"Music Broadcast Q2 FY2018 Earnings Conference Call"

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Moderator: Ladies and gentlemen good morning and welcome to the Music Broadcast Q2 FY2018 Earnings Conference 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 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 and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note, that this conference is being recorded. I now hand the conference over to Apurva Purohit, President, Jagran Prakashan Limited & Director, Music Broadcast Limited. Thank you and over to you Madam!

Apurva Purohit: Welcome to the earnings conference call for half year ended September 30, 2017. Along with me, I have Mr. Shailesh Gupta, Director Jagran Prakashan Ltd, Mr. R. K. Agarwal, Group CFO, Ms. Sangeetha, and Mr. Jimmy from our IR team and Mr. Prashant Domadia, MBL CFO along with Payal from SGA. I hope you have had the opportunity to take a look at our H1 results as well as the presentation both of which have been circulated and uploaded on our website and stock exchanges. Let me start by giving a quick update on the media industry and the economic scenario in Q2. As you are aware from the results of most large M&B operators, Q2 has been a difficult quarter for the media industry as a whole. Implementation issues faced by big and small advertisers on account of GST, the lingering impact of demonetization and a poor sentiment resulted in many advertisers delaying their spends and July and August were bad months for everyone. Advertising volumes started picking up post September 15, 2017 and have been high on account on the festive season thereafter and we hope conditions to improve in H2 further. As far as the radio industry is concerned, volumes were flattish and grew at just about 2% in the top 15 markets in H1. Smaller players who had a disproportionate share of new launches this year benefited from expansion and inventory they had for sale and were able to show higher growth. The interesting fact to be noticed here is that while the number of multiple frequency stations setup was much higher and currently contributes 14% of the industry pie, the volume contribution of these multiple frequencies is just around 5% of the whole pie in comparison to this 14%. While the stations, which were setup for geographical expansion have shown far higher utilization level and are currently at volume sales of 7.3 lakh seconds per station as compared to 5.9 lakh seconds per station of multiple frequency station. Clearly, advertisers are willing to put in more volume into networks, which are able to show a geographical rate expansion to them rather than just depth of coverage. The highlights of the quarter for MBL were a consistent double digit revenue growth of 10% and maintenance of higher than projected EBITDA margin of 32% despite investments in new stations. I may remind you that this growth continues the double digit growth of Q1 of this year too translating into an increase to 21% in our volume market share in H1 and a volume growth of 6% for MBL as compared to the industry growth of 2% in H1. When the vagaries of external environment effect businesses, we at MBL believe that there are two factors, which can minimize these challenges. The first factor is the consistency of the strategic direction being followed. Thus we have never claimed to cap inventories at low levels to improve listenership only to uncap the same in the next quarter nor have we believed in making a virtue of overspending in one quarter and then cutting cost drastically to show improved margins in the next. Virtue unfortunately is not contextual and cannot be claimed to suite the conveniences of a quarter, which brings me to the second and most important reason why MBL has been able to deliver a consistent performance repeatedly and that is a focus on prudence in whatever we do. We definitely believing in planning to gain from any opportunity a benign environment give us. At the same time, we remain prepared for downsides. Thus in revenue terms we are extremely aggressive while in cost, we have been very conservative. We remember the lessons of both the 2008 recession and the harm that speculated an unreasonable bidding for frequencies did to the radio industry in its first avatar and as a conscious choice refrained from entering multiple frequency markets at high cost and instead chose to grow our reach in new geographies. This strategy has clearly delivered results for us both in topline growth and in margin maintenance. This strategy of limiting the cost for per million as a network for our advertisers while ensuring presence in the right set of market has resulted in higher than industry volume growth because the advertisers themselves have been under pressure. They look for efficient solutions, which we provide them. This strategy importantly has also ensured into a larger translation of operating profit to net profit for us at nearly 50% as compared to our peers due to the low debt and amortization cost, which stand us in good stead in a difficult environment. Our revenue growth continues to come on the back of a mix of price and volume growth in legacy or new stations, legacy stations showed a yield improvement while new stations ramped up in volume. Coming to the specifics of the financial performance of the company, the revenue for the quarter ended September 30, 2017 is Rs.75.8 Crores as compared to Rs.69.2 Crores in Q2 of last year showing a growth of 10%. The EBITDA for this quarter is Rs.24.2 Crores, a margin of 32% as compared to Rs.28.9 Crores in Q2 FY2017. A point to be noted here is that there was a favorable impact of Rs.3.7 Crores in Q2 FY2017 due to the changes in provisional estimates of government receivables and I would request you to look at growth figures when you do this comparison in that particular light. We are also happy to report EBITDA margins at 32% for half year ended September 30, 2017. There is a decline of 146 basis points in margins as compared to the previous half-year on account of new investments in phase 3 stations. Our PAT margins are at 17% due to the operating leverage, which is one of the key advantages of our business coming into play. The revenue for the half-year is at Rs.146.1 Crores as compared to Rs.132.1 Crores in last year showing a growth of 11% year-on-year. The EBITDA for the half-year is Rs.46.4 Crores as compared to a normalized Rs.44.3 Crores in the previous half year. PAT for half year ended September 30, 2017 is Rs.23.6 Crores as compared to the normalized number of Rs.18.3 Crores in H1 FY2017. We strongly believe that the market will reward long-term sustainable and consistent performance rather than short-term chest thumping and our effort will continue to deliver this consistency. Now we can open the floor for questions and answers.

