



“Music Broadcast Limited
Q3 FY2020 Earning Conference Call”

January 28, 2020



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Music Broadcast Limited
January 28, 2020

Moderator: Ladies and gentlemen good day and welcome to the Music Broadcast Q3 FY 2020 Earnings Conference Call. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions and expectation of the company as on date of this call. These statements are not the guarantees of future performance and involved 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 free to ask questions after the presentation concludes. Should you need assistance during the conference please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded.

We have with us today Ms. Apurva Purohit-Director, Music Broadcast Limited. Mr. R.K. Agarwal, Group CFO. Ms. Sangeetha and Mr. Jimmy from our IR Team along with Payal from SGA on the call. I would now like to hand the conference over to Ms. Aurva Purohit from Music Broadcast Limited. Thank you and over to you Ms. Purohit!

Apurva Purohit: Thank you. Good afternoon, everyone. I welcome you all to the earnings conference call for quarter ended December 31, 2019. As you would have seen from the results declared so far, the current economic environment continues to impact consumption, which in turn has adversely impacted the overall media and advertising industry across all media verticals, be it TV, outdoor, digital or print. Though we also saw a marginal uptick in the festive season, it was quite subpar as compared to last year for all of us.

As far as the radio industry is concerned, the central government, which is a huge contributor, continue to hold off its advertising spends, leading to a massive decline of 75% in its volume, with this share dropping to 4% from 12% in the previous 9 months.

National advertisers, who contribute approximately 30% to the overall industry volumes, also saw degrowth of 16% primarily led by categories like e-commerce, durables, media and FMCG, which did not spend as expected. The only national category, which grew its ad volumes was auto driven largely by festive promotions and the launch of new BS-VI compliance model.

Despite this, radio as a medium saw the addition of approximately 5,600 new advertisers, which were largely local in nature. The volume degrowth for local advertisers that was minimal at 8% across all categories, which has helped to increase local share from 58% in



Music Broadcast Limited
January 28, 2020

9MFY19 to 65% in 9MFY20. While we will have to work very hard to fill the gap left by the government shortfall, the silver lining is that despite the slowdown, pure-play radio advertising degrowth was in single-digit at 6%, possibly the least across all media.

As far as Radio City goes, Radio City Q3 registered a revenue growth of 11% and an EBITDA growth of 16% as compared to Q2. And during this period, we improved our EBITDA margins by 137 basis points to 31%. Apart from the festive uptick, some of the revenue initiatives that are showing traction for us are the content integration that we are doing at the local and regional level, which are growing at 15%, and the 360 solutions initiative that we have taken across all our businesses, which seems to be an increasing need of our clients.

As a historically prudent organization, which has always believed strongly in profitability, we have used these past months to refocus our energy on optimizing our operations from all aspects. The cost control measures we put in place helped us reduce the impact of the fall in revenue on our profitability to almost half, as you would have seen in the presentation. These cost-cutting measures include recruitment and salary rationalizations, station-level cost optimization, royalty contract optimizations, etc. This has reduced our fixed cost component by approximately Rs.16 Crores at an annualized basis. I want to highlight the fact that this translates into an overall permanent saving of 6% of total cost in the P&L and will naturally help us with improved margins when the economy improves. We have also reduced our nongovernment receivable days to 117 days as against 124 days as on December 31, 2018.

As far as the RBNL acquisition is concerned, there is uncertainty on the MIB approval, which is unaccountably delayed.

Finally, I am happy to share that the Board of Directors has recommended the issue of bonus shares to existing shareholders in the ratio of 1:4. The bonus issue will lower the average buying costs for existing investors and create liquidity in the market, which will widen the investor base.

The bonus issue will also help the existing investors earn more return from the buyback as and when the company decides to do so in accordance with its policy to distribute surplus cash. The bonus issue is in line with the shareholder friendly policy that our parent, Jagran Group has always pursued.



Music Broadcast Limited
January 28, 2020

With the budget around the corner, we hope that the government announces policy measures, which will kick-start consumption and bring back investments and momentum in ad volumes.

With this, we will now open the floor for question and answers.

Moderator: Thank you very much. We take the first question from the line of Jay Modi from Emkay Investment Managers. Please go ahead.

Jay Modi: Thanks for taking my question. I had a question regarding the OTT platform. So we have been reading reports saying that in western nation, a lot of songs content is being consumed through these audio and video platforms. So have we been seeing a similar trend in India as well? And when we negotiate our advertising contracts, do the advertisers bring this point up with us?

