% and in Mumbai is 14.1%.

Our constant efforts to retain and grow our listener base has further enhanced our advertiser's confidence in us and we are pleased to announce that during quarter the company increased its volume share by 2% as compared to the similar quarter last year, in the top 15 markets where this data is publicly available.

All the above initiatives taken by the company also translated into it winning 71 awards both nationally and internationally since 2016 including 40 awards in this quarter itself. And today, it is considered to be the most awarded radio station in the industry.

CRISIL has reaffirmed its CRISIL AA/Stable rating on the Rs. 200 crores of the company's non-convertible debentures. We have been rated on a short-term loan with an A1+ outlook. This gives further validation to the company strong and stable balance sheet position.

We continue to be on the lookout for acquisition which are margin accretive and which will enhance our reach further and are in talks with media houses for the same. However, we believe the reason we have done well and delivered results better than expectations is primarily because of our judicious approach in running the business and we will maintain the same prudency in acquisitions too.

Coming now to the financial performance of the company: the revenue for the quarter ended 30th June 2017 is Rs. 70.3 crores as compared to Rs. 62.8 crores in Q1 FY 2017 showing a growth of 12% which is clearly amongst the highest growth rate in the entire media sector.

The EBITDA for the quarter ended 30th June 2017 stood at Rs. 22.2 crores as compared to Rs. 19.1 crores in the same quarter last year with a growth of 16% and a resulting EBITDA margin of 31.5%.

You may remember that during our various conversations, we had indicated that our margins would drop, as they have for other radio players because of Phase-III investments. However, we are very happy to state that we have maintained better than our earlier stated margins and grown from 30% in the similar quarter last year to 31.5% as I have just stated. All our 39 stations were operational for the entire quarter and the higher than expected margins have been both because margins of legacy stations have improved and because our newer stations are delivering return faster than anticipated.

The PAT for quarter ended 30th June is Rs. 10.8 crores as compared to Rs. 7.6 crores in the similar quarter, with a Y-o-Y growth of 42%. Our cash PAT stood at Rs. 17.2 crores as compared to Rs. 12.1 crores, depicting a growth of 42%.

In the quarter, the utilization levels of the new stations have been very much in line with our annual guidance which is in the range of 25% to 35%. However, we saw better than anticipate traction specifically from 5 out of our 11 new stations namely Kolhapur, Kanpur, Udaipur, Kota, and Nasik. We therefore expect breakeven in our new markets earlier than our original expectation. Our legacy stations continue to run at an average utilization of 70% to 80%.

As also mentioned in the earlier earning call we have already taken a rate hike in 12 out of our 28 legacy markets. We believe these results which are higher than our original estimates are a natural consequence of our strategy which was based on geographical expansion rather than high cost of acquisition of new stations in Phase-III.

Maintaining the lowest cost per million of the potential population we serve and thus delivering an efficient solution to our advertisers has helped us deliver on a stated vision which is that of profitable growth.

Now, we can open the floor out for questions. 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 Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: So, in your Presentation you had shared the AirCheck data for the top #15 markets and it shows that for one of our peers the volume growth has been a big negative at about minus 18%. So, is that one of the reason that we are able to post a higher growth in our volumes? Secondly, also wanted a comment whether this trend can be sustainable where one peer has been reducing inventory and we are maintaining, so is this a sustainable trend going forward?

Apurva Purohit: Yogesh, if you look at the trends and not just look at this particular quarter but over the last more than six years constantly we have been taking our market share in terms of volume up. Now, this has happened when peers have grown, peers have de-grown, industry has grown, industry has de-grown in spite of different trends that are operating with peers or the industry Radio City has consistently been improving its volume share. The reason for this is twofold. One is that, in the last 3 - 4 years, our volume utilization in our next set of markets leaving aside the top #8 markets we have been becoming more and more efficient and increasing our volume share there. The second reason is, if you see we have consistently been able to show brand leadership in all the listener tracks that are happening in the radio industry. As a consequence, the advertiser is spending more on Radio City. And this has got nothing to do with competition or with the industry growing or de-growing.

Yogesh Kirve: So, Apurva, I appreciate the kind of out-performance you have shown over the last couple of years…

Apurva Purohit: 6 years.

Yogesh Kirve: Yes, exactly. So, any comments do we have on the events which are happening in the recent months, so there has been one big operator who has been cutting his inventory. So, is there any sort of pressure on us to reduce the inventory from a point of view of the listener experience?