Moderator: Thank you. 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. We will take the first question from the line of Vivekanand Subramaniam from Ambit Capital. Please go ahead.

V Subramaniam: Thanks very much for the opportunity. Just can you elaborate on the impact that GST has had on the advertisers, the mix of advertising, and also the implications of GST on your cost structure what are the expenditure items that you have been able to offset or rather where have you been able to get the offsets, so two points one on the advertisers side and the other one on the cost structure thanks?

Apurva Purohit: I will answer the question on the advertiser side and then Jimmy will take the GST implications on our business, I have already mentioned in my opening remarks obviously the implementation of GST is taking its time. It is a good measure in the long term, but there are short-term implementation issues both for large advertisers and small advertisers plus of course there are macroeconomic factors, which kept growth muted, so putting all this together, if you see several categories reduced spends. There was real estate with reduced spends, education with reduced spends, retail was quite subdued in this quarter. Some of the bigger advertisers did not ramp up as was expected in the festive season because the festive season actually should have started around August whereas it started a little later in the middle of September. Having said that there are certain categories that have done well too which are categories like auto and finance and durables who have shown a growth. It has really been government, real estate, retail, and education, which have shown a degrowth in this particular quarter.

V Subramaniam: Just one small followup Apurva thanks for this clarification. You mentioned that government has also declined, so last quarter also the radio industry faced pressures from government advertising declining. DB and the print media in their recent call they have mentioned that government as a category has grown for them, so why this contrast that government is growing for print, but is under pressure for radio?

Apurva Purohit: So one bit as far as government is concerned you talk to anybody in the radio industry, the government spends have come down for the whole industry. They reduced from a marginal growth in Q1 to a complete degrowth in Q2. That is one part. As far as this differential is concerned, it is state to state, where you are talking about DB, etc. It is really where the central government didnt spend, the radio industry got impacted. There were state governments who were either spending or not spending, so for example UP Government spent last year, but did not spend this year and therefore it impacted players who had a big presence in the UP such as ourselves. MP Government spent a bit more and therefore it impacted positively the players such as DB and also it is a factor of when there are elections, state elections, etc., etc., for example, UP had elections last year.

R. K. Agarwal: Very true and in fact, the Jagran also has suffered on account of that.

Moderator: Sorry to interrupt Sir. Sir we were not able to hear you. We were not able to hear the speaker. I am so sorry. Mr. Agarwal. could you repeat it, we were not able to hear.