Apurva Purohit: Obviously, a lot of people are talking about OTT right now, digital and OTT seems to be a conversation piece more than anything else that we see operating anywhere else. I just would like to correct what is happening internationally. So if you look at the international figures, the reach of FM radio is around 95%, and the reach of streaming services, the OTT platforms, which stream music is 23%. So even in western countries, that is the difference. In India, the figures are around 60%, 70% is the reach of FM and around 6% to 7% is the reach of music streaming platform. So we do not see this number change dramatically, largely because the reason people are listening to FM is far broader than the reason that they listen to the music streaming devices and because the consumers have not really got on to music streaming devices. The advertiser usage of those streaming device is also very, very low.

Jay Modi: Okay. But it is just matter of times before things pick up on OTT platform, right, since the low-cost data availability and incrementally more penetration of cell phones and other devices?

Apurva Purohit: Jay, which is exactly why I first answered my question by telling you about what is happening internationally in far more mature markets, where data is not an issue, mobile penetration is possibly the highest. So in those mature markets, the reach of these streaming services is at 23% as compared to 95% of FM even in India if these numbers change, they will reach these numbers only.



Music Broadcast Limited
January 28, 2020

- Jay Modi:** Okay. Got it. And my second question was around RBNL acquisition. So we have paid Rs.220 Crores, right, in form of preferential shares? Or we have not paid anything as yet?
- Apurva Purohit:** We have not paid anything but since you asked this question Mr. Agarwal will answer it
- R.K. Agarwal:** Yes, we have not paid anything so far.
- Jay Modi:** Okay, so no investment has been made in RBNL as yet.
- R.K. Agarwal:** Yes, nothing till date.
- Jay Modi:** Okay. And my last question was, if we could get a breakup of volume growth and price increase that we've done for 9 months?
- Apurva Purohit:** So at 9 months, the volumes have degrown by 20%, and the rate has increased by 3% yield.
- Jay Modi:** Okay. That is it from my side. Thank you.
- Moderator:** Thank you very much. Next question is from the line of Vikram Kotak from ACE Lansdowne Investment. Please go ahead.
- Vikram Kotak:** Thank you for taking my call. I have actually 2 questions: one for Apurva, one for Mr. Agarwal. I think the note #5, where you mentioned that the acquisition of the radio business of Ananda Offset Private Limited, which has been canceled, and you got your money back. Can you explain that, with the line item #8, which is RBNL? Can you just kind of combine both and answer, Mr. Agarwal? So what exactly is the #5 item, the Ananda Offset Private Limited? And what exactly is #8 item?
- R.K. Agarwal:** Ananda Offset, we had to cancel the transaction because slump sale was not acceptable to MIB. And they said, if you come back with other structure, then we may consider the proposal. But by then, we had already got engaged with the RBNL and therefore, we decided to come out of that transaction.
- Vikram Kotak:** Got it. So these are 2 different transactions altogether?
- R.K. Agarwal:** Yes.



Music Broadcast Limited
January 28, 2020

- Vikram Kotak:** Yes. Sure. And the question on this Reliance Broadcast, which Apurva just mentioned that it has been delayed for a long time now. So any call you are taking on any time-line you are keeping if you do not get it within this stipulated period, you want to kind of get out of this?
- R.K. Agarwal:** We have agreed to certain timeline and fact of the matter is, if we do not get the approval by March, we may have to look at the transaction afresh.
- Vikram Kotak:** Okay. So you are waiting till March to get the approval. If you don't get it by March, then can we assume that the transaction is over?
- R.K. Agarwal:** Yes. The reason is simple because even otherwise, we could not have got the asset before April 1. The locking period is expiring only on March 31.
- Vikram Kotak:** Got it. And also, the question on what Apurva mentioned about you distributing bonus shares, keeping in alignment to the future buyback, if any. I didn't understand the rationale of that. Can you just explain that again?
- R.K. Agarwal:** As you have seen last year also, we did buyback. And this is the group's policy to reward the shareholders as and when we have free cash. So of course, company may take it up again, once it has allowed to do so under the law. So this possibility always stands there.
- Vikram Kotak:** Got it. Understood. And one question for Apurva. Apurva, you mentioned that the slowdown is still on and you are looking at the government to revive it. Are you seeing some traction back in the month of January, February, March because some of the people we are talking in the retail industry are seeing some kind of small come back in the auto and many other sectors, even you are seeing the same? Or it's not happening to the radio business?
- Apurva Purohit:** Vikram, thanks for asking this question because I will use this opportunity to just separate out the slowdown in our different categories. So one part, of course, is the government. And if you see, 50% of the drop in overall volumes for the radio industry as well as to Radio City has really come from the government, okay? So that is a huge hole that the government has left. In that bit, we have not seen any kind of come back or traction. So the government is continuing not to spend. And even in January, we do not see that this quarter, they will spend. That is one part.



