"Music Broadcast Limited
Q2 FY2019 Earnings Conference Call"

October 26, 2018

MANAGEMENT:

MS. APURVA PUROHIT - PRESIDENT - JAGRAN PRAKASHAN LIMITED & DIRECTOR - MUSIC BROADCAST LIMITED

MR. SHAILESH GUPTA – DIRECTOR - JAGRAN PRAKASHAN LIMITED

MR. R. K. AGARWAL - GROUP CHIEF FINANCIAL OFFICER - JAGRAN PRAKASHAN LIMITED

MS. SANGEETHA KABADI - IR TEAM - JAGRAN PRAKASHAN LIMITED

MR. JIMMY OZA- IR TEAM - JAGRAN PRAKASHAN LIMITED

Moderator: Good day ladies and gentlemen and a very warm welcome to the Music Broadcast Limited Q2 FY2019 Earnings Conference Call. This conference call may contain certain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode. 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 am now glad to hand the conference over to Ms. Apurva Purohit, President of Jagran Prakashan Limited & Director of Music Broadcast Limited. Thank you and over to you Madam!

Apurva Purohit: Thank you. Good morning everyone. I welcome you all to the earnings conference call for quarter ended September 30, 2018. Along with me, I have Mr. Shailesh Gupta, Director, Jagran Prakashan Limited, Mr. R. K. Agarwal, Group CFO, Ms. Sangeetha, and Mr. Jimmy from our IR team. Our Q2 and H1 2019 results as well as the presentation have been circulated and uploaded on a website and stock exchanges and I hope you have had a chance to go through them. As we all know the economy continues to remain muted in Q2 FY2019 due to several factors like rise in fuel prices, tightening liquidity, rupee depreciation, the NBFC Fiasco, etc. This has led to a drop in overall consumer spends as well as sentiment and thus media spends by advertisers remain low. Coupled with the fact that the entire festive period comes in H2 this year as compared to last year. At MBL we are pleased to report a topline year-on-year growth of 6% in Q2 and 7% in H1, which was equally contributed by volume and realizations. In case we remove the impact of festive, our growth was around 16%, which was way beyond our expectations. In H1 2019 we have increased our rates by 8% in our 12 core markets. Our margins in Q2FY19 were at 33.2% an improvement of 120 basis points and we are in line to deliver full year margin, which are higher than last year's number and as per guidance.

As far as radio is concerned, the industry is likely to show a growth of 8% to 10% and is moderately optimistic about H2 with festive season and political elections coming ahead. At an industry level, the new expansion reach building markets are experiencing a 3x faster growth compared to multiple frequency markets and the MBL phase 3 markets continue to beat expectations and are at 50% inventory utilization today. Our cash and cash equivalence including investments as on September 30, 2018 are at a very healthy Rs.230.8 Crores and given that our liquidity is at a strong level, it will help us capture opportunities that we are currently exploring for growth.

As far as buyback position is concerned, 68% of the buyback was completed as of October 24, 2018 out of the Rs.57 Crores that was allocated for the buyback. Going ahead we are already seeing improvement in advertising volume as the festive season picks up with a revenue growth of mid teens and we hope that the pace continues for the balance part of the year too. Additionally, the improving consumption in P2 and P3 markets will drive volumes. Political advertising with the upcoming elections will also add to the growth of the industry in Q4. We are still awaiting approval from MIB for a Kolkata acquisition and I am hopeful of getting it in Q3. Now we can open the floor for question and answer.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: My question is on the real estate, the other print company also said in real estate in Q2 there has been a good recovery in the advertising, so for you it has been for the entire first half. So if you could tell us what is driving this and going ahead obviously because of the liquidity pressure could this slowdown in the second half?

Apurva Purohit: First half certainly real estate has been good, government has been good, in fact real estate grew quite dramatically by around 49%, and a part of it of course was the low base of last year. Going forward Abneesh you know everything is a bit uncertain and things are keeping on fluctuating, so while there are certain categories where we definitely see liquidity crunch hitting, for example, real estate equally, we are seeing certain categories, which are already starting to increase spends during the festive season and will continue to increase spends, so I think it is a mixed bag kind of situation, certain categories will reduce and certain categories will do better in H2.

Abneesh Roy: Apurva, you have given only 30% of the advertising segment flavour, so government, real estate and durables 30% of your breakup, so what about the balance 70% and where has been there a dip because your overall growth is 7% in the first half, you have given these higher performing sectors, what about the other sectors?

Apurva Purohit: I think you are referring to the presentation Abneesh there we have given what has happened to the industry. As far as Radio City is concerned, we have seen growth in real estate, we have seen growth in Pharma, we have seen growth in services, and we have seen a bit of a growth in FMCGs also, government has increased, political advertising has gone up, so there are several such categories, which have shown a growth.

Abneesh Roy: Coming to market share in Mumbai I see your market share has been coming off a bit last few years in fact, so if you could tell us why the market share is not reviving and in terms of ad rates does it impact?

