



“Music Broadcast Limited  
Q1 FY2021 Earnings Conference Call”

July 23, 2020



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**Moderator:** Ladies and gentlemen, good day, and welcome to the Music Broadcast Q1 FY2021 Earnings Conference Call. We have with us on the call today Ms. Apurva Purohit, Director, Music Broadcast Limited; Mr. Shailesh Gupta, Director, Jagran Prakashan Limited; Mr. R.K. Agarwal, Group CFO, and Mr. Jimmy from IR team, along with Payal Dave from SGA on the call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Apurva Purohit. Thank you and over to you Madam!

**Apurva Purohit:** Thank you very much. Good afternoon everyone and thank you so much for joining the earnings conference call for quarter ended June 30, 2020. I do hope you and your loved ones are safe and protected in these struggling times.

Before starting my presentation, I would like to state that due to the unprecedented impact of COVID-19, the performance of Q1 FY2021 does not represent normal quarter operations and it is not strictly comparable with previous quarter. As you are all aware with the pandemic continuing and the lockdown norm easing and then tightening repeatedly, an environment filled with fear, insecurity and economic hardship has become our current reality, and as a company we are also learning to adjust to that. In the quarter under discussion we know that COVID-19 pushed the world’s economy into a tailspin and the Indian economy and all sectors suffered hugely in this period.

The media and entertainment sector was badly hit by the sudden stoppage of supply as well as consumption of goods and services of advertisers during the lockdown. The radio industry like the rest of the media industry registered degrowth of more than 75%.

I am happy to report that Radio City was able to perform better than the industry, which resulted in us improving our volume market share by 2% from 19%, which was the market share at the end of FY2020 to 21% in Q1 FY2021, which helped us regain our leadership position amongst all operators and their main frequencies. This was possible due to several concentrated efforts put in by the Radio City team and I would like to share the same with you.

Firstly there was an increased focus on tactical deals like the Coronavirus awareness campaigns that we run, special day promotions, etc., which helped us garner more than 30% of Q1 revenues across nearly 980 clients. During this quarter, the radio industry itself witnessed a new client base of 1,000 advertisers using the medium for the first time, which augers well for the entire industry and we at Radio City were able to capture the highest share of 36% from these new clients. Due to the aggressive efforts put in by the team, Radio City has also locked in long-term deals aggregating approximately 25% of our last year's business, which gives us some decent visibility for the coming quarter.

We continued our further initiatives to reduce costs to make ourselves more agile and actually reduce the large element of fixed costs, which will not come back. During the quarter we were thus able to reduce our operating costs by Rs. 17.8 Crores, which is a reduction of 38% as compared to the similar quarter of FY20 and 29% as compared to Q4 of FY20.

Coming to the financial numbers, the revenue for Q1 FY20 is Rs. 14.4 Crores with an EBITDA loss of Rs. 15.2 Crores and a net loss of Rs. 13.9 Crores. On the balance sheet front, again we worked very hard to improve our collection efficiency and I am happy to say that we have improved our collections by 9 days, which was a very significant feat by the team given the liquidity issues that are being faced by everyone in the market today. The overall result of all these has been a strengthening in our cash reserve by Rs. 19 Crores from Rs. 220 Crores as on March 31, 2020 to Rs. 239 Crores as on June 30, 2020.

You will also remember that after our last loan repayment made in March 2020 we are a completely debt-free business. I am sure you will agree that there are very few businesses currently, which are in this position and have such a strong balance sheet.

Finally when confronted with these unprecedented and difficult moments, I think it is a matter of emphasis and important for me to mention once again to all of you that we at MBL have strongly believed that a bottomline and margin-focused approach creates maximum stakeholder and shareholder value and we have been ardent advocate of this approach all through our business journey. Earlier this led to us not spending on high-cost multiple frequencies or unduly focusing on building low-margin businesses like events and activations. There were a few critics of this prudent approach. However, I think the events that have unfolded over the last two years and especially during this crisis have only proven that it is always better to be an ant rather than a grasshopper. The annual results, which you would have all seen of 2019-2020, have proven this strategy works without doubt. When compared to our national peers while our revenue may have been half of theirs our PAT

was better off by 2.5x their PAT. Equally our low fixed cost in terms of depreciation, which is just about 38% compared to people who invested in multiple frequencies will most certainly help us move back to profit faster and quicker.