Apurva Purohit: So, I will not comment on competition, I mean everybody has their own individual strategies and how they would like to operate, I mean some people would like to cut on one, so that they can put the inventory on other frequencies they have, etc., etc., so everybody has their individual strategy. As well as, Radio City goes let me explain that we have been operating at 70% to 80%, in fact last year we ended the year at 65% of inventory utilizations which now we have grown to 70% - 75%, okay. So, we have yet not hit the peak which is 15 minutes in an hour that we operate at, okay? Having said that, there are certain time slots, there are certain days of the week, there are certain periods like the festive season where it does go beyond 15% that variance we are reducing and that is definitely a strategy for us, which started from the last quarter of last year where we have said that we will focus on reducing the variance. So, on an average we are able to fill our slots up to 15 minutes across all day past.

Moderator: Thank you. We will move to our next question which is from the line of Ali Asgar Shakir from Motilal Oswal Securities. Please go ahead.

Ali Asgar Shakir: First of all, just wanted to understand the like-to-like revenue split or EBITDA growth for our legacy and new stations. And I am just wondering, how many of the new stations were operational in the corresponding quarter?

Apurva Purohit: Okay, Ali, so firstly all our stations were operational in the entire quarter. Our last station got set-up in March and therefore this quarter had all the stations running. As far as the first question that you have asked, we have shown a growth of around 12%. 50% of which has come from legacy markets and 50% of which has come from a new market.

Ali Asgar Shakir: Got it. And from the new stations in the corresponding quarter, how much of their stations were already commenced operations?

Apurva Purohit: In that first quarter of last year there were no new stations.

Ali Asgar Shakir: No, new stations, okay.

Apurva Purohit: They all started between October of last year and March.

Ali Asgar Shakir: Okay, thank you. And just next question is just wanted to understand how have the advertisers responded to the new reforms like GST and RERA and particularly given that you know real estate is a big contributor to our sector? And just a follow-up over there is also if you can give us a sector wise performance that has happened during this quarter?

Apurva Purohit: So, yes, RERA has had an impact, has shown a de-growth as far as real estate advertising is concerned. From a 9% contribution, the real estate category dropped to 6% and there was a de-growth of around 25%. So, certainly that has shown an impact. GST has resulted in a fairly muted quarter one performance. We are happy to say that for us it did not impact that much. As far as the categories that have spent or increased growth Sangeetha will just answer that question.

Sangeeta: So, electronics, automobile, and media were the categories where our share were more and we have got higher share in comparison to the industry, which have been one of the driving pointers for the 12% top-line.

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

Vikash Mantri: Few bookkeeping questions. What has been the like-to-like growth for our radio stations for this quarter?

Apurva Purohit: Vikash, I just answered that question. So, we have shown a 12% growth overall. 50% of that growth has come from our legacy stations the 28 markets and 50% has come from the new stations.

Vikash Mantri: Okay. And from the RAM data has been shared and I see a trend where Mirchi and Radio City has lost market share over two quarters and the reason I am looking at two quarters is the launch of Nasha and Redtro and cumulative Fever has increased its market share and so has Nasha, and we are seeing similar trend for Redtro also. The point I am trying to question is the thesis which we discussed what would be the impact of newer frequencies coming into the market. Now, maybe it should have led to cannibalization of the same station but here, we see a case where Fever has not only been able to raise its market share but also Nasha has been able to garner our strong market share and cumulatively they are at 24% - 25% share. So, what is the story here, and how is that playing out of players who have been able to add another frequency. I do not see the same trend in Bengaluru (Bangalore), so I am asking the question.

Apurva Purohit: Yes, I think very fair question, Vikash as you have clarified the point that you have not seen the trend in Bengaluru (Bangalore), So, actually this trend is only in one city and that to RAM data, we ourselves have not seen this trend play out in the 23 markets where AZ does the research for us. So, there this trend is not playing out. It is not playing out in Bengaluru (Bangalore) which is a RAM market, it is only playing out in Bombay (Mumbai) for the moment. And that is also as you pointed out only for one quarter. Every time we have discussed cannibalization Vikash, we have discussed it in the context of advertiser's share and not so much in the context of listener's share. And in advertiser's share if you see the volume data, the volume data that has been put up in the Presentation, we have added the volumes across all the frequencies of peers without getting into specific and across 2 stations or 3 stations wherever people have taken multiple frequencies, there has been a de-growth in the volume share which basically points out to cannibalization happening in that context.