Music Broadcast Limited
January 28, 2020

The second part is the 50%, which is from commercial advertisers, both national and local. As far as the local advertisers go there, their drop was fairly minimal. And when you are talking about the retailers coming back, so the local advertisers, we believe, will continue to spend because the business requires them to spend specifically on radio, which is why I mentioned that you've seen around 5,600 new advertisers come on radio. So they will continue to spend and as their business starts picking up, which we hope will happen, their spends on radio will only increase.

Now if you look at the national advertisers, who dropped volumes, there are certain categories who have started spending in the festive session, for example, auto spend, e-commerce did spend in the first 6 months, a little bit they spend, of course, not to the extent of last year, but they did start spending and similarly, in Q4, there are categories like finance, again, auto, which will continue to spend. So these are very category-specific spends that are happening in Q4.

R.K. Agarwal:

And another important point is media and entertainment is an industry where growth will come with a lag. When overall economy does well, as far as the national market and corporate advertisers are concerned they will not immediately start spending. Of course, they will spend if they are better off, but then the growth to this industry will return with some lag. Either radio or print or digital or outdoor as it is, besides TV, the group is already having all other media platforms. And even in TV, you have seen, Zee has reported 16% degrowth in advertisement totally. So plight of everyone is the same. Once the overall economy does well, then only these corporate advertisers who belong to the national market will start spending.

Vikram Kotak:

Fair point. I understood Mr. Agarwal. I would say a very good job done by you and your team, I think, by cutting the costs and increasing the smaller retailers and all that. I think it is very, very prudent job in this tough time. So congratulation on that.

Moderator:

Thank you. We will take the next question from the line of Amarjeet Maurya from Angel Broking. Please go ahead.

Amarjeet Maurya:

Considering the current market scenario, is it possible to reduce EV of RBNL? And apart from that, my next question is, how much is the debt on the RBNL Balance Sheet currently? And how you will fund if acquisition is happening?



Music Broadcast Limited
January 28, 2020

- R.K. Agarwal:** Yes. As we mentioned, currently, there has been uncertainty in the sense that MIB has not yet approved the transaction. We are in waiting. Only after the approval comes in, we will evaluate the valuation the we will evaluate other formalities. Currently, we are just disappointed that approval has not come. So I mean, rest of the discussions will take place only when the approval comes.
- Amarjeet Maurya:** So any idea about the current debt on RBNL?
- R.K. Agarwal:** Current debt has not increased, that much we know. I mean, on that front, there is no worry. They are continuing to make money out of the business. Business is going on as it should have. And of course, business has not yet been benefited from the synergic benefits, which would have flown to them if the approval had come on time.
- Amarjeet Maurya:** Sir, how will you be funding?
- R.K. Agarwal:** It all depends on the value, which will be determined when the approval is received. When we were signing the agreement in the month of June, clearly, there was a different means of financing and now if the value gets reduced, then in that case, there will be different means of financing. This currently, we have not thought of. We are all focused to get the approval ASAP. As of that date, when we signed the agreement, that time MBL had a cash of about Rs.150 Crores, Rs.160 Crores. Now MBL has a liquidity of about Rs.250 Crores. So as it is, our liquidity stands improved by Rs.100 Crores. So to that extent, our requirement to have fund from outside, if at all there was any, maybe in form of loan, may be in form of intercorporate deposit from holding company, right to some extent, that is bridged.
- Amarjeet Maurya:** Do you have any idea about RBNL numbers, 9-month number? Any sense?
- R.K. Agarwal:** No, we officially do not have those numbers, but we have fair idea. I mean, like they are doing okay.
- Amarjeet Maurya:** In line with the industry, like our performance?
- R.K. Agarwal:** In terms of revenues they are on expected lines in the given circumstances. But on cost front, they are slightly higher and as I was mentioning, if approval had come, probably they would have been helped by cost synergies.