As we move towards the festival period what gives me hope is the fact that month-on-month our inventory utilization is improving and even in June as compared to May we had an improvement ranging from 19% to 200% in different markets. For the radio industry as a whole the inventory utilization did improve and the degrowth fell from around 80% in April, May to approximately 60% in June, which augurs well for the future. With this we will open the floor for questions and answers. Thank you.

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

**Jinesh Joshi:** In 1Q industry volumes were down by 75% how has the performance been so far in July till date is there any sign of recovery?

**Apurva Purohit:** So as I just explained that on an average the industry's degrowth was around 75% and you are absolutely right on that figure; however, if you see April to June itself, so in April and May when the lockdown was at its most severe the degrowth was around 80%, which has now fallen in June to 60%, so clearly even in June we are seeing a recovery. Similarly if you see Radio City's performance again the degrowth is steadily going down, so from the 80% de-growth approximately in April and May, Radio City is down to around 50% to 53% and obviously we expect this to continue even in July and so on and as the festive season comes closer and more of the lockdown easing happens we are sure this number will only better.

**Jinesh Joshi:** In 2Q do you expect the volumes to be better than what they were in 1Q because the degrowth was 75% if you can just call out a number or give some indication as to how the performance explicitly was in the month of July till date that will be really helpful?

**Apurva Purohit:** So again I am repeating the same point I am saying that April and May the degrowth was 80%, in June it fell down to around 60% for the industry and around 52% for Radio City, this trend is continuing, so as of now what we see is clearly yet another 10% improvement in the volume for the industry and for Radio City. I hope that is clear.

**Jinesh Joshi:** Yes and secondly are the yields on the long-term deals that we have signed in this quarter lower or similar to the pre-COVID levels?

- Apurva Purohit:** We have signed long-term deals of around 25% of the total number last year, but clearly this whole year it is expected to be muted in terms of the rates, so broadly one can anticipate that on an overall basis the rate of degrowth, which has been approximately 8% is what will play out both for the long-term deals and for tactical deals.
- Jinesh Joshi:** Our total operating cost in this quarter was approximately Rs. 30 Crores odd if I am not mistaken so will this rate sustain going forward or are we headed back to the Rs. 45 Crores to Rs. 50 Crores kind of figure, which was prevailing pre-COVID?
- Apurva Purohit:** We have saved approximately Rs. 17.8 Crores in Q1. Half of that has been fixed, and half of that saving has come from variable cost. If the situation improves then the variable cost will come back, but the fixed cost is a permanent saving. If the situation does not improve then even the variable cost will not come back.
- Jinesh Joshi:** Got it. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Sachin Shah from Emkay Investment Managers. Please go ahead.
- Sachin Shah:** What I would like to know is that you did mention that we have seen in the month of June, the industry was down by about 60% and probably Music Broadcast at around 52% you talked about the radio industry, but if we see the other media particularly the television media have they recovered better than the radio overall as a market in the last June and July per se and did they drop also less in the months of April and May?
- Apurva Purohit:** Broadly if I were to separate out all the media performance and I am talking specifically only of ad volumes. I would say that television and digital degrowth has been approximately 50% to 60% whereas radio and print has been around 75%, so both digital and television have done marginally better than print and radio in terms of volume as the degrowth was lesser. Within television, the ad volume went to mostly the news channels because the GECs were running repeat content and not original content. On digital, most of the ad volume went to again news wherever there was gamification side because that is where there was more reach and partially to education, this was the rate the volume degrowth and spread happened.
- Sachin Shah:** Just one thing on the similar lines. For radio we generally do not have too many of national advertisers whereas it is more about region-specific whereas on the television probably we will have more like national advertisers or large companies from what we are seeing at the ground level probably the large companies are not so much affected and probably the

regional players or the MSME sectors will be more affected or even some of the sectors like real estate, which are more region-specific will be more affected so do you see that trend that the television media will actually be faster in recovery versus the radio because of your customer profile challenges I would say?

**Apurva Purohit:** Actually, there are two, three assumptions you are making and I would like to just correct those assumptions.