RK Agarwal: And Vikash, as we all know in media unlike radio and TV they live week-to-week or they may be living month-to-month. But in order to garner that kind of advertisement space which has commensurate with couple of quarters standing or market positioning you have to maintain that positioning for a longer time, only then you can get that kind of advertisement share.

Apurva Purohit: Absolutely.

Vikash Mantri: No, again the reason for this quarter and that we have had HT Media report 30% growth on the advertising on the radio business as well. So, looks like it has translated into fairly good revenue share, I would not have the volume share data. But at least from a revenue performance it looks like it has translated. Nevertheless, we will watch it for the next few quarters. Just a check on the inventory utilization numbers that we have given in the PPT, just wanted to understand when we say average utilization of 6% in our slide #30, what does it refer to? I have seen the formula below but still could not understand that.

Apurva Purohit: 6% Vikash, is inventory utilization for the new set of markets from the time it has got operated. So, exactly below that we have also annualized it and given it to you to have a right reference point.

Vikash Mantri: Sorry, so when we say from the time of operation this is data it is not from starting of FY 2018 this is from the data any station began.

Sangeetha: So, if our station has started from 22nd of February, it is only operational for 40 days approximately. So, we have annualized it right,

Vikash Mantri: So, is this data for FY 2017 or FY 2018?

Apurva Purohit: This is FY 2017.

Vikash Mantri: Okay. Yes, that explains, it. Thank you.

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

Dipesh Kashyap: Though we talk about like 70% to 80% utilization of legacy stations but in one of your slide it is mention that Radio City did an advertising volume of 74.9 million seconds in 14 key markets. Now, given your inventory definition that implies 90% capacity utilization, which is quite high. So, just wanted to know your strategy of growing in these 14 key markets please going forward?

Apurva Purohit: So, this 70% to 80% inventory utilization is for 28 set of market and these 75 lakhs of second which you are speaking about is for 14 Aircheck markets which was mentioned in the prospects.

Dipesh Kashyap: Yes, that is correct. So, I just wanted to know that only like in these 14 key markets which are the main market of any radio company like how are we planning to grow because we already hitting the ceiling in the volume terms.

Sangeetha: So, these set of market I think as we have already discussed, two-third of the revenue growth would come from the rate hike and one-third of the growth would come from the inventory

Apurva Purohit: And if you have seen over the last four years, we have been able to take that 6% to 8% rate hike. Even now, the growth that has come from legacy stations has all largely come and the back of price hikes.

Dipesh Kashyap: Right. And just wanted to understand your thoughts because Mirchi also reached this point few years back and they started increasing their activation and events business. So, we have plans to increase those kinds of revenues going forward?

Apurva Purohit: So, if you look at our entire 39 markets there are 8 markets which are hitting an inventory peak and 12 markets where we have started taking a rate hike and has been and the advertisers have accepted that rate hike and that is the going forward strategy. In the balanced market 27 markets we have enough and more volume available. So, that is where our volume increase strategy is playing out right now. Where year-on-year we have been able to win that 2% market share from the rest of the industry. So, I think hitting a peak is a way off chance.

Dipesh Kashyap: So, there is no plan of activation in business…

Apurva Purohit: And secondly both activation and events we do not believe add any kind of margin, we believe that there is huge investment with single-digit margin which is not our strategy.

Dipesh Kashyap: Sure. One question for Mr. Agrawal please. Sir, given the activated loss of around Rs. 120 crores - Rs. 125 crores sitting on our balance sheet, will it be fair to assume that there shall be no dividend payouts in the next two years at least?

R. K. Agrawal: Not really. In fact, we have tried to pay dividend even this year and we could not do that because losses were marginally higher than the dividend intended to be distributed. From next year I hope, dividend will be falling due for payment.

Dipesh Kashyap: Sir, next year means FY 2019?

R. K. Agrawal: FY 2018. The current one, FY 2017 - FY 2018.

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

Vivekanand Subbaraman: In the beginning Apurva you alluded to the point that perhaps competition is cutting inventory in the flagship channel to accommodate or to shift some ads in their flanking radio station in the same city. Is that the case, is that what you are observing that some of the players who have dual stations in metro markets they are cutting inventory and taking ad rate hikes in their flagship channel, so that advertisers are encouraged to fill their second station is that the case, that is question one? And secondly, last quarter we were at 110 days of debtors. Where are we right now any update on that? Did we need to extend any credit to get growth clearly, we have outperformed market? Thanks.