R. K. Agarwal: In fact, Jagran also has suffered on account of non-spending by the UP Government.

Jimmy: Hi regarding the expenditure credit on the GST front, we are already on Service tax regime as you know. So largely the impact is very miniscule.

V Subramaniam: So you are saying that in terms of the cost structure change… the line items, there is no specific expenditure offset that we got in admin and other expenses. Is that the case?

Jimmy: whatever VAT, it was very miniscule in our business.

V Subramaniam: Okay alright. Thanks I will come back.

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

Neeta Khilnani: Thank you for the opportunity. Sir the underlined growth in legacy stations would be around 4% is that right one for that?

Apurva Purohit: So out of the 10% growth in Q2 and 11% growth in H1, half the growth has come from legacy stations and half has come from new stations. Almost all the growth of legacy stations has really come from rate increases.

Neeta Khilnani: Right and how has the utilization rate improved Y-o-Y if you can just give some colour on that?

Apurva Purohit: Since you are talking of Q2 and festive season only started in the last 15 days, broadly it has remained the same around 65% to 75% in Q1 and Q2.

Neeta Khilnani: Alright and there is a sharp increase in other expenses even if we adjust for the one-off item in the base, so the increase would be largely be attributed to the new station launches or is there anything specific that you would like to mention?

Apurva Purohit: Yes, clearly one of the biggest reasons is the phase 3 expenses because in the last quarter none of the stations were setup and plus there have been some marketing expenses that we have taken for example we had one of our marquee properties, Junior super singer that we had in this particular quarter apart from that, of course the provisioning that we had last year, so if you net that off..

Neeta Khilnani: So for expenses of about Rs.29 Crores in this quarter, should we assume some normalization going forward or would they remain elevated at these levels?

Apurva Purohit: I think broadly they will remain the same. There would not be any increase that we see because this takes into impact the phase 3 stations, they will continue. There are going to be marketing properties that will continue in Q3 and Q4.

Neeta Khilnani: Also on the balance sheets from the receivables, this seems to have increased a bit, so I remember last quarter we spoke about some government receivables, which were payable from the Q3 and Q4 revenues, so are they still extended to this quarter as well?

Apurva Purohit: So typically if you see there is a pattern every year. By September, receivables do go up and they are a factor of both government and non government. Obviously the impact of the government receivables is larger because government pays out in a chunk. It is very safe money, but they take time to pay out and typically they pay out in large chunks as we start approaching Q3 end and Q4. If you see last year, the receivables in September would have been very similar. So there has been no additional impact in the number of days as compared to September last year.

Neeta Khilnani: So basically we are on track to be at where we were at the end of FY2017 levels of 110 days odd?

Apurva Purohit: This is true I think across all players. All of us have the same pattern.

Neeta Khilnani: Also another thing on the nature of Rs.120 Crores worth of investments in the balance sheet, if you could just help me with that?

Jimmy: Hi this is Jimmy over here. So this Rs.120 Crores, of that if you see we have reclassed our current investment to long-term investment roughly Rs.26 Crores and Rs.15 Crores is largely internal approvals, which has happened during H1 and if you see the bank balance has moved to investment.

Neeta Khilnani: One final thing on the new stations, so Madam how are the new stations doing in terms of operating profitability?

Apurva Purohit: So we continue to maintain the same guidance on new stations that we have given in Q1. We have done better in many of the stations than we had anticipated and thus our breakeven we have moved up from saying that we will breakeven in two and a half to three years to saying that we will break even in around 18 to 24 months. Out of the 11 stations, five stations are operating at above the inventory utilization that we have planned for them, they are already at around 35% utilization and these are essentially some of the bigger markets.

Sangeeta: Like Kolhapur, Patna, Kanpur, and Madurai.

Neeta Khilnani: Thank you very much.