*Music Broadcast Limited
January 28, 2020*

- Amarjeet Maurya:** Okay. Thank you so much.
- Moderator:** Thank you. We will take the next question from the line of Anuj Sharma from M3 Investment. Please go ahead.
- Anuj Sharma:** On the approval, I just wanted to understand, it is a simple binary operation wherein you submit for approvals and 1 fine day, you get approvals. All this series of conversation with the relevant ministry and you exactly know where you are. So just some clarity on how does the approval process moves?
- R.K. Agarwal:** I wish what you said earlier was true. You just apply and you get it, right, after a given period of time or, say, a reasonable period of time. Unfortunately, that is not true. In case of any permission approval, let me confine myself to MIB. So in fact, after you apply, there is hardly any official communication, which happens between the applicant and approver. Although we keep following up and we keep getting feedback where we stand, but then it is just heresay, nothing on paper.
- Anuj Sharma:** Okay. So the fact that you might get approval before March or after March is not a certainty and it just could happen or it could not happen. You would not get anything for that?
- R.K. Agarwal:** Because we applied it in the month of July, 6 months have gone. Normally, this is what is the time period which MIB takes but then that is also getting over. In the next 2 months, we should get it, ideally, because it has already been delayed. And in case we do not get it, then we'll have to have a relook at the transaction in entirety.
- Anuj Sharma:** And just 1 last question on the same point. If let us suppose, in the event it is denied, would you get a reasoning as to why it was denied to you?
- R.K. Agarwal:** Again, there is no standard rule. In fact, that denial also is not something, which is compulsorily coming from MIB. They will just keep quiet as it has happened to us in case of Ananda Offset there is no written communication from them that your transaction has been disapproved. That is something which we came to know when we followed up on that.
- Anuj Sharma:** Alright great. Thank you.



*Music Broadcast Limited
January 28, 2020*

Moderator: Thank you. We take the next question from the line of Jaikishan Parmar from Angel Broking. Please go ahead. As there is no response from the current participant we take the next question from the line of Ashish Kumar from Infinity Alternative. Please go ahead.

Ashish Kumar: Thank you Sir and congrats on a good set of results in a very challenging time. I had the question relating to the proposed acquisition in case you are unable to get approval from MIB for any reasons whatsoever, how do you see the whole industry structure unfold because Big FM is a large player in the market and while they make positive EBITDA probably but that is unsustainable and so it is a matter of time before they will fold up, so how do you see the industry structure fold up over the next 12months -24 months in case that happens?

R.K. Agarwal: In case we do not get the approval, it is very, very unfortunate for everyone. I mean, this is a good asset. And what you say if it happens, clearly, what should I say? It will be a national loss. I mean, like whatever market share they are holding, right, I am not sure whether the entire share will get distributed over the remaining players, maybe that market gets shrunk to some extent, and some share of theirs gets distributed amongst the adjusted players or remaining players.

Ashish Kumar: But in your discussions with MIB, have they indicated whether they will, let us say, if it comes to that unforeseen eventuality, will they be open to auctioning it in NCLT or reauctioning the same licenses again?

R.K. Agarwal: All this is a very grey area, let me tell you because, RBNL also owes a significant amount of money to the mutual funds, to the banks, etc. I am really wondering what will happen to that amount. This liability, we had committed to take over, as a part of consideration for acquisition of the asset. If that also does not happen, if the approval does not come, of course, that cannot happen. And in that case, that significant amount will become bad for bank as well as mutual funds.

Ashish Kumar: No, absolutely, this is painful for everybody because there is lots of jobs and everything else will...

R.K. Agarwal: I think if I am not mistaken, Jimmy, you can correct me. I think they have about 600.. Destruction of a national asset, loss of job for 600 people, then, I think, about Rs.600 Crores is the amount of debt, which is owed to bank and mutual fund put together.



Music Broadcast Limited
January 28, 2020

- Apurva Purohit:** And including the money that the government itself gets in terms of license fee, etc. Given that, given the situation today, I think the government should be wanting to get as much revenue as they want.
- R.K. Agarwal:** Absolutely, right. And going to NCLT, again they will serve no purpose because if MIB does not approve, NCLT will also not be able to do anything.
- Ashish Kumar:** Right, sir. But Sir, let us say that scenario does unfold, you mentioned that the industry may shrink. Why would industry shrink? I would think that the existing guys would just kind of increase their market share?
- R.K. Agarwal:** It does not happen that easily because if they have, say, 15% market share, maybe that 10%, 11%, 12% gets distributed. But then you lose, the market will get shrunk, at least by some percentage. Madam can confirm this fear of mine or can reject this fear of mine, but then this is what I feel.
- Apurva Purohit:** No, Mr. Agarwal is absolutely right because you have to also see that it is just not a me-too brand, which was one of the reasons that we were very keen to acquire it. It has got a differentiated position of its own as a retro brand for a slightly older audience, etc. So that segment will cease to get served by FM when this brand closes down, right? Yes, everybody else, including us, will fight hard to get as much share as possible, but certainly, there will be erosion.
- R.K. Agarwal:** Yes. And more importantly, RBNL maybe having a few stations, where there is no other competitor. So that will vanish altogether.
- Ashish Kumar:** Okay. I wish you all the best for the acquisition. Apurva, if I can ask you another question maybe I missed that. Are we seeing any improvement in terms of the sentiment in this quarter? Or how do you see it kind of going forward in terms of the government spending, especially in light of the Delhi elections?
- Apurva Purohit:** I would say, as of now, we are not seeing any kind of improvement anywhere. As I explained in a previous question, too, government clearly is not going to come back in terms of spending. Some of the categories because it is Q4 and they come only in that particular season like finance will come back and spend, retailers and local advertisers are



Music Broadcast Limited
January 28, 2020

continuing to spend, but it is broadly the sentiment and the feeling is exactly the same as it has been in the previous 6 to 9 months.