**Sachin Shah:** Sure.

**Apurva Purohit:** Firstly on radio 60% of advertising has traditionally come from national advertisers, 40% has come from local. In the last year with government not spending this proportion had shifted to around 55% coming from national and 45% coming from local, so the dependence of radio is equally on national advertisers as it is on local advertisers that is the first correction. On television around 65% to 70% comes from national advertisers, 30% comes from local advertisers. Within television, on news channels again local advertisers are far higher so around 60% for news channels comes from local advertisers. Therefore as I clarified earlier this time the ad volume in lesser degrowth that we have seen in television is largely due to news channels and this volume came in from local advertisers. Similarly for the radio industry and for Radio City, a lot of volume has come from local advertisers. As I told you 1000 new advertisers got added to the radio industry most of them were local. What really has happened in Q1 and that is the third assumption of yours that I would like to correct is national advertisers did not spend. The spending has come both for television and for radio and for digital mostly from local markets and local advertisers. I think what has happened is local advertisers have seen an opportunity. They have seen that there were national advertiser supply chains that were broken, they were getting their act together in terms of how they themselves would work, production had come to a standstill, and the local advertisers are far more agile and far more willing to spend. So I would say that Q1 whatever volume has come it mostly comes for every medium from local advertisers.

**Sachin Shah:** That is very helpful. Just one last question. Has the advertisement rate dropped more on the television versus radio and does that make that more attractive relatively?

**Apurva Purohit:** The difference between radio and television advertising rates have been typically 7:1, so whatever drop anybody does radio is always the most cost-efficient.

**Sachin Shah:** Sure, but has the overall like we have dropped about 7%, 8% would the television would have dropped more?

- Apurva Purohit:** I would not be able to answer specifically whether television has dropped what I definitely do know is that the large volume that we saw on television was a mix of as I said the local advertisers and a lot of the follow through of previous year's volumes coming here. So people had not many volume deals on television part of it got extended into this quarter, so when the numbers come out that will clearly show that there has been a rate drop, but I would say that it has really been the bonus volume that has come through in Q1. So it will be not right to take calls for anybody on what has happened on rates looking at this particular quarter.
- Sachin Shah:** Fair enough. Just one last thing and I will take a little liberty on asking you this because it is a little bit of a peer group comparison, but the last quarter, which was the March quarter one of our peer group companies, actually delivered a little better result than us any particular reason for that?
- Apurva Purohit:** I think the way to look at it is you can turn around and look at growth figures and say Radio City degrew by 20%, our peer degrew by 14%, etc., etc. I would not go by those quarter figures, the point that I repeat is to look at it at an annual basis and to look at it from the perspective of what are the profits that we are delivering. Topline, growth, anybody can do. I can get Rs. 100 Crores more added on topline at 0 margin or 5% margin or 3% margin, but as I have maintained that our game never has been about increasing our topline without being able to deliver the margins that we are used to. So I would request you and urge you to look at the profit figures especially in these days. What are the numbers that Radio City has been delivering over the past several years and what is the expectation on these numbers and how quickly we will be able to ramp up and any business, which has low fixed cost as we do, just look at our depreciation it is just Rs. 30 Crores it is barely 40% of any large player, so who is likely to come back to profit faster I think those are the factors I would look at.
- Sachin Shah:** Sure, thank you so much, this is very helpful and all the best.
- Moderator:** Thank you. The next question is from the line of Jayesh Shah from OHM Portfolio. Please go ahead.
- Jayesh Shah:** Hi Apurva, nice job in a tough environment. A couple of questions, so the first one is this locking in the new advertisers to the extent of 25% of last year revenue this is for what period? Is this for the balance two quarters or for the entire four quarters starting now?

**Apurva Purohit:** Jayesh thank you for your feedback. The long-term deals that we have signed, which I said are at approximately 25% of last year's numbers are for the full year and mostly they will start playing out, a bit of them have started, but mostly they will start playing out from Q2 when the advertiser itself is more confident that he has a market of consumers out there so I would say 90% of this will actually play out in the balance three quarters.

**Jayesh Shah:** So mathematically Apurva if you get another 25% locked in with any of these other advertisers you would hypothetically cover your entire fixed cost for the year?