Moderator: Thank you. We will take the next question from the line of Ali Asgar Shakir from Motilal Oswal Securities. Please go ahead.

Ali Asgar Shakir: Thank you Madam for the opportunity. I have two questions, so one is this you mentioned that Q2 we saw some impact because of a couple of sectors not doing good because of GST and DeMon, I just wanted to understand how has the festive season and post festive season being shaping up and in each of these core and in particular, any drag sector that you spoke about, have any of them started seeing any reversal or any addition or higher growth that we are seeing from the other sectors, a little bit on the outlook and second question, just if you could give me the EBITDA split between old and new stations?

Apurva Purohit: On the first question, of course the festive season has been better while July and August were bad months, the good news is that September recovered and October has been even better. Most of the categories, I think except government also started spending, but not as much as they have done in the previous years, the continuing theme has been that auto, finance and electrical durables continue to do well even as the festive season progresses. As far as future outlook is concerned, I think it is only in post November and around December, we will be able to really figure out how much of this uptake has been just because of the festive season and how much continues because general sentiment has improved in the second half. So we will have to wait and watch. As far as your second question is concerned on the EBITDA numbers, the legacy stations are operating at a 36% margin.

Ali Asgar Shakir: 36% margin, on a revenue base of?

Apurva Purohit: Out of the Rs.80 Crores, around Rs.70 Crores to Rs.72 Crores is from legacy stations. Broadly 10% will come from our new stations is what we have already maintained.

Ali Asgar Shakir: In terms of even the EBITDA right?

Jimmy: Not at the EBITDA level, the topline.

Ali Asgar Shakir: Sorry at the topline? Thank you. That is very helpful.

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

Deepesh Kashyap: Thank you so much for the opportunity. I just wanted to understand the slide number seven of the presentation please, so you have mentioned that industry has grown by 2% in volume and you have grown by 6%, but in this slide Radio City is present only in phase 2 stations right, so there is no multiple and expansion?

Apurva Purohit: No of course not. See this is the 15 markets of AirCheck whether the third party data is available right, so in that we have one new market, which is Kanpur.

Deepesh Kashyap: So that means that there should not be any volume growth for you right because the legacy stations you have just grown by pricing the 5% value growth that you are talking about, so how did the 6% volume growth came from?

Apurva Purohit: Yes. This slide is the 15 markets, where there is third party information available which has been presented, where we have only one new station. When we are talking about 10% and 11% growth, we are talking about a 10% and 11% growth in all our 39 markets of which 11 are new markets. The data for that is not there as third party data, but we have our volume data right. That is where the volume growth has come.

Deepesh Kashyap: So 2% industry growth that you are talking about is not based on this slide, but on the entire stations that have been added right. Is that correct?

Sangeeta: Hi Deepesh, it is based on this AirCheck data only.

Deepesh Kashyap: When you talk about 15 markets you said the industry is growing by 2% and you have grown by 6% that is not clicking because they have no volume growth?

Apurva Purohit: Deepesh I understood where the confusion is coming in your mind. Let me explain again. So one part is 15 markets where third party data is available where we are talking and we have shown in the slide. We have also talked about the 2% and 6% because that is the only place where we can actually access industry data from. Now in those 15 markets, where we are talking about a 6% growth as compared to a 2% industry growth it is volume growth that has come in many of the markets where we still have inventory available. When we say that in legacy markets it is really in the 8 to 10 legacy markets where price increase has been there. In the balance markets, there has been volume increase that has come in.

Deepesh Kashyap: Understood and you also in your initial remarks you told that your volume market share is now 21%, can you remind us what was your volume market share in FY2017 end please?

Sangeeta: So it was 20%. We have gained 1% volume share point.

Deepesh Kashyap: 1% volume share price and lastly one book keeping question I have, so employee cost has been stable at around Rs.17 odd Crores for the last three quarters, so just wanted to check if any more employee additions have to happen this year or this cost will remain at similar levels for the next two quarters?