Apurva Purohit: So you are talking about the RAM listenership shares Abneesh, so yes Mumbai has been at an average around 3 and there are certain slots, for example, mid morning slot, etc., which has not done particularly well, whereas our night slot is doing extremely well, our breakfast show does reasonably well, so we are constantly evaluating and relooking at, we went through a whole revamp of our mid morning slot, our early evening slot is going through a revamp, so by cognizant of that, having said that, as far as our rates are concerned, we have mentioned this already, we have taken a 8% rate hike in our core market, which we took in April and that is panning out quite well, we continue to get an 8% increase over last year in all these markets including Mumbai, so it does not directly impact the rates, the rates you know also are a function of an overall leadership position in the entire country and it is also a function of supply demand, so from both those aspects I think we are doing quite well. Having said that we are working very hard at looking at how we can ramp up the listenership figures.

R. K. Agarwal: Abneesh, your observation that the share has dropped in two years or the share has been dropping for two years, I do not think that is the right observation, Apurva will clarify, in fact our market share in 15-air check markets we have been increasing our share, it was only the last quarter where it slightly dropped and in the current quarter in Q2. I do not know but Apurva may clarify in those 15-air check market have we dropped the market share?

Apurva Purohit: Mr. Agarwal Abneesh asked about Mumbai’s listenership’s share, so I was responding to the RAM data listenership share, which is a figure in the presentation. As far as volume share is concerned, you are absolutely right, our volume share actually picked up by a percentage point in all our 15 markets in Q2. Abneesh are we clear, so the volume share has actually picked up by a percent point in the last quarter.

R. K. Agarwal: This is what I want to clarify, if there is a listenership share dropping in one or two quarter or despite drop if you continue to maintain the leadership it would not impact the advertisement revenue, this is what I am trying to say.

Apurva Purohit: Yes.

Abneesh Roy: Sure. Thanks for that. My last question is on outlook of the radio industry, last few years radio seems to have slipped a bit versus TV and definitely digital in spite of new stations coming up, what would your outlook be going ahead because media is seeing extremely high level of disruption in the OTT, digital and in the song apps, etc., what would be your outlook going ahead, can it grow in line with TV at least or that will be difficult?

R. K. Agarwal: Abneesh before Apurva responds to that as far as digital is concerned she is looking after digital as well just to share with you the information, in fact you have seen in digital space Bhaskar and HT both have been registering degrowth for now nearly one year, so in fact in past couple of years nothing as such has really grown as far as media is concerned. TV has been registering the growth that is for certain obvious reasons. TV and I would say in radio industry also it is Radio City more importantly, which has been registering the growth, the rest has been very, very stagnant for the reasons, which we all know. Now Apurva may continue and explain this point one.

Apurva Purohit: So we believe Abneesh that the radio industry will show double digit growth and we will grow higher than the industry as far as the full year goes. While OTT, etc., have been happening they have really not impacted radio listenership at all and various researchers in India and outside are continuing to prove this point over and over again that OTT impact on listenership habits is as low as around 5% to 6% contribution, so of the entire audio listenership that is happening only 5% is going to OTT both in India and internationally and as a consequence we do not believe advertising spends from radio will get diverted to any digital or OTT medium.

R. K. Agarwal: And in any case if you compare like-to-like growth for Q2 as Apurva mentioned in the opening remarks Radio City has grown by 16%.,For the whole year she continues to maintain the guidance, which was given in the beginning of the year that is 12% to 14% growth am I right?

Apurva Purohit: Absolutely.

Abneesh Roy: So the double digit growth will come in spite of the liquidity crunch because of political ads picking up and festival in Q3 is that optimism?

Apurva Purohit: Yes Abneesh, in fact as I mentioned in my opening remarks, already from second half of September onwards we are seeing mid teen growth.

R. K. Agarwal: And more importantly as it is in the normal circumstances also I believe first half of yours contributes only 40% to 42% of the total revenue?

Apurva Purohit: Around 45%.

Abneesh Roy: No why I am asking this, for example, auto sector, the sentiments and outlook has changed versus what it was earlier, so how big is auto for you?

Apurva Purohit: Auto is around 7%.

Abneesh Roy: There are you seeing the sentimental change from advertising perspective, is the outlook changing for you at least?

Apurva Purohit: So again I think the way to look at it is that their first half and their second half and first half has been a mixed bag of certain categories doing well and certain categories not doing well. The second half again from a category perspective there will be a mixed bag, certain categories will do well depending on how the results have been and certain categories will do badly, for example auto, so we do not expect auto to be do greatly in second half. Having said that the overhang and that is the point that we are making, the overhang of the festive season completely coming in H2 and the elections happening in next year with some state elections happening earlier, we are certainly seeing that a mid teen growth is very much looking possible.

Abneesh Roy: That is all from my side. Thank you.

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

Vivekanand S: Thanks for the opportunity, so R.K. you mentioned that digital is not growing for you and DB of course, but surely you are not saying that digital is not growing for other platforms?

R. K. Agarwal: No I did not say, it is not growing for us what I said was it did not grow for Bhaskar and HT, it grew for us.