**Apurva Purohit:** Yes.

**Jayesh Shah:** I think if you bounce back to let us say 50% utilization then effectively this lock-in will allow you to go to 65% where you start seeing your normal EBITDA increase, which we have seen in the past and I am just talking pure mathematics.

**Apurva Purohit:** Yes.

**Jayesh Shah:** Nice to know and do you see any green shoots in terms of national advertisers or others getting more skewed to Radio because of cost cutting pressure?

**Apurva Purohit:** The degrowth has clearly started going down we can see that in June and we can see that in July also. In fact the markets that have bounced back very nicely are the smaller markets, so if I see the visible green shoots they are all there in the smaller markets, which is a very good sign. The bigger markets have started growing over April, May certainly, but the growth is much lesser, which is for two reasons, one is that the bigger markets are still under a lockdown situation as compared to the small market, so whether it is a Mumbai or a Chennai, which have shown the least growth for us they are the ones who are continuing with the lockdown, right, so once the lockdown opens we anticipate that the Mumbai market, etc., also will bounce back nicely. So my answer to your question is green shoots are visible mostly in the smaller markets where the lockdown situation is not there, not so much in the big markets. Again it is mostly visible in the local advertisers who continue to spend even in these hard times. So the 1000 advertisers that I am repeating, which came in as new advertisers for the radio industry or the 1000 advertisers that we did tactical deals with 80% of them are local. National advertisers we have seen a bit of resurgence coming from specific categories like finance and auto, not so much from consumer durables and FMCG.

**Jayesh Shah:** Very interesting and Apurva best of luck, very happy to see the work that has gone in the past quarter.



- Moderator:** Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Apurva so you said in the month of June you have seen around 60% below normal in terms of revenues, how are the number trending for July?
- Apurva Purohit:** As I answered in my earlier question, I think one can assume that there still will be a degrowth, but as compared to the previous month, which is June it will be a 10% improvement in utilization.
- Sarvesh Gupta:** Understood and secondly in terms of your operating costs, so this license fee has remained more or less constant so any work on that front or is it going to be like this only for the remaining part of the year?
- Apurva Purohit:** You mean license fee as in what we pay to the government?
- Sarvesh Gupta:** Yes which is captured in your P&L.
- Apurva Purohit:** Yes. That is a fixed cost kind of a payment that we have to make to them. We have been pleading with them to give us a waiver as an industry as AROI we have been writing to them, talking to them, meeting them, and while they have been very sympathetic towards our call, as of now what they have done is given us a 2-quarter postponement. We are pushing for a complete waiver for a full year.
- Sarvesh Gupta:** No, 2-quarter postponement mean it is just a cash flow impact not a P&L?
- Apurva Purohit:** That is right.
- Sarvesh Gupta:** Understood and any updates on the RBNL deals?
- Jimmy Oza:** There are no updates as such. The status remains status quo from the MIB side.
- Sarvesh Gupta:** Okay understood. Thanks a lot and all the best for the coming quarters.
- Moderator:** Thank you. The next question is from the line of V. P. Rajesh from Banyan Capital. Please go ahead.
- V.P. Rajesh:** The first question is on a couple of slides that are talking about audience growth and the time spent on listening to the radio so could you comment on the trends on those meaning

during lockdown obviously the numbers went up, but are the audience sticking around or are you now seeing them sort of move away from the radio channels?

**Apurva Purohit:** During the three months as you would have seen across various researches the time spent on all media went up. Television went up by approximately an hour, radio went up by around 30 minutes, digital also went up by around 30 minutes, print went up by around 20 minutes, so with people having more time they did spend that much more time on media. As of now the latest data suggests that this trend is still on, it may change later, but right now none of the media have lost its increased reach.

**V.P. Rajesh:** Great. My second question is on the categories that you have mentioned in one of the slides. So why did finance jump so much in terms of volume growth and are you seeing any of these degrowth categories starting to come back, which one is sort of coming back faster, education now that we are sort of in the season is that bouncing back or other trends that you are seeing in different categories?