Apurva Purohit: No the cost will remain as it is. Broadly around Q2 cost for the rest of the year.

Deepesh Kashyap: Thank you so much.

Moderator: Thank you. The next question is from the line of Lakshmi Narayanan from Catamaran. Please go ahead.

Lakshmi Narayanan: Good morning. Thanks for taking my question. The first question you had mentioned in the notes to accounts that you have around Rs.150 Crores worth of NCDs that is there right now and may I know where is it captured in your balance sheet, is it part of financial liabilities or it is borrowings plus this, just how should I do reconcile that?

Prashant Domadia: So one is in the noncurrent liabilities there is a borrowing of Rs.50 Crores. In the current liabilities in the other financial liabilities, which is Rs.112 Crores, including Rs.100 Crores of NCD because these are getting matured in March 2018 of the current portion.

Lakshmi Narayanan: Fine, so the second question is that if I look at Radio Mantra of around eight stations what is the kind of revenue contribution it had and what has been the growth and utilization for those, if you can just give some kind of an estimate there?

Apurva Purohit: So it is part of the 28 legacy stations that we talk about. More of those markets would be around the 60% inventory utilization range. Gorakhpur would be the one market that would be slightly higher. Over the last one year this inventory utilization has grown by around 10%. There in the Mantra markets there have been no price hikes that we have taken. It has largely been a volume utilization going up because of the corporate advertisers now using the Mantra network.

Lakshmi Narayanan: You are saying from 50% utilization, it has gone to 60% in Radio Mantra?

Apurva Purohit: Yes.

Lakshmi Narayanan: Then what has been the kind of a revenue contribution of that Radio Mantra approximately and how does it compare half year of last year to half year of this year?

Apurva Purohit: It has been around 10% to 12% because they were reasonably small markets. From last year to this year, the contribution would have broadly remained the same because they have grown at the same rate as our legacy stations have grown. The big growth of course we showed in the previous year. As you are aware while the brand name change happened later, we have been marketing the Mantra market as part of the Radio City network now for two years.

Lakshmi Narayanan: So you are saying around revenue contribution will be 10% to 12%?

Apurva Purohit: Its in the range of 10-12%

Lakshmi Narayanan: Utilization is around 60% and the other question is you mentioned a bit about the government volume growth coming off, so broadly this half year if you take the cumulative revenues, how much would have been the government contribution and what was it last year and what has been the cumulative growth or degrowth?

Apurva Purohit: So the contribution of government last year was around 16% and it is around 14% right now for H1.

Lakshmi Narayanan: You also mentioned that there is nuance of Central Government and State Government. How does the government size pledge between is it half, half or how does it shape up?

Apurva Purohit: These figures that I am talking about 16% and 14% are the radio industry figures right. Now if you ask me the split between central and state I would say two thirds would be central and one third would be state.

Lakshmi Narayanan: This is for the radio industry or for you?

Apurva Purohit: Radio industry.

Lakshmi Narayanan: And for us what has been the similar number?

Apurva Purohit: More or less the same.

Lakshmi Narayanan: Because other competitors actually had a larger cut in the government advertising pie that is what I am told to understand that is why what makes us kind of resilient to the government advertising, is it because we operate in kind of a mutually different market or is it because of our own efforts of having these things secure?

Apurva Purohit: See I think the one fact is that across all our categories we do not have higher contributions of a particular category, so I think that sort of helps us be more resilient as you say. Having said that I think overall the contribution of the categories has remained the same because the pie has not grown dramatically right, so when we look at 16% to 14% drop for government and talk about the industry itself not growing that 2% is a significant drop for everybody including us. You are talking of contributions right? So when the market itself is not growing 16% drops to 14% is a reasonably high drop.

Moderator: Sorry to interrupt Mr. Narayanan. Excuse me Sir. May we request that you return to the question queue? There are participants waiting for their turn.