Vivekanand S: Okay, fair enough, but just wanted to understand from you that is it only the case that print and radio are seeing disruptive pressure because we see that TV seems to be doing relatively better, they seem to indicate a growth of 10% to 12%, 13% for FY2019 while radio as Apurva mentioned 8%, 10% growth and print for FY2019, the growth will be much lower, so just wanted an overall view on why print and radio, print we can understand that there is a lot of impact of viewers and eyeball shifting digitally, but in your case you are saying that you are not losing listeners and yet you seem to be growing slower than TV, can you help us understand this a bit better than?

R. K. Agarwal: I will react to it because you have talked about print as well as radio and incidentally since both the businesses we have, let me just clarify, you have made a lot of assumptions, but the assumptions which you have made are only assumptions, let me clarify to you, they are not proved from the ground realities. First observation of yours that you understand that eyeballs are shifting from print to digital that is not something which is proved right and neither is it happening.

Vivekanand S: Advertising is shifting eyeballs?

R. K. Agarwal: No, it is not happening either, there is not even Rs.1, shift from print to digital, if they have increased the spend in digital it does not mean it has come at the cost of print. Why, as I told you, as far as digital is concerned, it has not grown for Bhaskar and it has not grown for HT, it has grown for Jagran, so in no way it is giving any trend as such right because HT and Bhaskar, both are having digital platforms on current affairs and news. Ideally in fact if digital was growing at the cost of print they should also have grown, but it has not grown what does that mean, there is no shift from print to digital, so that is the first observation, which you made I wanted to clarify.

Vivekanand S: My point was a bit different, my point was that if print is growing, but growing slower than nominal GDP then clearly the share of print is dropping that is what I commented, I am not saying that print was declining?

R. K. Agarwal: I am clarifying your observation that the spend is happening, shift from print to digital is what I am clarifying. Number two, it is as I mentioned few minutes ago it is the TV and Radio City, these are the two things only, which have been registering growth in the range of about 10% to 12% and now from here Apurva will clarify.

Apurva Purohit: Yes, so I think the whole conversation Vivekanand is a little layered, we cannot straightaway make an assumption that if there is a certain medium, which is growing averagely, it is because of digital, so I think there are two parts to it, one part of it is the economy and the impact of economy, the national clients and the local clients and what has been the consumer sentiment, etc., etc., so I would say that on radio, which is what we are discussing currently, the growth has got impacted by the external economic environment to the extent of a couple of percentage points, otherwise the industry would have grown at 10%, 12%, it has grown at 6%, 8% currently and that is only because of the economic environment that I am saying very, very strongly. Why I am saying that digital has had no impact on radio, the answer is very clear. Digital will only have an impact on radio if radio listenership starts going down and gets captured by any digital platform example an OTT that we are not at all witnessing, there is zero impact of OTT on radio listenership and because of that advertisers will not divert any spends because they want the consumers that are coming on radio and they will continue to want that unless consumers themselves disappear, the listeners themselves disappear, which is not happening. Now the third part of your question that if digital creating a disruption in the media environment what digital is doing is it is coming and increasing time that is getting spend on videos, on reading, on listening through these various platforms in addition to what the consumers were already spending on TV, print and radio. As a consequence of that advertisers are putting additional money on digital, so nowhere are they diverting money from any of the traditional media, they are adding on to digital, which is why digital is growing.

R. K. Agarwal: The last point, which I would like to make is you mentioned since print is growing lower than the GDP growth I think this is a very, very macro view, which you are taking. When you talk about GDP growth people cite the example of tax collections, you have seen what is the fate of tax collections, you may be knowing that there is a 20% drop in tax collection in UP, there is a drop in tax collection in Bihar, there is a drop in tax collection in Rajasthan in the first half, so even if GDP growth is happening it is towards something else. GDP growth will get recorded even though IT companies, which are benefitting from the currency appreciation, even then also GDP growth will be there. So let us not have a macro view in these uncertain circumstances.

Vivekanand S: Right understood, so you are saying that local factor seems to be having an overbearing influence on rates?

R. K. Agarwal: Not only local factor, but the factors like overall environment and let us understand advertisement, anyone who is depending on the advertisement depends hugely on the sentiment, this happens to be a discretionary spend, there is no denying to it. When those discretionary spend increases we benefit. When they drop we lose, so this is how we are living now on day-to-day basis.

Vivekanand S: Right and Apurva you mentioned earlier about growth trends being very strong in the second half, so then is your confidence high as you go into the second half and also potentially hope that FY2020 will be better than FY2019?

Apurva Purohit: So clearly as of now I will restrict my comments to H2, I definitely see the positive impact of festive having started from the second part of September and continuing as we speak, so clearly H2, we are looking at mid teen growth and therefore we are holding on to our guidance at the beginning of the year and on the base of second half, I think FY2020 should also sort of boomerang back from an economic perspective, but again there are elections coming up and the results of the elections also determine the course of the economy.