**Apurva Purohit:** Finance I would actually attribute it more to specific clients, which increased their spend, and a lot of increase actually happened from insurance clients, so LIC and SBI insurance, etc., so that was the filip the finance category got was really from life insurance. Apart from the categories that have spent in Q1, which has been finance and e-commerce and auto, July I would say auto has increased a bit, FMCG has marginally increased, and pharma and healthcare has gone up. So these are the three categories. Finance continues to have high spends in July. Pharma, healthcare and FMCGs have increased, marginal increase in education also and in government.

**V.P. Rajesh:** Okay thank you that is all I had.

**Moderator:** Thank you. The next question is from the line of Srinivas Seshadri from Mirabilis Investment Trust. Please go ahead.

**Srinivas Seshadri:** The first question was regarding the pricing. So you said that there is 8% difference between the volumes and the reported revenues, so if you could talk about the difference of about 8% how much is it driven by say permanent reductions in pricing, some temporary kind of volume-driven incentives and see maybe some mix impact because of the type of advertisers you are getting in these circumstances that is the first question and on that basis like a prospective basis will the volume and revenue spread remain similar or do you expect it to contract a bit?

**Apurva Purohit:** You are absolutely right Seshadri that it is a mix of the local clients who typically would work at marginally lower rates and some of the tactical deals that we have given, so the corona awareness campaign, so whichever advertiser chose to spread some awareness about corona and what needs to be done they were given special rates. So certainly there has been some part of it coming from tactical and such advertisers. Going forward I would certainly assume that the rate decrease will go down from the current 8% -9% to around 5% -6%, but I definitely expect that through the year when we look at the year in its entirety as compared to the previous year there will be a dip of 5% -6% in rates so that is there to stay.

**Srinivas Seshadri:** Sure and the second one was like you reported a good kind of a cash balance increase of about Rs. 19 Crores despite the EBITDA coming negative at about Rs. 15 Crores, so I understand that about Rs. 4 Crore, to 5 Crore of it comes from the deferral of the license fees, but even net of that there is a good Rs. 30 Crore kind of increase, there is a difference between the operating loss and the change in the cash balance so is it largely because of the receivables being collected compared to the fourth quarter?

**Jimmy Oza:** Yes. In fact the collection, which we have done, is better off reducing our debtor days by 9, so we collected approximately Rs. 50 Crores or so in such a given scenario, which helped basically gain Rs. 19 Crores of additional cash flows. In fact the entire quarter the focus including the revenues being lower was largely on to getting this collection in place.

**Srinivas Seshadri:** Okay. You said Rs. 50 Crores?

**Jimmy Oza:** Yes.

**Srinivas Seshadri:** Got it that explains and of the government dues of about Rs. 40 Crores, which are there at the end of the first quarter?

**Jimmy Oza:** Correct. We have able to collect Rs. 5 Crores out of it.

**Srinivas Seshadri:** So government still remains a larger...

**Jimmy Oza:** Yes, but at least we got something moving rather than earlier quarters where we discussed there was nothing which moved.

**Srinivas Seshadri:** Sure and like again on the cash like now it appears that from the next quarter onwards the EBITDA gap may not be very significant at least on a cash basis you may be more or less stable, so the stock again it is about like a very sharp depreciation from where we did the IPO and also the previous buyback about one-and-a-half, two years back, so is there any

thinking around another round of buyback just to kind of make a more efficient utilization of the cash now that there is a window again available to do that?

**Jimmy Oza:** In fact on the buyback front, we have done more than a year back so that idea is open, but however the Board has not yet decided on what is to be done. Especially being part of Jagran group we will always do what is more beneficial for the investors.

**Srinivas Seshadri:** Alright. Thanks for taking my questions.

**Moderator:** Thank you. The next question is from the line of Ayaz Motiwala from Nivalis Partners. Please go ahead.

**Ayaz Motiwala:** I want to have a clarification on the Rs. 17.8 Crores that you mentioned on the cost control over the comparable quarter in the last year you mentioned about fixed and variable component I did not quite understand it so can you please clarify that between 50% and that 50% coming back?