Moderator: Thank you. The next question is from the line of Ronak Morjaria from Edelweiss Asset Management. Please go ahead.

Ronak Morjaria: Thank you for the opportunity. I just wanted to understand that what kind of utilization levels would we breakeven in the new stations like we are expecting in 18 to 24 months, so what kind of utilization if we reach we would be breaking even?

Apurva Purohit: Around 45% to 50%.

Ronak Morjaria: So you mean to say that by end of FY2020, we would be reaching this kind of utilization levels?

Apurva Purohit: No. We have said earlier right, so around 18 months after the launch, which let us assume start from April of this year.

Ronak Morjaria: So by the end of FY2019 at least we should be breaking even and touching 50% kind of utilization levels?

Apurva Purohit: Yes.

Ronak Morjaria: I just wanted to reconfirm, you just mentioned that mantra station utilization is approximately 60%. So we are still not taking any kind of price hikes despite our strategy of taking prices hikes once we cross 60% kind of utilization level?

Apurva Purohit: We have just crossed 60% and as we said in the couple of markets, which we are ahead of the curve like Gorakhpur, etc., we have taken price hikes. Balance price hikes will follow suit.

Ronak Morjaria: Would it be fair to assume that our realization would be somewhere around Rs.100 odd in a mantra station?

Apurva Purohit: Yes approximately.

Ronak Morjaria: So do you think with such improvement in our utilization levels and improving realizations, we can touch roughly Rs.500 Crores of revenue by FY2020?

Apurva Purohit: Where the economic environment is conducive, we have always said that the radio industry will grow at around 15% to 16% and we will grow at 2% higher than the industry. If you do that math clearly, we are looking at doubling our revenues in the next three and a half to four years, but of course the caveat here is that the entire media entertainment industry needs to grow depending on how the economy plays out.

Ronak Morjaria: Okay. Thank you that is helpful. That is it from my side.

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

Rohit Dokania: Good afternoon and thank you for the opportunity. Just two questions Madam in your press release you were saying that the 28 stations and the 11 stations both have grown at almost like a

10% Y-o-Y in Q2, so if I am not wrong most of the new stations were launched in H2 last year, so from that perspective I though the contribution of the new stations should have been far higher rather than a similar growth like the other 28 stations, could you please elaborate on that?

Apurva Purohit: So Rohit firstly they did not start last H2 just to clarify. Most of the stations actually started in Q4 and most towards February and March of this year. That is just a minor point. When you are talking about the growth of 10% that is a growth when we are looking at the base of all 39 markets. Obviously if you separate it out and say how much the new stations have grown at then they will be like 200% or 300% given that they hardly existed last year.

Rohit Dokania: Right, so that was why I was wondering Madam because the base was so small, it should have been far higher. Perfect, so I understood that. Just one quick question in the Q1 presentation you had spoken about your volume growth and peer 1 and peer 2 and industry volume growth? This time you have only spoke about your and industry volume growth. Can you please share peer 1 and peer 2 volume growth as well if possible?

Apurva Purohit: So at an H1 level, I think there has been a degrowth of peer 1 by 9% and a growth of around 6% by the second peer.

Rohit Dokania: Okay. This is very helpful Madam. Thank you very much and wish you all the best.

Moderator: Thank you. The next question is from the line of Shrinivas Seshadri from Mirabilis Capital. Please go ahead.

Shrinivas Seshadri: Thanks for the opportunity and congratulations on the good revenue growth. The first question pertains to the real estate vertical, last year you had mentioned that it was about 10% of revenues. I am not sure whether it was for the industry or for the company, but if you can broadly elaborate what has been like the change in the mix from that particular vertical?

Apurva Purohit: So it was for the industry we had talked about volume that time and they were volume contributions rather. The volume contribution of real estate last year was around 9% for the industry and it is currently at 7% at H1, so it has dropped by 2% in H1.