R.K. Agarwal: Let me tell you, as group, we have reconciled to the fact that the government is not going to come back so soon. Our government is not going to give us that kind of revenue ever. We also have to look at government as another corporate, which is having pressure on their bottomline. So when we can cut down the cost, why will they not cut down the costs? So we are gradually or rather we have already reconciled as group that we should not in future also depend too much on government whereas we may have reconciled to this fact, it will take some time before we fill that gap. It is not only radio, but even the print has suffered on account of lower spend by the government. That is different story. Print has suffered least amongst all as far as government spend is concerned. But fact of the matter is, you expect each category to grow every year. You do not expect degrowth, but that has happened to print as well. So let us reconcile to the fact that given the kind of deficit what government has, the government is not able to pay our old bills, dependence on government for the revenues may not be justified going forward. So we will have to fill this gap, maybe it may take 6 months, maybe it takes 9 months, maybe it takes 1 year, but then we will have a base, which is we will have a base after that, which will only grow, which will not have that kind of a shock what we have had in this overall.

Ashish Kumar: Thank. That is very helpful and wish you all the best. Hope you get your approval soon.

Moderator: Thank you. We take the next question from the line of Jinesh Joshi from Prabhudas Lilladhar. Please go ahead.

Jinesh Joshi: Two questions. I wanted to know what is the government contribution in this quarter if you can just share the number?

R.K. Agarwal: 4% she said. That share was just 4%.

Apurva Purohit: 4% for nine months, this quarter has been at around 7% all government put together.

Jinesh Joshi: Yes. Okay. I wanted to know what is the inventory utilization in legacy and phase III stations?

Sangeetha Kabadi: Yes, 55% in Legacy and Phase 3 is at the 38%.



Music Broadcast Limited
January 28, 2020

- Jinesh Joshi:** 38%, okay. Just one last bit, in the initial remarks, you mentioned that we are targeting a fixed cost reduction of about Rs.16 Crores on an annualized basis. So if you can just highlight which cost heads are going to see a maximum reduction? And how sustainable is this?
- R.K. Agarwal:** Let me elaborate on this before madam explains it further. What she said total cost reduction for the current year is Rs.16 Crores. On fixed cost base, there is going to be combined saving of 6%, which works out to be about Rs.8 Crores to Rs.9 Crores per annum, and this is what is sustainable. Am I right?
- Apurva Purohit:** Actually the figure is slightly higher, the entire savings on an annualised basis, on a permanent basis year-on-year will be around 12 Crores to 13 Crores and the mix of this is really there has been a lot of efficiency that we have put in the general operating expenses, in the salary restructuring, in the man power recruitment itself, so all of this will remain year-on-year and that will become the new base that we are talking about.
- Jinesh Joshi:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Sachin Shah from Emkay Investment Manager. Please go ahead.
- Sachin Shah:** I just wanted to understand that just in case if you are lucky enough to get this approval in our timeframe. Earlier, we had this plan of utilizing our cash reserves and over and above that, we would have also raised money either through debt or through some equity dilution at our end, But the market cap of our company has already shrunk quite a bit. So is there any thought that how will we actually fund this balance amount? Or will you be actually renegotiating the deal but I think it was a binding deal, so is there scope to renegotiate the price also, that we are going to buy this entire thing at an EV value?
- R.K. Agarwal:** What you say is right. We, as of now, do not know what will be the balance. That we will know only after the approval comes, then we will have discussions with the RBNL owners.
- Sachin Shah:** Sorry, can you elaborate a little more because I did not get exactly what you are trying to say?



Music Broadcast Limited
January 28, 2020

R.K. Agarwal: Rs. 1,050 Crores, what you said, right? That was something which we had agreed to, but the way the government approval has got delayed, right, and which is unexpected. In such a case, lot of things, which should have happened, right, could not take place. And that is something which gives us right to discuss again about the valuation.

Sachin Shah: That is interesting. So although we have made a binding offer, but it was for the timeframe and the timeframe is now more or less passed. So there is a scope to renegotiate the price, is what we are seeing?

R.K. Agarwal: Yes.

Sachin Shah: Thank you so much and all the best.