**Apurva Purohit:** So this approximately Rs. 18 Crores that we have saved broadly, Rs. 9 Crores has come from fixed cost so there has been around Rs. 6 Crores saving in staff costs and another Rs. 3 Crores saving in some other fixed elements like some marketing costs, which were fixed that is how that fixed cost and since it comes from that base, that base is not going to come back, so we will continually have the saving through the year that was the point that I was making. As far as the balance variable cost that is again marketing costs and event costs, etc., which we have to incur to keep our customer engagement going, travel costs, which have not obviously played out in this quarter, and other costs like royalty and license fees, which are partially linked to revenue, those will come back as revenue improves.

**Ayaz Motiwala:** That is very helpful. The second question that I had is there are observations in the charts on the market share in a few markets, we are still not the number one leader and there are other players in the close proximity of where you operate so in terms of a positive takeaway what are some of your competition doing in markets such as Delhi, etc., which you would like to learn and also improve your direction to gain leadership in these markets?

**Apurva Purohit:** Our point always has been that as long as we are amongst the top two players we will be able to garner revenues based on this listenership share from our advertisers due to our superior sales team. So as long as we are in the top two we really are not too caught up in trying to be number one everywhere that is the first point I would like to make. The second point I would like to make is that when advertisers spend with a particular player they look at the listenership position or the market share that you are looking at, they also look at

other factors, which is the type of programming, the Target group that we are trying to address, what is our product strategy, who are the big RJs, etc., and we believe that on all these product parameters, on all the quality parameters and all the market parameters we score very well and we are in a leadership position. So if there is some other peer who is number one in let us say Delhi, but then he has only 6, 7 markets to go out and offer to our client whereas you may be number two in Delhi, but we have 39 great markets for the advertisers, our advertiser will prefer us.

**Ayaz Motiwala:** Got it and in terms of programming is there anything that they are doing which you would like to do, which helps you to narrow that gap or I take your first point on being 1 and 2 in each of these markets?

**Apurva Purohit:** Frankly we have never believed in looking at competition and I say it in the nicest possible way because each brand strategy has to be true and focused on what the brand vision and brand values are. So if for example our brand values are all about local connect, rag rag mein city, emotional quotient, and let us say another brand's values are more about being in your face and aggressive there is no point in me copying their product strategy or they copying mine, right we have different brand values, so that is how we have always believed and I think if you see the history of Radio City and the kind of innovations we have done rarely some other player would have done the same.

**Ayaz Motiwala:** Sure and one question on the market situation. On all mediums, which have all gained share, which you put out in your chart and within that the focus on the radio business, which has resulted in both listenership and the quantum going up, say, media terms, this is obviously great news when things normalize on the context of monetization, so Apurva how would you look at life when things get more normalized, do you think for whatever sticks in time do you think you will be in a position to have better bargaining with your clients, not simply implying you get better rates, but an overall proposition to them because just the listenership has gone up so dramatically?

**Apurva Purohit:** You are absolutely right in terms of the fact that listenership has gone up and reach has gone up and numbers and engagement have gone up so dramatically for not only radio but for the entire media industry so that is a fact of the last three months. I would like to just separate out what we are doing from two aspects one is the B2C bid and the other is the B2B bid that is how we operate, we have a B2C model where we are trying to get the maximum listenership and a B2B model where we are trying to get the maximum revenue from our advertisers. In the B2C model, for these three months to increase our engagement with consumers if any of you have listened to the radio station you would have seen the

huge programming pivot that we did in terms of associating even more deeply with our listeners during these troublesome times. In fact the constant feedback that we kept on getting from our listeners is that there is anxiety and there is fear and there is loneliness and radio with its emotional connect is proving to be a great companion for all of us. So a lot of activities we did to keep them engaged and entertained, concerts from home, talking to them, our RJs talking one-on-one, giving them advice on how to deal with COVID and the anxiety that they are going through, gave us this increased reach, so our B2C engagement obviously has gone up manifold. Now we come to the B2B part of our business, which are our connects with advertisers. Obviously the advertisers their businesses were totally shattered whether it is an FMCG or an auto they had no consumption for the three months of the lockdown, the supply chains were broken, so they had no market for them to advertise to and as a consequence obviously everybody stopped advertising, so in this time how did we keep connected with them because that is also an engagement that will help us then when the situation improves, so there was a whole process put in place that each one of our 120 sales teams was every week in touch with our clients, so whether it was to just talk to them, whether it was to just tell them what is happening, whether it was to just update them on some health facts or share the content with them. There was a customer relationship management program that was put in place, which may not have translated and would not translate into sales, but I think unlike many other organizations, which were grappling for the first 45 days what do we do, they had no clue from day 1 of the lockdown we ensured that each of our sales teams remain connected through various ways with our clients and I am sure that will pay us dividends when things improve.

