"Music Broadcast Limited Q1FY19 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Music Broadcast Limited Q1FY19 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 date of this call. These statements are not the guarantee for future performance and involves risks and uncertainties that are difficult to predict.

As a reminder, all the 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 Ms. Apurva Purohit – President of Jagran Prakashan Limited and Director of Music Broadcast Limited. Thank you and over to you.

Apurva Purohit: Thank you. Good morning. I welcome all of you to the Earnings Conference Call for quarter ended 30th June 2018. Along with me I have with me Mr. Agarwal – Group CFO, Jagran Prakashan and Sangeeta and Jimmy from our IR Team.

Firstly, I would like to inform you that in line with our group philosophy of rewarding shareholders the Board of Directors has approved a buyback proposal of Rs. 57 crores at a price up to Rs. 385 per share. The buyback will be done through the open market and the promoter and key managerial personnel will not be participating in it. The buyback amount translates to over 70% of FY18 cash profit. On the back of a strong liquidity of the company we will continue to look for more inorganic growth opportunities to help expand our geographical reach.

Coming to the financial performance for the quarter ended June 30th, 2018:

We have delivered a topline growth of 8% on YoY basis. This has been achieved through (1) a rate hike in all 12 core markets together and (2) an increase in volumes in Phase-III stations. Implementing the desired increase in rates in not very conducive market conditions of this quarter was indeed remarkable and was made possible by our leadership position.

We are also happy to report that our Phase-III stations after breaking even in Q4 of last year, have made a positive contribution to EBITDA ahead of our plan. It has been possible due to the tremendous traction that these markets showed in volume increase, which also in turn helped us incur lesser cost than we had spent in Q1 last year on these markets. It has been most satisfying for the management team to see the successful implementation of this strategy formulated at the beginning of the year and thereby achieving the desired result.

The highlight of the quarter however was delivery of an operating margin of 34.4% surpassing our target of 33%. Growth of 17% in operating profit at 25% in PAT was also ahead of our expectations. This gives us confidence that the company will continue to deliver over 33% operating margin and similar or better growth in profit. 50% of our operating profit flows through into PAT with margin showing an improvement by 240 basis points to 17.8%. Our best in industry EBITDA margins and PAT growth which is more than 3 times of the topline growth at 25% reiterates the fixed cost nature of our business as well as validates the strategic choices we made while bidding, which was to expand our geographic footprint rather than deepen it at unviable cost.

For the industry too, there was nearly a 3 times jump in the volume of these frequencies which showed a geographic expansion in this particular quarter. Am also extremely pleased to share with you that MBL was awarded the eighth best place to work in across all industries in the Great Place to Work study which had a participation of 600 organizations across various sectors. These milestone reiterates that our focus on our people and culture and product excellence and on data driven decision making has built a high-quality business which will continue to reward all stakeholders consistently.

We will now be happy to take questions from you.

Moderator Thank you. We will now begin the question and answer session. The first question is from the line of Avneesh Roy from Edelweiss, please go ahead.

Avneesh Roy: My first question is in terms of government ads, we are hearing this quarter that there has been a big decline. Have you also faced big decline in government ads?

Apurva Purohit: As far as the contribution of government goes it was around 12%. If you compare it with the last quarter, I am talking about Q1 of last year the contribution was around 13%. So, yes, there has been a marginal 1% lesser for the entire industry but it catches up and at an annualized basis we still expect government to spend 16%. In fact we believe that H2 government will be very high spending. So, Radio City also has more or less followed the same trend.

Avneesh Roy: And what we are hearing is real estate clearly is in a big issue especially in the tier-2, tier-3 market and post GST some of the unorganized players have lost market share in lot of the sectors, so has the advertisement been very weak in these two unorganized local players because of GST and real estate because of general slowdown?

Apurva Purohit: To answer the specific question on real estate actually that has not impacted us, we have seen a 21% growth in this particular category. Obviously yes, the small unorganized advertisers have impacted not only us but I think the entire media industry. GST has created uncertainty amongst this particular category and they have really moved out of advertising. I think that is visible for every medium.

Avneesh Roy: Can you elaborate which sectors you are seeing more issue in terms of this unorganized moving out? Is it FMCG, is it tiles, any other sector you want to highlight?