Apurva Purohit: Okay, so, let me answer your second question first. So, we have not had to extend credit to anybody, we are very much in following the same credit policies that we have been following for the last several years and we are very-very prudent on our credit policies. Yes, debtor days have gone up in this quarter largely because government had spent extra ordinarily high in quarter four and quarter three last year and those are the payments that have increased the DSO, so that is the second question. As far as the first question is concerned, that is just my summarize of what I have read and heard about. Again, I would not like to comment on what competition is doing. We are very clear that our geographical expansion has really helped us gives a very-very efficient network to our advertisers both because we have been able to give them increased reach in new markets where we are not present and we have been able to give this reach to them at a very cost-efficient rate because our cost of acquisition was low. Because of this, today I can clearly say that we are the most efficiency network as far as the client is concerned. So, when he does this cost for 1,000 analyses and looks at what at are able deliver in terms of reach to the rates that we are charging, we automatically become the radio station of choice.

Vivekanand Subbaraman: Right, this was helpful. Just one small follow-up on the debtor side, could you help us understand the key categories and their days outstanding, so that when we look at growth we also get to better project this metric.

Apurva Purohit: No, we do not break-up categories like that. All I can say there is government and non-government and government is the one which adds to debtor days.

Moderator: Thank you. We will move to our next question which is from the line of Karan Taurani from Dolat Capital. Please go ahead.

Karan Taurani: My question was pertaining to the margin, so you highlighted that there was a 450 bps in FY 2018 because of new stations, since you pointed out now that the break-even will happen sooner. So, how do you see this impact going ahead, the reversal of this?

Apurva Purohit: So, for our new stations we had said that break-even would happen approximately 2.5 years from the set up. As I have already explained that 5 out of 11 stations are running ahead of plan already and the other 6 stations are also showing good traction. So, we believe that the break-even is likely to happen within a year and half maximum around 18 months from the setup of the stations. Thus, we had stated earlier that against the 34% margin that we have done last year our margins would drop by a couple of percentage points this year and quarter one is already running ahead of that number. So, we believe that, that is the kind of number we will sustain going forward.

Karan Taurani: And what about the margin on the legacy stations, how does that move Y-o-Y?

Apurva Purohit: So, that also has increased as I said in my opening remarks. So, approximately an increase of around 3% to 4% over the similar quarter last year.

Moderator: Thank you. The next question is from the line of Sameer Chheda from Wama International. Please go ahead.

Sameer Chheda: I would like to know this, you have a slide saying industry de-grew by 5% and your peer is 18%, this is across entire India or it is particular radio station?

Apurva Purohit: No, this data that is available as a third-party data is available for 15 markets, volume data is available for 15 markets. So, that is the data that we have showcased here.

Sameer Chheda: All right. Now, we have the August - September, we will have the festive season coming up. So, are you already seeing an uptick in advertisements from any of the market?

Apurva Purohit: Yes. So, I think as we are all aware April - May - June the first quarter has been fairly muted and fairly average. Half of July remained similar to the first quarter but certainly from the last week of July we are seeing an uptick primarily because festive season is starting a bit earlier than earlier years this year.

Sameer Chheda: Okay. And last question is that, I think because of GST the rate would have increased from 15% to 18%.

Apurva Purohit: That is right.

Sameer Chheda: So, you have taken a rate hike, so still you are able to see a volume uptick?

Apurva Purohit: Yes, absolutely.

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

Amit Kumar: Actually just one small follow-up on one of the previous callers, this government advertising, if you can just give us sense of what was the growth in this particular quarter better than 12% relatively weaker and what sort of is driving that?

Apurva Purohit: Amit, the government actually de-grew in this particular quarter. And for the industry if you see the de-grow as compared to the similar quarter has been approximately 40%. And for Radio City as compared to the previous quarter, it has been around 15%.

Amit Kumar: And ma'am when you say previous quarter, you are talking about same quarter last year?

Apurva Purohit: Same quarter last year.

Amit Kumar: Same quarter last year, so it has de-grown. That is the point, why is that your debtor days have gone up even as the share of government advertising has come down.

Apurva Purohit: Correct. Because I am talking about revenue for this quarter, right. But the DSO is referring to the spends in the previous quarter, quarter four, right quarter four or quarter three.

Amit Kumar: So, those 4Q debtors have still not been settled, when can we sort of expect that settlement to happen?