R. K. Agarwal: Correct. Just look at Maruti numbers, after 18 quarters they are reporting degrowth in the profit and there is hardly any growth in topline, it is flat. Bajaj Auto is reporting far lower numbers than what were expected, what are all these indicators.

Vivekanand S: Right and just one more question on the advertising side, so if I look at the 12 core markets and the remaining markets, how should one look at the ad growth in the core markets versus the smaller markets and what would be the contribution of the core markets to the total ad revenue?

Apurva Purohit: So if you look at the 12 core markets, we are talking about Rate increase of 8% in the first half there, volume has remained largely flat in those markets because we took this rate hike. The balance part of the growth has come from volume increases in our other markets including the phase 3 markets, so that is really the broad trend that half the growth has come from rate hike, half the growth has come from volume increase, all of the rate hike growth has come from a core market and all of the volume hike has come from the balance markets.

Vivekanand S: Right, so in terms of revenue growth there is no major divergence between core markets and smaller markets?

Apurva Purohit: No.

Vivekanand S: Alright. Thanks a lot. I will come back in the queue.

Apurva Purohit: As a percentage obviously the small market growth will be far higher because of the low base, but I will just say from a contribution perspective between the two half and half.

Vivekanand S: Right. Thanks.

Moderator: Thank you. The next question is from the line of the Dheeresh Pathak from Goldman Sachs Asset Management. Please go ahead.

Dheeresh Pathak: So I just want to understand like these internet platforms give a metric like daily active users and analogues to that metric for let us say your Mumbai station what would be a similar sort of a number, like how many listeners would tune in Delhi on let us say a prime time slot for that station?

Apurva Purohit: So the data that we have is from AZ research, so one part is how much is the reach of Radio City, so city by city I think our reach is around 85% in our entire big city, so Mumbai specifically would have reach of 85%.

Dheeresh Pathak: When you say 85% reach in Mumbai you mean 85% of population is listening?

Apurva Purohit: Listening to Radio that is right.

Dheeresh Pathak: Each day everyday 85% of the people are listening to?

Apurva Purohit: No, on an average, on a daily basis, the consumption of radio is approximately 45 minutes. Now within that how many are daily listeners and how many are weekly listeners I would not have that detail number with me available right now, but what we know is that.

Dheeresh Pathak: 85% is a weekly average number right?

Apurva Purohit: Weekly average RAM reach, yes radio reach that is right. Now typically what our research tells us is that if people listen to radio then listen to it on an average five days out of seven days, so you put turnaround and say if you look at these numbers you could turnaround and say 85% is the average weekly reach that average daily reach would be around 75%, 80%.

Dheeresh Pathak: And time spend you are saying is 45 minutes.

Apurva Purohit: Yes.

Dheeresh Pathak: Second question is on this Web stations, so are they just like a replica of what is happening on the terrestrial station or they have different content and for the IP rights how do you pay differently on this?

Apurva Purohit: All the Web radio stations whether it is us or anybody else we run different content than what we run from terrestrial FM because the rights that we have for terrestrial FM is the music rights and not the same as web radio rights, so they are very different and terrestrial radio is live, it is local, it is specific to a city, etc., etc., whereas web radio it is very genre need specific and is more about niche, so we run spiritual stations, we run retro music, we run English music, we run hip hop that is the kind of music that gets played. We also have a lot of original content whether a poetry sessions and RJ based content etc.that is run on this web radio station, but they are very different from terrestrial.

Dheeresh Pathak: Music what is the royalty structure here?

Apurva Purohit: It is a deal that is done label by label, so it is a fixed key.

Dheeresh Pathak: It would be similar to what Saavn and Ghana would be being?

Apurva Purohit: No, not at all, Saavn and Ghana have paid exorbitant amount, our entire royalty would be one tenth of what they have paid to one music label.

Dheeresh Pathak: This gets renewed every year or how does it work?

Apurva Purohit: Yes.

Dheeresh Pathak: So why is it that you are paying one tenth of what they pay if it is renewed every year like when it comes for renewal either they will pay less or you will pay more like why will it not converge the royalty paid by different platforms?

Apurva Purohit: So I think as far as the OTT platforms are concerned I do not think they have figured out the business model right and then they went in with some of the big label they signed these kind of deals right and once you sign the deal with the party then that becomes the anchor point over which the next negotiations are done; however, we have always understood the dynamics of the audio industry as well as what works on Terrestrial and what will not work on digital and therefore our deals have been specific to web radio with the labels who understand this, so we would not sign these with some of the labels who would charge those kind of exorbitant rates.

Dheeresh Pathak: Thanks.

Moderator: Thank you. The next question is from the line of Keyur Shah from Emkay Global. Please go ahead.

Keyur Shah: You mentioned there would be around 8% to 10% industry growth in second half, what is kind of growth outlook would you like to give for that growth in H2 and full year as well?

Apurva Purohit: That is what I said, 8% to 10% is likely to be the radio industry growth and we are sticking to the guidance that we did at the beginning of the year, which is between 12% and 14%.