R. K. Agarwal: I may add a different color to that because I am there at the grassroots level and print is also one which is victim of this GST implementation and not getting stabilized as yet. So, in fact when you talk about categories I would feel the biggest problem has been retail sector as such. In fact, in retail sector if you look at, for example, jewelry that is one which is very-very badly impacted which was one of the contributors in the newspaper industry. I cannot say about radio, that madam will say. But in general, retail. I am not talking about the organized retail, but other retailers. And jewelry is one. For example, apparels is at second. Third is white goods, but not to that extent. Then other categories of the retail if you talk about – education is also a little retail but then it is not something which is impacted very-very hugely. Then restaurant business. These are the categories which have in general made every one suffer.

Apurva Purohit: So, Avneesh just to add to Mr. Agarwal from the radio perspective, he is absolutely right, you know the unorganized category which has decreased spends in this quarter is really apparel, low-end consumer products, personal household, the smaller brands. Jewelry for radio has in fact grown by 9% but all these categories like apparel, these consumer products jewelry etc. they are reasonably insignificant as far as radio is concerned – 2-3% kind of contribution. But these are the ones which got impacted the most.

Avneesh Roy: One follow-up here, so apparel, restaurant, education, you highlighted, this slowdown is because a lot of time is getting consumed by the promoters or the businessmen in terms of compliance or is it that they have lost market share? In lot of the categories I think loss of market share may not be relevant, right? For example, restaurant I do not think loss of market share may be a big issue, right?

R. K. Agarwal: Initially it was more relating to the compliance but currently it is not because of compliance but it is because of their working capital getting blocked in GST and the uncertainties around taking the input credits.

Avneesh Roy: And one more follow-up was this very good growth in the real estate, is it restricted to some markets because we do not hear the same buoyancy in terms of reporting by other media companies and similarly real estate sector when we see only a few pockets seem to be doing well.

Apurva Purohit: The data that I am sharing with you of volume growth across the industry which was 21% in real estate is for the top 15 markets. So, your point would be valid to the extent that these top 15 markets the more organized real estate has grown, and the impact is really being felt in the smaller markets.

Avneesh Roy: And last question, this rate hike being implemented, what is the logic? It is not that the market is extremely buoyant currently. Do you really see this getting absorbed in the medium term?

Apurva Purohit: When we are talking about the 8% rate hike that we have taken we are talking about the fact from the advertiser perspective, so it is already absorbed. It is part of our revenue currently and this we believe will continue to go on. Yes, the market conditions were not very good but if you remember at the beginning of the year itself we had said that we have our top 12 markets where we have inventory of 60% plus, that our strategy itself is to take a rate hike. The leadership position that we talk about in ratings, the intent is that that will translate into rate hikes otherwise what is the point of having a leadership position. We have always played the premium role in the market and giving these three reasons, our leadership position the fact that we are perceived a premium product and the fact that in our top 12 markets this was a planned strategy. So, all these are translated into us getting the rate hike. So, this rate hike is now part of all our deals with our advertisers.

Avneesh Roy: Other radio companies have also taken?

Apurva Purohit: We believe they have not taken the rate hike in this quarter. I cannot talk about later on.

Moderator: The next question is from the line of Vivek Anand S from Ambit Capital, please go ahead.

Vivek Anand S: What is your best guess of the industry growth during the current quarter and can you help us understand how your core markets grew at an industry level and also your growth in core markets vis-à-vis industry and any thoughts on growth in the 11 new stations and Mantra, that is one. Second the recent deal that was announced in the radio sector, consolidation of Fever FM and Radio 1, they have outlined a rather aggressive metro centric radio strategy. They seem to have a belief that radio has a very strong presence or rather advertisers in metro market seem to be gung-ho on radio that is where the opportunity is therefore they decided to consolidate in that segment. What is your take on this and any insight on whether you were in the fray for this consolidation or you just avoided this and just thoughts on reach versus depth again?