Apurva Purohit: Again, as we constantly maintain government revenue is a good revenue to get because it is the safest revenue possible. Their payments are always a bit delayed but we encourage a government revenue and we expect that clearance to be happening by the next quarter.

R. K. Agrawal: Amit, in fact this is what you know has been a bit of trouble area for us also in print.

Amit Kumar: All right, sir. But hopefully, by the time 2Q rolls, so you should be able to….

R. K. Agrawal: Yes.

Amit Kumar: This rate hike that you have taken in the top 12 stations, just wanted to get a sense of what is the quantum and what is the sort of eventually stickiness that we are seeing, how much is actually sort of getting pass through. And for 28 sort of legacy stations what was the network rate for last year and where do you think we will end up being this year?

Apurva Purohit: So, stickiness is not an issue at all because when we are talking about the rate hikes at 6% to 8% those are the rate hikes that have played out and will continue to play out. So, there is no going back. In the history of Radio City, we have not gone back on any rate hikes that we have taken. So, that is the first point that I am making. Once, we say 6% to 8%, it is 6% to 8%. Again, clarifying that it is not in all 28 markets that we take a rate hike in all our legacy markets because in 16 of those markets we have enough and more inventory still waiting to be sold. It is only after that inventory utilization of 60% that we start taking rate hikes. So, rate hikes have been taken only in the 12 top markets.

Amit Kumar: So, 6% to 8% rate hike in those 12 markets and remaining 16 you are growing by volume, understood. Just one final point, I know I am exceeding my limit but just one final point. There is some sort of one article which I saw about you sort of looking to launch a Radio City Cine Awards, if you can just sort of talk about that, who you sort of tied-up, if it is a Cine Award, I presume it will be there on television also, who have you tied-up and what is the thought behind this?

Apurva Purohit: So, right now what we are doing is we are doing Regional Cine Award, so we have just started by announcing the Awards in Tamil Nadu, so they are Tamil film awards and the announcement has just happened. The tie-ups have been have happened with local sponsors right now but they are all going to be by voting and on radio itself. So, they are not going to run on any television channel, etc.

Amit Kumar: Sorry, you said radio and what else?

Apurva Purohit: Only radio. So, they are on-air voting awards, so it is popular choice. So, we will open out our lines for people to vote in for their favorite film, their favorite film star, etc., and it is all going to be done only on radio. So, no tie-up with any other media.

Amit Kumar: Ma'am any reason why are just Regional Cine Awards and especially in Tamil Nadu because from what I recall you just have I think 2 or 3 stations in that market.

Apurva Purohit: Yes, so we have 3 stations there, they are very big stations for us and they are very good stations. But we are going to do it in all regional markets and the idea was that there are enough and more Hindi and Bollywood awards, right and regional film is of course in the South they have always been very big. But in other languages also regional films have been showing a resurgence. For example, Marathi or Gujarati. So, we believe that that these will be in that sense differentiated from the 100 Bollywood awards that is there out.

Moderator: Thank you. The next question is from the line of Pankaj Bobade from Axis Securities. Please go ahead.

Pankaj Bobade: I would like to know what is the realization which you charge for legacy station and the new stations?

Apurva Purohit: You want to know the rate, rate per 10 seconds?

Pankaj Bobade: Right.

Apurva Purohit: So, basically in our big stations, our rates are between Rs. 700 and Rs. 1,200; our mid-category stations are between around 500 to 700 and our new stations are currently operating at the average of what is the market rate in those particular markets which would be anything from 100 to 150

Pankaj Bobade: Okay. So, these Phase-III station around 11 in number where we are having utilization of around 30 odd percent, 25 to 35.

Apurva Purohit: Inventories 15 minutes for 18 hours.

Pankaj Bobade: Right. But this is perishable, right? So, in case, if we lose it out, we lose it out.

Apurva Purohit: That is right.

Pankaj Bobade: What are we doing to ramp-up the utilization?

Apurva Purohit: So, as you are aware we have just launched these markets in the last quarter and typically new market start-off with 15% - 18% inventory because you see we operate on 15 minutes 18 hours, so that is a fairly large amount of inventory that is available, okay. And then they slowly start ramping-up. Our expectation actually was that through this entire year, towards the second-half we would start hitting 30%. But as I have already mentioned, already in the first quarter in five of our markets we are at 25% to 30% not in all our markets and that has really been the aggressive push that we have done vis-à-vis all our marketing activities as well as the brand recall Radio City has, so we are ourselves very happy to note that without being available in the entire country, Radio City has been see as a national brand both by advertisers and by listeners.