Keyur Shah: Thanks.

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

Neeta Khilnani: Thanks. Just wanted one clarification the 12% to 14% growth guidance is for the second half or the full year FY2019?

Apurva Purohit: Full year.

Neeta Khilnani: So in that case we will have to grow by about 16%, 17% in the second half, which seems a little strong considering that the macros are challenging, so how are the local advertiser shaping up, are you seeing some traction from that end or what exactly will drive 16%, 17% kind of growth rate?

Apurva Purohit: So you are absolutely right Neeta, the macros are challenging and continue to remain challenging. We believe that these mid teen growth will come on the back of two things, one is the entire festive season shifting to H2 and the other is the beginning of political advertising as the elections loom up. Also Q4 typically ends up being a stronger quarter for all of us because some new categories spend in that particular quarter for example insurance, etc.

Neeta Khilnani: How a local advertiser is doing, have they sort of picked up through ad spends after demonetisation and GST?

Apurva Purohit: So in fact the biggest challenge really has been in local advertising, so in Q2 for example typically the proportion of advertising is 55 national and 45 local. This particular quarter has been 60 national and 40 local, so at the local end is really where we are seeing the small retailers, the jewelers, etc., who have still not come out of the GST/demonetisation impact and they continue to under spend plus of course consumption is still to pickup.

Neeta Khilnani: What has been revenue and EBITDA contribution of news stations for this quarter?

Apurva Purohit: The revenue contribution has been around 10% and as we told you that last quarter phase 3 broke even.

Jimmy Oza: We are roughly at 12% to 15% EBITDA margin on those stations.

Neeta Khilnani: What has been the contribution of the government sector in this quarter versus the Y-on-Y period?

Sangeetha Kabadi: For the quarter it is there in the presentation the government contributed to around 18% and at H1 level it has contributed to 12% for the radio industry.

Neeta Khilnani: No for music broadcast what has been the revenue contribution?

Sangeetha Kabadi: So when you look at Radio City the revenue contribution for the quarter has been around 17%, 18% and for the half year has been 14%, 15%.

Neeta Khilnani: So the 17%, 18% compared to Y-on-Y would be how much?

Sangeetha Kabadi: It will be around 10% to 12% growth because last quarter there was a low base because of GST the government had almost stopped advertising.

Neeta Khilnani: Understood. Thank you so much.

Moderator: Thank you. The next question is from the line of Vikas Garg from L&T Mutual Fund. Please go ahead.

Vikas Garg: On your approvals to come from MIB on the acquisition of one of the radio channel it has been a long time that approval has not yet come. Anything specific, which is relative to particularly this approval or the industry itself, has not seen any kind of an approval coming from MIB so far and how do we see it going forward in terms of opening up their space for the approvals coming through? Thank you very much.

Apurva Purohit: When we had applied for approval and you are right we still have not got it, we are constantly following up with MIB and they have indicated a positive response at the earliest, but yes it is taking longer than we anticipated and longer than it should because it is actually a very simple approval. I think we are seeing the same for the industry too.

Vikas Garg: From the industry perspective would you be aware Madam, which all other approvals would be in the queue and yet not received the approvals?

Apurva Purohit: I think the other pending approval really is ENIL I am not sure about anybody else about what is the state of affairs HT Radio One acquisition, but ENIL I know is also waiting.

Vikas Garg: One other question on the acquisition opportunity, there have been some kind of consolidation, which has happened over the last one year big channels, small channels altogether, you see some more further opportunities for you in terms of acquisition of some channels?

Apurva Purohit: Yes, very much, we are in fact actively seeking opportunities.

Vikas Garg: Madam just some of your views on one of the specific deal, which kind of a big ticket deal, which was announced earlier, but not yet has happened was that Zee Group acquiring Reliance Broadcast Networks Limited, any specific thoughts on that one Madam because that was a deal, which was like a big ticket in the whole sector and would have set the consolidation for the sector?

Apurva Purohit: No I would not like to comment on that.

Vikas Garg: Thanks madam. Thank you very much.

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

Jinesh Joshi: Just one question on the web radio piece, is our web radio piece making money at the moment?

Apurva Purohit: It is at the break even state right now.

Jinesh Joshi: What is the cash burn over here?

Jimmy Oza: There is no cash burn. Overall whatever revenue, which we generate, is what we also use it as a cost, so overall roughly we do Rs.7 Crores to Rs.8 Crores of topline in web radio.

Jinesh Joshi: What about the listenership body status which was about to form to just kind of measure the listenership data in a more credible manner, I guess the timeline was somewhere in the region of October to December, so any thoughts on that, why is it taking a bit longer than expected?

Apurva Purohit: I think the conversations are going on and given the fact that there are so many radio players of different ilk, some large players, some small players, and the resolution on which set of stations to cover is still not fully closed.

Jinesh Joshi: By when do you think this could end the resolution?

Apurva Purohit: I think we are quite hopeful that by the end of this quarter we should have arrived at the ideal list of towns to be monitored.