Shrinivas Seshadri: Can we assume it is similar for you as well?

Apurva Purohit: Yes broadly similar.

Shrinivas Seshadri: The second question is on the overall acquisition plan and so on when can we expect to see any kind of announcement or otherwise what should be the timelines we should look at with respect to M&A whatever you are targeting?

Apurva Purohit: So as you are aware the government's regulations allow players to sell stations only after March 2018, so if any acquisitions that might happen in the industry, the announcement will be only post that.

Shrinivas Seshadri: Should we assume that you are on target in terms of discussions based on whatever past you said that you had certain kind of candidates or geographies in mind?

Apurva Purohit: Yes.

Shrinivas Seshadri: Thanks a lot.

Moderator: Thank you. The next question is from the line of Rajiv Bharati from India Nivesh Securities. Please go ahead.

Rajiv Bharati: Good afternoon Madam. Madam I have a question on the royalty expenses, which you are doing for web radio now that number has gone from Rs.6 Crores to Rs.12 Crores during the last fiscal I am wondering what is the P&L of web radio looks like and what is the burn rate on the web piece?

Jimmy: So largely if you see P&L would be at a break even or a bit negative, but at the year end, it breakeven, so largely web cost is the only major cost in web radio business.

Rajiv Bharati: This Rs.6 Crores, was it for the full year or it was nine month or something?

Jimmy: No, full year.

Rajiv Bharati: Full year and on the Apurva Madam's comment on this particular time geographic expansion has scored over people who have added go in for penetration and second frequency. Does that imply that you are not open for second frequency, let us say whenever the M&A activity starts?

Apurva Purohit: I am making two different points here. Point one is as you can see the reach expansion is something that advertisers are willing to buy into at this stage and therefore they are willing to put in more of their advertising rupee behind the networks who are showing an expansion of reach rather than depth of coverage in the key markets. That is clearly visible, if you look at where the volume growths currently are going. The second point I have always maintained is that multiple frequencies is not a bad proposition at all because at a point in time when the environment is more conducive, when the radio market reaches a level of maturity where it is looking at reach expansion as well as depth coverage, which happens when a medium goes through its maturity stage. Multiple frequencies do make sense; if however, the kind of cost that people have incurred on multiple frequencies do not make sense at all and that is again clearly visible when you see what is happening from the operating profit to the net profit level. Our translation is as high as 50%, while people who have spent more money that level falls down to just about 20% of operating profit going down to net profit.

Rajiv Bharati: Just one last question if we look at the last few years' CAGR. that five years' CAGR, 16% CAGR, which you have clocked on topline, is it safe to assume that close to 8% CAGR is because of price increase?

Apurva Purohit: Yes, I would say in the last two to three years half the growth would have come from price increase and half would have come from volume increases. Prior to that I would only say that one third of the growth came from price increase.

Rajiv Bharati: This time till first half we have only 5% price hike?

Apurva Purohit: Yes half the growth is price hike.

Rajiv Bharati: Thanks a lot.

Moderator: Thank you. The next question is from the line of Manish Poddar from Renaissance Investments. Please go ahead.

Manish Poddar: Can you just share the ad spend numbers for the first half?

Apurva Purohit: Ad spend numbers, our numbers.

Manish Poddar: Yes, the marketing expenses

Jimmy: It is 14 Crores.

Manish Poddar: 14 odd Crores and how do we envisage this number let us say for FY2019, should it on annual basis decline going ahead?

Apurva Purohit: Certainly as a percentage of revenues it will decline, so clearly if it is around 10% right now, it will go down to 6% to 7% going forward.

Manish Poddar: Fine. Thank you.

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

Apurva Purohit: I thank everyone for your participation in our earnings calls. We have uploaded the investor presentation on the company's website. In case of further queries you may get in touch with strategic growth advisors, our investor relations advisor, or please feel free to get in touch with us. Thank you very much for your participation. Good bye.

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