Pankaj Bobade: Well, and as far as legacy stations are concerned, we had already reached the optimum utilization.

Apurva Purohit: No, we have not reached optimum utilization, we are still at 70% - 80% and as I maintain that there is a whole effort there to manage the variance. Also in 12 of our markets is where we are reaching around closer to 80% which is where we are taking our rate hikes not in all our markets 16 markets that is enough and more inventory available.

Pankaj Bobade: So, which are these 12 markets?

Apurva Purohit: So, they are the top tier markets is Bombay, Delhi, Ahmedabad, Pune, Bangalore, etc.,

Pankaj Bobade: Okay. And in Slide #7 you mentioned volume growth. So, how do you calculate this volume growth?

Apurva Purohit: So, our volume data is available as a third-party data for 15 of the top radio markets. So, we take that and we look at the secondage that is consumed by different radio stations on a monthly basis and that is how the calculation is done.

Pankaj Bobade: Using the utilization, right?

Apurva Purohit: Using actual secondage, so 1 lakh seconds, 75 lakh seconds, actual secondages that are consumed not the utilization rate, the actual seconds. You get data for actual seconds of advertising on each and every radio station.

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

Ashish Kumar: Just wanted to understand why you have given extremely strong data in terms of the volumes? In terms of the pricing how has been the pricing quarter year-on-year and quarter-on-quarter if there is some averages you can provide us so that we can track that?

Apurva Purohit: Yes, as I have already explained, for people who are joining in new, let me explain we take rate hikes once our inventory utilization in our markets have hit around 60% and that has happened for us this year in 12 markets out of our 39 markets. So, in these 12 markets, we are taking a rate hike of 6% to 8%. This is very much in keeping with the trends of the previous years. So, every for the last four years depending on the number of markets which have crossed the utilization level of 60% we have taken a 6% to 8% rate hike. So, we started around 4 years by taking this hike in 4 markets then we extended it to 6 markets then to 8 markets and this year we have taken this price hike in 12 markets.

Ashish Kumar: So, roughly how much from a volume perspective on which you would have taken a rate hike or let us say network as a whole what will be the rate hike?

Apurva Purohit: On the one hand a very difficult calculation, on the other hand very simplistic calculation to do because if you just take 15 minutes of 18 hours a day and in that sense 39 markets have 15 minutes and 18 hours, right. So, if you are saying that in 12 out of 39 markets which we have taken which essentially one-third of the volume we have taken our price hike. If you look at it from that perspective.

Ashish Kumar: No, I was looking at, yes, bigger versus the smaller market.

Apurva Purohit: Correct.

Ashish Kumar: Are these 12 markets the larger ones or…

Apurva Purohit: Yes, they are the larger markets, they are the more mature markets from a radio industry perspective also. However, there are markets like Lucknow for example, which necessarily are not amongst the largest but because Radio City was the first station that got set-up there and it is one of our oldest legacy markets in that sense it is a more mature market for us. So, that is how one would look at it from a maturity as far as the industry is concerned, from the legacy as far as the player is concerned.

Moderator: Thank you. We will move to our next question which is from the line of Srinivas Seshadri from Mirabilis. Please go ahead.

Srinivas Seshadri: Just a couple of questions, on the cost side. One is that wanted to understand when the employee incremental cycle happens in the company and the incentive payouts etc., is there any particular quarter in which it falls in because we do not see quarter-on-quarter change in the employee cost? And secondly, again on expense, sequentially do the other expenses have fallen by a couple of crores, as I understand except for the marketing expenses rest of the lines are fairly sticky. So, if you can just kind of throw some light on the sequential drop and how it can go?

Apurva Purohit: Yes, so I will just answer the employee question first and then Prashant will answer the cost question. So, employees, our cycle is annual, so we do our performance in management process in April and the increments are dispersed by May end typically. Incentives are given to largely the sales teams and they are given out on a quarterly basis. On the cost, Prashant can answer.

Prashant Domadia: So, in the cost front. See, in the first quarter we did not have any marquee events so the marketing is not the result of it. In our case it will start from quarter two onwards. The slight increase in the cost of the percentage increase is because of the new stations cost which got added in the legacy stations.

Srinivas Seshadri: No, Prashant. Actually, I was referring to the sequential quarter gone by, so there we had booked about Rs. 28 crores in other expenses but has fallen to about Rs. 26 crores this quarter. So, I am just trying to understand was it?