**Ayaz Motiwala:**

My last question, Apurva, this is very helpful and I am taking the liberty for this one please. The entire media business is obviously season and time bound and not the shape of the recovery in terms of type of alphabet, but if there is a pronounced recovery combining the festive season, would you be in a position to have rationing and substantial improvement in rates because ultimately the key 5 to 8 p.m. or morning, etc., those slots are premium, and there is a rush of advertisers because there is an opening up, etc., would that be one type of scenario, which is positive?

**Apurva Purohit:**

If that type of scenario plays out we will welcome it with open arms obviously, so clearly we all hope that what you say comes true. As far as the rate improvement and rationing is concerned, I think the way to look at this year is not like the earlier years where there was this whole festive season there will be a peak or then during shradh there will not be a peak that again the end of the year there will be finance clients who will be advertising, so that seasonality, which is a seasonality of any other year I would myself sort of not expect that kind of seasonality to play out this year and I will give you the reason why. Whether it is a

consumer or an advertiser everybody has been locked in right, now for three, four, five months. Post the opening up and when people are feeling secure and get out of this fear psychosis we believe what will happen is that pent-up demand, the pent-up consumption what everybody is calling the revenge shopping part of people's life will come back and you may be pleasantly surprised to see that if things even out let us say in August or in September the next 6 months because even the advertiser has a target right he has an annual target, which he has not been able to achieve in H1, so he will put extra effort in H2 so maybe pleasantly surprised to see H2 completely not have a lull period at all, but of course everything really depends on how this health scare goes away and when it goes away.

- Ayaz Motiwala:** Great. Thank you very much and appreciate your time and all the very best. Thank you.
- Moderator:** Thank you. The next question is from the line of Depesh from Equirus Securities. Please go ahead.
- Depesh Kashyap:** There were some news articles that many radio companies are thinking to surrender the frequencies that they took in the last auctions just wanted your thoughts on that, are you thinking to surrender too and/or are you looking to join at the current discussion on it?
- Apurva Purohit:** Firstly I have not come across any article and I do not know in the AROI whether anybody is wanting to sell or get rid of their frequencies so I am not aware of any such discussion or article. As far as we are concerned, even when we first took the frequencies we were very, very careful and prudent that we wanted to expand our geographical reach, so we did not go for multiple frequencies, we depend on increasing our reach, all the 11 markets that we took have added to our reach and not only that they have helped us derisk our model and today if you see those are the markets, rather than the big metros with multiple frequencies, that are coming to the rescue of the radio industry, so in that sense all our markets are important and our local markets, our new frequencies are becoming even more important in this new environment.
- Depesh Kashyap:** Sure. Can you give me the split of revenue that you saw in the last quarter?
- Jimmy Oza:** Rs. 14.4 Crores which we did of it approximately Rs. 10.5 Crores came from the legacy.
- Depesh Kashyap:** Alright and lastly just wanted to understand what kind of revenues the radio industry use to generate on the IPL, if IPL happens in the second half of this year do you think that they could run in this environment?