Jinesh Joshi: If you can just share the total ad expenses for the quarter, what were the total ad expenses?

Apurva Purohit: Marketing expenses?

Jinesh Joshi: Yes.

Jimmy Oza: For the quarter marketing was roughly 9.3.

Jinesh Joshi: Within the government revenue pie, what is the share of state government and typically during an election year how do you see the share of government by moving?

Sangeetha Kabadi: Typically during any elections the government stops advertising largely due to the code of conduct and the political advertisements come into the foray. This government advertising what we speak about is excluding the political advertising and to specifically answer your question the government advertising is a very negligible share because all the advertising comes from DAVP, which is pan India.

Jinesh Joshi: Fair enough. Thanks a lot.

Moderator: Thank you. The next question is from the line of Manish Goel from Deepak Securities. Please go ahead.

Manish Goel: To start few questions have we taken any fresh price in the month of October in the core market?

Apurva Purohit: Nothing yet.

Manish Goel: All this growth, which you have seen is largely volume driven, which you mentioned?

Apurva Purohit: No half of it has come from rate hike right and that will continue so when you compare it with last year, rate hike will still be valid.

Manish Goel: Just on the receivables amount how should one look at this going ahead?

Apurva Purohit: So receivables as far as nongovernment is concerned are more or less in control and the numbers has not changed remained at 110, 115 days, but if the government, which has gone up and obviously we are following up not only at an individual level, but at a radio association level too.

Manish Goel: So this payment should go in Q4 is that right?

Apurva Purohit: Yes we are trying to get it earlier, but certainly by Q4.

Manish Goel: What should be the tax rate, which one should be billing for this year?

R. K. Agarwal: Tax rate right now in Q2 was bit on a higher side because that was roughly 40%; this was largely because of our long-term investment we sold off for buyback of shares. Having said that on annual basis would be at 35% to 36% it will be in the same range.

Manish Goel: Great. Thanks.

Moderator: Thank you. The next question is from the line of Aejas Lakhani from Edelweiss. Please go ahead.

Aejas Lakhani: Just a quick query. I just wanted to understand that where do people sort of listen to radio if you could give me a breakup in terms of say in the car they listen to it 20% of the time or something like that?

Apurva Purohit: In the car, listenership is around 6%, 7%, the balance is either at home or through the mobile device by traveling is around 70% odd is at phone and the balance 24% is through the mobile device while traveling.

Aejas Lakhani: Thanks.

Moderator: Thank you. The next question is from the line of Gautami Desai from Chanakya Capital. Please go ahead.

Gautami Desai: In the meeting I was told that your music royalty is 3.5% like 2% PPL and 1% T-series **and** 0.5% to web is there, but in FY2018 actual music royalty I think mentioned in the annual report comes from 5% of sales so is that right?

Jimmy Oza: Yes correct on the web when we said 0.5% roughly comes out to 5 Crores or so that will be point 0.5, 0.75 also.

Gautami Desai: So but you are saying 3.5% and I am getting 5%?

Jimmy Oza: Correct it is because of web royalty, which has when we said is 0.5% is largely higher than 0.5%.

Gautami Desai: So what should I take music royalty going forward?

Jimmy Oza: You can take 4-4.5% or so that should be the base going forward.

Gautami Desai: Of the total sales right?

Jimmy Oza: Yes of the total.

Gautami Desai: Fine. That is all my questions.

Moderator: Thank you. The next question is from the line of Sagar Jetwani from Karvy Portfolio Management. Please go ahead.

Sagar Jetwani: My question is pertaining to the utilization levels can you bifurcate it between the legacy sessions and other sessions please?

Sangeetha Kabadi: Legacy session has been around 70% and we are happy to please to inform that in Q2 phase 3 station has meet an inventory utilization of 50%. At an overall level we are around 65%-70%.

Sagar Jetwani: That helps. Thank you so much.

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

Karan Taurani: I had two questions actually, one was on the listenership part so incremental listenership on radio I think will be a concern with Gaana and all cutting prices of the sufficient plans, so what is your view on that?

Apurva Purohit: Radio is a free medium whether Gaana was paid or free that does not really matter because in any case FM has always been free so that is how every listener listens to it that is point one. The second and more important point is that what Gaana or Saavn or any of the OTT platforms in India or internationally provides is a content mix which is very different from what radio provides. Radio provides content, which is a mix of music plus live RJ plus local information and connect with RJ. Gaana, Saavn OTT platforms cannot do that and as a consequence of that we have been able to only take a 5% share of listenership not because they were paid or free, but because the content is very niche and not a duplication of what FM stations give.

Karan Taurani: Just coming to that point once again so for example if Gaana is giving you a plan of Rs.30 a month on an average on ARPU basis, they are giving the music without any ads, which is a very good experience compared to a radio, which has got about 15 to 18 minutes of ad inventory per hour, so do you see the industry cutting down the ad inventory time or something of that sort to compete with a platform?