R. K. Agrawal: It has fallen from Q4.

Apurva Purohit: Yes, so quarter four had the launch of all our new stations, right?

R. K. Agrawal: That is right.

Prashant Domadia: So, that is where the marketing has played out there in the last quarter which is not the case in the first quarter.

Srinivas Seshadri: Okay. And sorry Apurva just to come back on the employee cost. So, if the increments are given in first quarter why do not we see any kind of sequential change in the employee cost that has been fairly stable. Is it because in fourth quarter there are some other extra expenses on the employee cost?

Jimmy: Hi, this is Jimmy over here. However, the payouts are in fourth quarter or first quarter, however we provide for every quarter.

Srinivas Seshadri: Okay. So, it is more than.....

Jimmy: Yes.

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

Navneet Singh: My question is regarding the Phase-III stations, I guess that you will be able to achieve break-even by the end of another every quarter by the end of this financial year in top performing stations. Is it fair to assume that we are clocking revenue of close to 5 million in the top stations and is there any like poor performing station also which you would like to monetize once the restrictions have away?

Apurva Purohit: So, let me just clarify. I have said 18 months break-even from the start of each station. So, each station has started at different intervals, right? Some stations started in October and some stations started as late as March. So, that is the first part that I want to clarify. More or less all the 11 stations are doing well, some of them are running ahead of plan and the names I have already given earlier. So, there is no laggard stations in that sense in line with our original expectation all the stations are playing out as we expected.

Navneet Singh: As far as Phase-I and Phase-II stations are concerned wherever you have a presence but your performance is not that great and as per your aspirations would you like to buy out or would you look for an inorganic growth on that prospects among the Phase-I and Phase-II stations already available for buying out?

Apurva Purohit: Firstly, the stations available for sale will only become available by March 2018 which is where the lock-in gets over for all the people who migrated to Phase-III, that is the first part of my answer. Secondly, yes, as I said, we are already looking for acquisitions and we are in talks with a couple of players. The way we would like to look at these acquisitions are to see that they (a) add-on to either our geographical reach or give us presence in some of the critical market where we do not have a station for example Kolkata (Calcutta). So, it should enhance our reach, at the same time, it should be efficient both from the cost of acquisition and therefore, the cost of delivery that we are able to give to our advertisers because that really is the reason why we are doing so well both from increasing our volume share with respect to advertisers as well as delivering better than expected margins. So, these will be the two parameters around which we will judge our acquisitions and proceed on talks on the same.

RK Agarwal: And of course, it has to be EPS accretive.

Moderator: Thank you. We will move to our next question which is from the line of Sheetal Bhatt from Catamaran. Please go ahead.

Sheetal Bhatt: Ma'am, I had a question on the new stations that we have, that is the new 11 stations that we had, I understand that there are already existing players who are operating in those geographies, so can you help us understand that new channels being allocated, Is there listenership increasing like as in the overall listener to the radio are they increasing or the operating radio stations fighting for the same advertiser basically the listeners are just getting split over 3 radio station instead of 3 earlier and we are competing for the same advertiser pie.

Apurva Purohit: So, I think, you are asking two separate questions, one is from the listener share perspective and the other from the advertiser share perspective. So, let me just answer it separately. So, listeners while we have data about how our top of mind recall is moving up which is where I am able to tell you that in many of our markets we are in the number one or two slot. We do not have data that actually sample or is able to give us listener figures of the base population going up, that is data is not available to anybody in the radio industry. However, having said that it is clearly a fact that with enhanced marketing activities that we are doing it or competition who is entering a new market is doing it, clearly there is a resurgence that is happening in amongst listeners who suddenly because of much more noise being created around this category are increasing their trials of a new FM station. So, our belief is that it is adding to listener share, more people are listening to radio while I will not have hard data to prove this fact. The second reason why we are so confident that is more listener who is coming in because when you look at the advertisers when there have been let us say three players in a market like Kanpur, the moment Radio City entered very quickly a large number of retail advertisers who you must understand are some of the most difficult in the sense that they really count the footfalls that come out of every rupee that they spend on advertising. They are spending increasing amounts on a 4th radio stations. So, if they were using 1 or 2 radio stations earlier, now they have added radio stations like Radio City to their advertising bucket and they are measuring it very clearly from the enhanced footfalls they are getting.