Moderator: Thank you. Next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: I was having a question on the market share. So this has been more or less very stable for us as well as the competitors. So is there any plan to increase it over time? Or if you can throw some more color on what are we going to increase our market share as such?

Apurva Purohit: Yes. As you can see, the market share has been and you are rightly saying this has been fairly steady. And radio broadly operates like that. It is unlike television, where week-on-week there are new programs coming, going out, and therefore, the market share changes. Obviously, the attempt always will be for Radio City, given that it is a legacy leader, to try and be #1 and if not #1, #2 and a consistent steady #2 in all our markets. So Delhi is 1 station that we worked pretty aggressively at in the last 1 year. And after that, it has moved to #2. Historically, it used to operate at a #3 or #4 position for a very, very long time. Mumbai is a market that we believe that we can do far better and there is a lot of work that is right now going on in content change in Mumbai station itself, so that we can recapture the original leadership slot that we had. So work is going on there. Apart from that, I would say that two more things that we are working on is: obviously, trying to give a consistent quality in all our markets, which is a daily job practically; and the other is to work very closely with other measurement groups, whether it is the IRS or whether it is the television ratings to see how we can look at multimedia analysis of measurement. So in conjunction with TV, what radio deliveries; in conjunction with print, what radio delivers because I think it is very important at this stage to be able to showcase how all different 360 media



Music Broadcast Limited
January 28, 2020

works together because, increasingly, that is becoming the need of the hour by the client and a client would like to see how they work in synergy with each other.

Sarvesh Gupta: If the acquisition does not work out, then what can be the expected net cash amount in the balance sheet by end of this year?

R.K. Agarwal: As of now, we have about Rs.250 Crores. And I think by the year-end, the cash should be about Rs.225 Crores because we have to pay Rs. 50 Crores of debt in the month of March.

Sarvesh Gupta: Understood. And would it be reasonable to see that in case in the next few months we do not get the acquisition done, then the company would endeavor to return the cash to the shareholders?

R.K. Agarwal: See Jagran has always believed in returning the excess cash. So be rest assured about it. This cash is preserved for acquisition, right? And whatever is the surplus cash, not only this, but whatever we generate in future also, we would not like to keep it with ourselves. We will continue to follow the policy, which Jagran has followed since the listing.

Sarvesh Gupta: Understood. And is there a possibility of us filing a case in the court against the MIB for not going ahead in terms of either saying yes or no to the deal?

R.K. Agarwal: There are all possibilities. There is no denial to that solution of yours. There are all possibilities, right? But fact is, how much you can take on government that is the question to be thought of.

Sarvesh Gupta: Because even earlier, they did not give any permission to the Essel Group, which was structured in a different manner. And now the same thing is happening in this/

R.K. Agarwal: Especially in MIB, there are lots of problems, right? MIB is government's ministry, which we have been dealing with for past 15 years. We have gone to them from time to time approvals, and none of the approvals have come that easily.

Sarvesh Gupta: Yes. But I think Hindustan Times Group did acquire Radio Nasha or some?

R.K. Agarwal: Radio One they have acquired, but there also they got stuck up. Ultimately, they had to do the open offer. They had to acquire the company and it became a complicated matter



Music Broadcast Limited
January 28, 2020

Ultimately, they Could close it which is fine. But in this case, in case of RBNL, right, there is nothing as such one can do. First of all, the person who has to approve it should inform us why he is uncomfortable in giving the approval, then only you can think of some solution. There is arbitrariness, then you cannot do much, except you go to the court, as you are suggesting.

Sarvesh Gupta: Understood. And just 1 final suggestion on both the presentations for Jagran as well as Radio City, I think if you can just finalize one format, whether it be Y-o-Y numbers or Q-o-Q numbers, that would be helpful because we keep shifting from Q-o-Q to Y-o-Y. And I think, given the seasonality in these businesses, especially around festive season, I think it would be better if we depict to 1 standard Y-o-Y measurements for all the group presentations.

R.K. Agarwal: We make a note of it.

Sarvesh Gupta: Thank you Sir and all the best for coming quarter.

R.K. Agarwal: Thank you.

Moderator: Thank you. We take the next question from the line of Sachin Shah from Emkay Investment Managers. Please go ahead.

Sachin Shah: Thank you for this follow-up question opportunity. So one of the things when we announced this deal, the way we were at least perceiving it is that that will be a very high-growth opportunity for the business for the next 3, 4 years because overall even if the markets do not grow so well, but we will be able to do that. So assuming that this is not happening because we are very close to it for some time, any thoughts on how do we expect to actually get a higher growth for the next 3, 4 years, better than the market? So yes, that was my first question.