Apurva Purohit: Again there are two answers I will give you, one is that ads or no ads, the content mix of FM and the content provided by Gaana is very different, so a person who wants live local RJ and music will even invariably come to FM with or without ad and the need for that type of content is as high as 95%, the need for just music again with or without ad, paid or free is only to the extent of 5%, what Gaana is giving you, what Saavn is giving you or what OTT platforms are giving you is nothing but what is an iPod used to give you or what your CD listener used to give you and that has been available for any listener for the last 30, 40 years through the entire existence of FM and that has not made any dent on the listenership of FM. As far as your second question is which is on advertising inventory I think all of us recognized that 15 minutes to an hour is the advertising inventory that the consumer is comfortable then and all of us are balancing day pass and clock to ensure that we give 15 minutes and not higher sometimes of course during festive season or during certain prime time the inventory does grew up about 15 minutes, but all of us are rationalizing it to ensure that it does not.

Karan Taurani: Just coming to that once again I am sorry to be repetitive on this, but iPod penetration was not very high as smartphone penetration is today, there is way difference in that. Physical CD was basically not bought by people because of expensive prices and this kind of price at Rs.30 you get the entire bouquet of song, I think the way to different kind of things so I think there is more of a threat over here for radio than it was 10 years ago?

Apurva Purohit: Again I was not talking about the distribution mechanism whether it was iPod or CD as I was talking really about the content that an iPod gave or content that a CD gave, which is uninterrupted music and only music. I assure you that every research that we are doing and every research not only in India, but internationally where data is free, easily accessible, which is the more important point easily accessible. Penetration of music only OTP platform is only 5%.

Karan Taurani: So you have surely not seen any impact on listenership for radio, incremental listenership is also in line basically?

Apurva Purohit: Absolutely the latest research we have done in a big town and small town, the latest research we have got from international sources about what is happening in the US and in Europe. Again reiterate the same fact that just for music only content reach will only be 5% to 7%.

Karan Taurani: Great, just one more thing are you making content marketing initiatives like to move towards digital or something of that sort original content and what kind of margin pressures will this have?

Apurva Purohit: What I understand you are asking, are you selling content separately is that what you are asking?

Karan Taurani: Something of that sort like content marketing are basically making original content, do you have any clash or make something of that sort?

Apurva Purohit: All the 50 odd ratio stations that we run on web radio, we try to have content and of course large part of that is music, but there is enough of scenes like chat shows and some serials and poetry and other type of content.

Karan Taurani: There is no such content, which is targeted only for digital or something of that sort, you have no such plans right, whatever content is there for terrestrial radio right?

R. K. Agarwal: No, I think Radio City does produce content for a digital platform also and they do sell the content also.

Apurva Purohit: So that is what I am saying not the web radio, content is for web radio alone, it is not transferred from terrestrial to web.

Karan Taurani: Correct, but any major initiatives taken over like new steps or any major investment plans on the digital front for content?

Apurva Purohit: No.

Karan Taurani: Just one last question for H2 if you can just guide for some growth basically if you can give some colour on that whether it will be in mid teens, high teens, low teens any number, which you can allocate for H2 growth rate for your company?

Apurva Purohit: We are talking about 12% to 14% annual growth, you know what are H1 figures also from there you can look at what.

Karan Taurani: Got it. Thank you so much. Thanks.

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

Karan Taurani: I think my questions answered I just asked the questions. Thanks.

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

Vivekanand S: Thanks for the followup opportunity, one of the previous participants asked you a bit on the content initiatives that you have, so globally we see that there is also a broadcasting forecast market that is emerging as a niche product and some of this again is ad supported, so I was just wondering and also one of your peers, which is creating a lot of content on YouTube and their looking at giving solutions to advertisers and earning digital revenue there so any thoughts on what kind of content investments you can make in addition to the high quality radio content that you have already produced?

Apurva Purohit: As far as Radio City and Radio City's online version is concerned, we are very clear that we are in audio entertainment business and whatever we can do; we will do around the audio space. As far as YouTube and making videos are concerned, there are enough television channels and enough Netflix, etc., etc., to provide video content, so that is not the space we ever intend to compete them. We will use YouTube to market, but not to make videos and they will become an audiovisual company, we are very clear that we are focused on audio entertainment that is point one. As far as making original content otherwise is concerned, we also have as part of the Jagran Umbrella we have a very large digital platform and that is really where a lot of video investment is happening, we produce close to 100 odd videos a day on that particular site, so that is really where the big growth on digital and video is happening.

Vivekanand S: Thanks a lot.

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

Neeta Khilnani: Thank you for the followup questions. I just wanted to understand how much are net government ad spent higher typically than in a nonelection year, in election year government spends come down and political advertisements increase, on a net basis post the code of conduct how much is that incrementally higher than in a nonelection year?

Apurva Purohit: I think you can say that there will be upside of around 2%, 3% because of government/political adverting in the net.

Neeta Khilnani: Understood and secondly I just wanted to understand we have talked about this before that you are not looking at non-FCT on a very aggressive basis, but has a thought changed, do you consider diversification more important now or what is the stands there?