- Apurva Purohit:** Yes IPL because a lot of radio stations associate themselves with the IPL especially with the local teams, etc., if I remember right the whole industry broadly gets around Rs. 2 Crores, Rs. 2.5 Crores from IPL.
- Depesh Kashyap:** Rs. 2 Crores to Rs. 2.5 Crores?
- Apurva Purohit:** Yes.
- Depesh Kashyap:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.
- Yogesh Kirve:** So could you give us a sense of the nature of the long-term deals we have entered into so are they in the nature of options with the advertiser to put-in volumes up to a certain quantity at certain rates or is there a commitment on part of advertiser to deliver so much of volume?
- Apurva Purohit:** There is a mix of deals, some of the deals are based on a particular commitment at a particular rate, and some of the deals are market share-driven and therefore volume-driven.
- Yogesh Kirve:** What is our comfort that this amount of volume would be used up by the advertisers?
- Apurva Purohit:** As I am seeing this recovery which is 10%, 15% improvement happening every month then we are confident to the extent of around 95% that these deals will play out in this year.
- Yogesh Kirve:** Perfect that is helpful. Second is related to this are we now also proactively looking to get into more such long-term deals and is it realistically possible to have sort of 35%, 40% of last year's revenue covered under this kind of deal?
- Apurva Purohit:** Yes, it is absolutely possible we have done it in the previous years and the entire team's effort is to reach 40%.
- Yogesh Kirve:** Thirdly, you alluded to the rate of decline in ad revenues improving from May to June and expectation of it could improve further in July so are these additional bouts of lockdowns we are seeing in some selected cities or some states, so is that impacting some way or we remain confident of the improving trajectory?



- Apurva Purohit:** Of course it is impacting. As I said right in my opening this constant opening and closing, locking and unlocking is a very, very bad thing that is coming in the way of economic recovery, equally it is coming in the way of the uncertainty and fear that is developing in people's minds, so there is no doubt that it is impacting and I think it is up to the governments at a local level to figure out solutions.
- Yogesh Kirve:** Right and finally Jimmy so you referred to the receivables coming of Rs. 50 Crores so if I understand it was Rs. 106 Crores in March so it has now come down to something like Rs. 55 odd Crores right in June?
- Jimmy Oza:** No, but you have to add back revenues for this quarter right so we will end up around Rs. 75 Crores or so.
- Yogesh Kirve:** Out of that the government would be roughly now about Rs. 35 Crores, s?
- Jimmy Oza:** Yes.
- Yogesh Kirve:** That is all from me. All the best.
- Moderator:** Thank you. We will be able to take one last question. We take the last question from the line of Gautami Desai from Chanakya Capital. Please go ahead.
- Gautami Desai:** Hi Apurva, on the salaries front was there a salary cut or maybe lay offs because I believe there was some amount saved on that front on the pre-COVID levels, I think you have stopped some increments and things like that so why I am asking this question is that you specifically are very people-driven and creative field if we overly do it with on the salary front are we really compromising on the quality front that is my first question and the second question is now with the pricing going down by 5% and with your new cost structure with all your cost savings what is the volume level at which we can be EBITDA neutral for the full year you have all made some internal estimates?
- Apurva Purohit:** To answer your first question Gautami the staff savings that you are seeing has primarily come from the productivity enhancement measures we took just around February, March, which started playing out therefore in April, May, which is the reduction in low productive resources, which is typically an exercise we do once in 2 years and you will appreciate that when things are going easy there clearly is some flab that gets created in any organization so that is really 90% of our savings have come from them. The other 10% broadly has come not from any salary reduction but from the incentives getting not paid out because the numbers were not delivered and in our organization unlike many other organizations our

entire organization has a variable including the RJs and including the programming and production team has a variable component linked to the company's financial performance so that is the component that did not play out. There have been no salary reductions.

**Gautami Desai:** No COVID-related layoffs or anything else?

**Apurva Purohit:** No. We did all our layoffs in February, March, but obviously people last days because they were given there was a 1-month notice, etc., last days were happening from March 15, 2020 to let us say middle of April.

**Gautami Desai:** My second question is what volume will it be EBITDA neutral for the full year?

**Apurva Purohit:** On a monthly basis if we reach around 55% to 60% we are EBITDA breakeven at a month level.

**Gautami Desai:** At a month level?

**Apurva Purohit:** Yes.

**Gautami Desai:** So if we reach at 55% in July and continue for this level for the rest of the year then all we have to do is look to the full year to be EBITDA neutral then just make up for these months of April and May?

**Apurva Purohit:** That is right.

**Gautami Desai:** Okay, thank you.

**Moderator:** Thank you very much. We will take that as the last question. I would now like to hand the conference back to Ms. Apurva Purohit for closing comments.

**Apurva Purohit:** Yes. Thank you everyone for joining us in this earnings call. We pray and hope that the upcoming festive season will bring new cheer in all our lives and to the economy. I wish you all, all the very best. Stay safe. Take care of yourself. Goodbye.

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