Apurva Purohit: I think if you look at the situation that we are standing at currently, right, the base has gone down by 15%, 16% for the whole industry. I think we are starting to build from this space and Mr. Agarwal earlier said that we are all quite clear that the government opportunity is not going to come back, which is all maybe seen as a blessing in disguise because there was a big chunk sitting there. So I think the first bit is that we have now good inventory available with us. And how do we start reaching out to the advertisers who we could not



Music Broadcast Limited
January 28, 2020

service earlier because we always were running at for example, at prime time, at full inventory, etc. So I think there is a lot of opportunity right now to go to advertisers who are very big on other media and not big on radio. So if you even look at just commercial advertisers and even if you look at the top 200 advertisers of the country, their share on radio is just around 3%. So I think there is a big opportunity that is lying there to go and aggressively pitch to them with creative solutions, which we have done very well in the past and look at higher than normal growth.

I think within radio itself, there is a fair amount of potential existing. Also, we must remember that in 2015-2016, when the new set of frequencies were bought by all radio players, including Radio City, and within the first year, all of us grew very aggressively. In 1.5 years, we had broken even in all the new markets, and then we were hit by the slowdown. So that trajectory is still available to all of us. So once the economy comes back, we can see going back to that growth that we were seeing in that first 1.5 years after all these new stations launched. I mean, as Sangeetha just pointed out, they are at 38% utilization. Clearly, there is opportunity to take it straight away to 55%, 58%, which is what the rest of the markets are operating at, and we've seen that growth happening earlier. So I think that is the second opportunity.

The third bit is and currently we are exploring that pretty aggressively, how do we combine all the properties that exist within the Jagran system itself, the 360 degree properties that exist between outdoor and radio and digital and see how that synergy is something that we can share with our clients to see that they get that multimedia benefit. So again, I think there is an inordinate growth opportunity there. And of course, then acquisitions, which are complementary, is something that we can think of. But I would right now focus on these three, which would give us in a benign economy a high double-digit growth.

R.K. Agarwal:

More importantly, if something goes, it gives you an opportunity also. If we are thinking government is not going to come back, whatever space will be vacated by them can be sold at much higher price than what government was giving. Radio is one medium, where government has not increased any rate for quite some time. Print got an increase of 25%, I think, last year. So that may prove to be a blessing in disguise because our inventory utilization, which used to be in the range of about 70%, 80% has gone down to 55%. In case of new stations, it is just 38%. So there is huge headroom available. Earlier, it was rate alone, which was to drive significant growth, but now it is inventory plus rate, both will help you.



Music Broadcast Limited
January 28, 2020

Sachin Shah: Right. Yes. Just one point on Apurva what you mentioned, where we have heard it before also that typically radio gets just about 3% to 4% of the total advertisement budget. But one thought that comes to mind on that point is that if you think about it, a large part of the radio revenue comes from about 20% to 30% of your reach, so within those specific markets, if we think about it, this radio already have a 20% market share, like if I have to assume 4% or 20%? Or are we likely to oversimplify it?

R.K. Agarwal: No, of course not.

Sachin Shah: Okay. So within say in the top 10, 20 markets, where we have 70%, 80% of our revenue coming from, what would be the radio's share in the overall advertisement by ballpark?

R.K. Agarwal: I don't think it should be more than 10%, because your industry is Rs.2,500 Crores to Rs.2,800 Crores.

Apurva Purohit: It is around 8% to 9%.

Sachin Shah: It is 8% to 9% great. Thank you so much for this information. All the best.

Moderator: We will take the next question from the line of Chaitanya Jagarlapudi from RW Advisors. Please go ahead.

Chaitanya Jagarlapudi: Just a couple of questions. In a quarter like this, how did Saavn and Gaana do in terms of advertising revenue, if you can give any color on that, because most of the other segments seem to have degrown significantly. That is the first part. And secondly, in terms of the philosophy itself, Jagran has been pretty known for capital allocation decisions. So now we have a scenario where, clearly, our stock price is perhaps the cheapest ever. And then you have about Rs.225 Crores, Rs.250 Crores of cash on the balance sheet on one hand. And secondly, there is an acquisition, which is RBNL, which could provide a growth opportunity, but could also be somewhat expensive in terms of growth. So how do you sort of internally think about this?

Apurva Purohi: I will answer the first question, and then request Mr. Agarwal to answer the second one. So as far as Saavn and Gaana are concerned, what we have been observing that their reach has stagnated. So it has not grown beyond that 5%, 6%. And the second bit that we have heard is that there is a lot of attrition that happens in the custom acquisition. So they will acquire



Music Broadcast Limited
January 28, 2020

customers, and within 3 months, they lose those customers because people are not using that app again. I do not have figures, but I would assume based on these two facts, their revenue would not have gone up at all. Indeed, in this kind of an environment, their drop would have been far higher than because typically, the smaller niche player lose the maximum in a slowdown. Mr. Agarwal, could you take.