Apurva Purohit: Let me clarify I have never said non-FCT is not important, there are three parts to it, there is FCT, which is pure vanilla spot sale, there is non-FCT, which is creative solutions that we do on air where we provide solutions to clients whether it is through creating original audio content for them or through interactions with RJ, etc., and then the third part, which is the activation business where one spends a humongous amount on ground events, etc., and then tops it up with advertising on there. The third part is that we are not interested in for two reasons, one is it is the margins are very poor, they are only the range of 10% and second part is that as again Jagran umbrella we have a very large activation sales, which provide solutions to our clients as and when they desire activations at events. Non-FCT however Neeta is significant and our on air creative solutions, which deliver the same if not better margins because they are sold as premium product or is in the region today of around 15%, 16% contribution.

Neeta Khilnani: Thank you.

Moderator: Thank you. The next question is from the line of Shobhit Singhal from Anand Rathi. Please go ahead.

Shobhit Singhal: We are guiding revenue growth ahead of industry was going forward so what will drive that growth or what kind of different things we will be doing with our competitors are not doing it?

Apurva Purohit: Shobhit firstly we have a five-year track record of growing above the industry so one part is we bank upon our own track record that we invariably grow above the industry that is part one. The second bit is that what is that we do differently or have been doing differentially for the last five years, I think one bit is that we are very, very clear and focus on giving audio and on air solutions to our clients and they recognize us as the foremost expert in audio, so we do not get confused and try to divert attention or try to divert our own marketing to doing on ground or videos or other things. Clients like to work with focused partners, so that is part one because we are very clear about our focus, which is high quality audio content and audio solutions to client, we set up things like AudaCity, etc., which work on audio solutions and we are getting significant amount of revenue because we are going out and giving creative solutions including making spots and content for our clients that is one big innovative thing that we do. The other bit is that through the several years, Radio City has always been the preferred partner with all the big clients and all the big agencies because of the consistency of servicing that we give to these clients because we have consistently the same people and the same teams that are interacting with these clients. Finally the listenership position the fact that we are leaders in most of our listenership market naturally allows us to charge a premium and get a higher share from the advertiser wallet. I think these are the three reasons why we have grown ahead of the industry for the last five years and we will continue to grow ahead of the industry.

Shobhit Singhal: Thank you.

Moderator: Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs Asset Management. Please go ahead.

Dheeresh Pathak: Mumbai is an example what would be the yield for a 10-second ad slot?

Apurva Purohit: Around 1200 to 1400.

Dheeresh Pathak: On like-to-like slot basis what would have been the increase in this over the let us say last three years or last one year?

Apurva Purohit: Around 8%.

Dheeresh Pathak: 8% CAGR?

Apurva Purohit: No.

Dheeresh Pathak: 8% in total over three years?

Apurva Purohit: 6% to 8% every year.

Dheeresh Pathak: I am just trying to understand the answer that you gave to my earlier questions when you are taking Mumbai is an example so you said on an average 70% to 75% of the population of Mumbai would be listening to your radio channel and spend 45 minutes daily on it?

Apurva Purohit: Yes.

Dheeresh Pathak: That sounds like a lot of reach because trend hardly has kind of reach, TV itself hardly has 60% reach using your channel alone?

Apurva Purohit: No, one second let me clarify firstly overall TVs reaches are 90% plus so I do not know where you think it is.

Dheeresh Pathak: You know daily active viewers on television is about 60% of the population of the country?

Apurva Purohit: That is right so when I was talking.

Dheeresh Pathak: All channels put together.

Apurva Purohit: When I was talking about these I was talking about weekly average reach, second point is that when I say that weekly average reach is around 85% and I presume and assume our reach would be in the region of around 75%. The point to remember is that radio is something that people tune in through the whole day versus television, which largely gets tuned in mostly in the evening when you have nothing else, but you dedicatedly watch one hour or two hours of television, radio you play throughout the day either as accompaniment to whatever you are doing so if you are driving or if you are cooking at home or if you are traveling by train, your mobile is on as of because it is heard throughout the day that reach ads up and that cumulatively it would be higher than television.

Dheeresh Pathak: The point I was making was just surprise from medium that is reaching 70% of the population and time spent is 45 minutes, hardly on an annual basis you have been making about Rs.70 Crores to Rs.80 Crores of ad revenues on the Mumbai station?

Apurva Purohit: Correct.

Dheeresh Pathak: Versus Times of India, which reaches 10% of the population or may be 15% of the population, would have like Rs.100 Crores of ad revenue market?

Apurva Purohit: Absolutely and that is what it shows because if you see the cost per 1000 of radio, we are one tenth of print or television why we are one tenth, one is the cost is low and the denominator is also so high right, but that is the fact.

Dheeresh Pathak: Thank you.

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

Apurva Purohit: I think we had a fairly detailed interaction. We thank everyone for your participation in our earnings call and we wish all of you a very, very happy festive season. Thank you so much.

Moderator: Thank you. Ladies and gentlemen on behalf of Music Broadcast that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.