Sheetal Bhatt: And so, ma'am when you say that clients are adding a 4th station to advertise, are they splitting the pie or they are just increasing the budget.

Apurva Purohit: So, again, let me clarify, when I am saying adding, it does not they spend on all three and they add a 4th station. I am saying that there are three stations existing in a market typically they would end up taking one or two, now they are also looking at Radio City in addition. So, that is increasing the pie.

Sheetal Bhatt: And ma'am because of lack of data on listenership in these smaller markets. How do you figure out pricing, I know you mentioned the range for pricing but when you do not know you are number one or number two or number three, how do you really price? Would you undercut the market or would you just kind of like see what the advertiser is accept, how do you kind of determine that?

Apurva Purohit: So, clearly on this one there are different strategies that players adopt, right. So, for example we have always believed in playing the premium game and there are operators who have believed in playing the volume game and this does not translate only in the rates people charge but it started actually from the type of stations we bid for. So, from Phase-II itself and again in Phase-III we bid for a very specific set of markets, we did not bid for the maximum possible radio stations that would be available, etc., so we bid for a very specific set of markets and that has really translated into us being able to charge a premium that is at the first part. The kind of market selection you do in the bidding stage itself determines whether you are premium player or a long tail kind of a mass player, point one. Second point is in all the markets we have very clearly concentrated on the fact that we have to be even number one or number two player, which as largely you can see that is playing out in the third party data like RAM that is available equally in the AZ Research which is available for a larger number of markets which is 23 markets. So, again the brand listenership allows you to charge a premium. Yes, there is no hard and fast rule that if there is a 15% brand leadership, you can charge a 15% rate hike but typically the thumb rule is that if you are the number one or number two player you are able to charge around 20% premium over the average of the market. Finally, the third point I would like to make our entry strategy also determines what rates you are able to charge. So, for example, in all the 11 new markets that Radio City has entered, all the markets we have not entered from under cutting or coming at the base, but we have come in at the average of that market and we will keep on taking rate hike once the inventory reaches at 60%.

Moderator: Thank you. We will take one last question which is from the line of Rohit Dokania from IDFC Securities. Please go ahead.

Rohit Dokania: Just two questions from my side. First would be Apurva on the impact of digital because Saavn apparently will catch break-even this year and bulk of their revenues which is in the range of USD8 million to USD20 million is from south Asia which is essentially India. So, from that perspective do you think that sort of digital can get more aggressive and there could actually be some pain points which could emerge for traditional mediums like us?

Apurva Purohit: Very happy to hear that digital is reaching stages where we can start talking of numbers of like breaking-even at cash level. So, I have always maintained Rohit that in India the penetration of media in terms of media consumption itself is very-very low. We are at one-third of global averages in terms of media consumption. So, for the numbers to go up and we see that playing out every day, in all the researches that we do that if digital has come in, it has added to media consumption not taken away from any of the traditional media. So, for example, 10 years ago the average time spent on print was 29 minutes, today it is 27 minutes. The average time that is what spent 3 years ago on radio was around 37 minutes, today it is 45 minutes. The average time that was spent on television is 1.5 hours, it continuous to remain 1.5 hours and additional 45 minutes people are spending on digital, be it audio-video digital or sites like Jagran for example or streaming devices or even our own 43 radio stations that we have digitally. So, it is adding there.

Rohit Dokania: Okay. So, you do not see this as a sort of even as a medium-term risk from the medium perspective?

Apurva Purohit: Not at all, in fact we are very clearly seeing it as increasing the consumption of media thereby increasing the advertising spent on media. It is also for players like us is a great opportunity to ensure that our content is heard by a far not only a larger audience but they spend more time with our content which is why, if you see when we Planet Radio City got rebranded as radiocity.in this quarter that was primarily because we want to further allow the digital audiences to example what we are being able to give them on air.

Rohit Dokania: Okay, sure. Great, thanks for this. The other quick comment was obviously you alluded to the acquisition part. I had just one sort of question in mind and obviously I am sure you cannot discuss more details. But just to understand are you looking at from a dual station strategy as far as these acquisitions are concerned or would it more be from a reach perspective. What would be your priority in terms of an acquisition?

Apurva Purohit: Our priority clearly right now is expanding our geographical reach because we believe there are certain gaps that we can fill quickly and fast.

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

Apurva Purohit: So, we thank everyone for your participation in our earnings call. We have uploaded the Investor Presentation 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 for your participation. Good bye.

R. K. Agrawal: Thank you very much.

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