R.K. Agarwal: Yes. Will you please elaborate your second part of the question once again?

Chaitanya Jagarlapudi: Sir, my question is as follows. I think you're probably at 10% or 12% cash flow from operation yield, which the CFO divided by our market cap, which means we are cheap by any stretch of imagination. Secondly, media spends clearly are not under our control, neither the macro. So in a situation like this, we have two options. One is utilize the Rs.250 Crores cash check that we have for buying back the stock because EPS would significantly increase because of the operation. And the second choice is the RBNL acquisition. I mean, it could provide growth opportunity, but how optimal is it is the question. So I was just wondering what the internal thought processes between these two choices?

R.K. Agarwal: Internal thought process is very clear. That has not undergone a change. Yes, the market has been bad, but RBNL is a very good asset, which we would like to acquire. That is our first preference.

Chaitanya Jagarlapudi: Okay got it. That is it.

Moderator: Thank you. We will take the next question from the line of Sachin Shah from Emkay Invest Managers. Please go ahead.

Sachin Shah: Just as a follow-up to the previous discussion that you were having on the buyback and distribution of cash. So from what I have seen some bit that our shareholding of the promoter level is nearly 73%,. And second is also that the arbitrage in terms of the tax saving of buyback is not much anymore. So will buyback be a feasible option at all or because if promoters do not participate in buyback, then the shareholding just crosses beyond 75%. So what is the thought process on that? So basically, what I was saying is that the buyback discussion that we just had, I believe the promoter holding is closer to 73%, 75% and if you do a buyback and if promoters do not participate like they had done earlier, then that will be a challenge, point number one. And point number two, buyback earlier had



Music Broadcast Limited
January 28, 2020

some tax advantage. I do not see that too much of that anymore. So is buyback still a feasible option or dividend will be the other alternate option?

R.K Agarwal: What you said, that has a limitation, there is no doubt about it. Promoters already have 73%, 74%. So in case buyback is done, promoters this time also will have to participate. So not that promoters want to participate, but to the extent required, they will participate. Number two, you can also think of partly doing the buyback, partly distributing the dividend. That can also be done. Buyback in all circumstances is not taxable, right? There are certain exemptions also available, maybe that MBL is able to avail that exemption and do the buybacks.

Sachin Shah: Okay, fair enough. Thank you so much.

Moderator: Thank you. Next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: Thanks for the opportunity. So one more of a bookkeeping question. So government contribution was about 7% in revenues, I understand during the quarter. So can I know what has been the decline in the revenues, government revenues on Y-o-Y basis?

Sangeetha Kabadi: For the quarter, at an overall government level, the volumes have degrown by 60%. And when we look at only central government, the volumes have degrown by 84%.

Yogesh Kirve: So the volume decline, is it a good representative of the revenue decline as well?

Apurva Purohit: The revenue decline will be slightly lesser because the rates are lower. So one would assume that when we are talking about a 60% decline in volume, that translates into around 50%, 55% decline in revenue.

Yogesh Kirve: Right. Sure. And Madam, could you just give us an update or do we see any opportunities for Radio City to monetize the brand on a digital platform or any other platform apart from radio?

Apurva Purohit: We already have a very powerful digital platform, , we were the first people to start something called planetradiocity.com, which we had around 40, 50 radio stations running there. Obviously, as the digital landscape evolves, that also has been evolving. And what we



Music Broadcast Limited
January 28, 2020

see really happening on digital is a lot more interactive and engaging content, which is, in a sense, a lot more genre-based play list, a lot more of content like poetry and comedy, etc. So that product keeps on evolving constantly. As of now, we would be doing approximately revenues of around Rs. 6 Crores from our digital platform.

Yogesh Kirve: Rs. 6 Crores per quarter, is it?

Apurva Purohit: No, per year.

Yogesh Kirve: Okay. Right. And I understand this Planet Radio City, this is a web platform, right?

Apurva Purohit: Yes.

Yogesh Kirve: Right. That it is all from me. All the best and thanks a lot.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to Ms. Apurva Purohit for closing comments.

Apurva Purohit: We thank everyone for the participation in our earnings call. We have already uploaded the investor presentation on the company's website. And in case of further queries, please do get in touch with any of us or SGA, our Investor Relations Adviser. Thank you.

Moderator: Thank you very much. On behalf of Music Broadcast Limited, that concludes this conference. Thank you all for joining. You may now disconnect your lines.