Apurva Purohit: So, let me talk about the growth of the industry and answer all your growth-related questions. So, broadly we believe that the growth of the industry in core value terms will be in this quarter around 5-7%. So, volume growth is marginally higher, but value growth is at around 5-7%. Where does this growth come from We believe, presently the growth is coming from metros and mini metros. It has not yet panned out in the long tail beyond those markets. Large part, I would say most part of this growth would be volume expansion only and as I have already mentioned I do not think any other player has taken a rate hike except us. For us the growth has been half from rate hike and half of it has come from volume growth. Now coming to the depth versus reach strategy I think we must understand that where is the advertising revenue going today. 70% of the advertising revenue is going in the top 40-45 markets as far as radio is concerned. 30% of it is going in the balance 30 markets and practically nothing is going beyond the top 70 markets. That is how advertising value is being spent in these markets. When you talk about is depth better than reach, I think there are stages of an industry where depth works and there are stages of the industry where reach works. As far as this particular phase of radio is concerned where they barely moved from covering 30% of the market of the urban India to around 60-70% of urban India, advertisers are looking for more and more reach coming out of radio. Therefore, geographical expansion is what advertisers themselves want otherwise radio industry has remained 4% because it was covering only 30%. In fact if you see in quarter one what has happened to volumes, the new volumes that are coming in most of that volume has gone into the frequencies who have expanded reach and very little volume has gone into the multiple frequencies. Now let us look at it from the listenership perspective. Even from the listenership perspective the other frequencies of all players average at around 12% of listenership share. The new frequency, the multiple frequencies of all these players itself average between 1% or 2% of listenership share. What does it tell us? It tells us that the listener is getting what he wants from the set of other frequencies that have been around for the last 8-9 years. And the new frequencies have not been able to make a dent in the listenership because they are not able to provide any differentiated content. So, summarizing what I am saying in today's context reach is what the advertiser is wanting out of radio and depth he will want at a later stage at a point we are able to give him segmented offering. Depth for an advertiser means that I am getting something out of my GEC brand and additionally I am getting a premium audience or a youth audience or another type of audience from the segmented offerings which no player is no able to do today. So, depth is just a number. It is not translating into listenership.

Vivek Anand S: Right, so if I marry the two comments that you made, one on the industry growth and on the depth versus reach strategy, you mentioned that the growth in the current quarter was also driven by the top markets, the long-tail markets did not see much growth. Does not that contradict in some way the latter argument that you gave new frequencies getting greater volumes and secondly on a related note, the new expansion volumes anyway the new licenses that came out were in smaller markets where the rates were very low, let us Rs. 100-200 compared to the multiple frequencies in large cities where the rates, people like ENIL have kept those rates also very high, is not that an unfair comparison? I am just pressing to understand further.

Apurva Purohit: So, let me explain again. What am I saying? I am saying that top 60 markets is where the growth is coming from. For players like us when we were in 28 markets and then we expanded to 11 more markets and that is where we have seen volume expansion. So, long tail is beyond the 70 markets, which are really-really tiny markets, barely a few of them even got picked up during Phase-III. So, I continue to maintain that reach is what advertisers are looking for. When I mean reach I am talking about 40 to 60 markets, I am comparing with depth in the top

4-7 metros which is what an advertiser does not want right now because the industry itself is not able to offer him segmented offering. So, both my points marry into the fact that geographical reach is what advertisers are looking for. These geographical reach is for the 60-70 markets beyond that in the very tiny market is the long tail there is no requirement of any advertiser. Similarly, the advertiser is not wanting depth in the big markets as of now.

Vivek Anand S: That makes sense. Just one small query, were you also in the fray for the Radio 1 frequencies or was it not of interest to you at all?

R. K. Agarwal: Just to continue what madam has said Jagran is the first print media company which tried kind of multiple frequencies in newspaper industry. Way back in the year 2006 we started circulating another newspaper called Inext in those cities where Jagran was circulating. Why did we do that? Because newspaper penetration is far bigger than what radio had. So, when you start losing out on opportunity for geographical expansion then only you start searching for depth and start providing differentiated content, which is possible in case of newspaper. It is not as much possible in radio. So, geographic expansion is always a preferred option when the reach is very-very limited which is the case in case of radio industry. And this is why while we were bidding in Phase-III, we were very clear, we will extend our reach which went up to 62% by investing Rs. 60-65 Crore as against multiple hundreds of crore of expanding the depth. Now for 3 years I think everybody has seen geographical expansion vis-à-vis depth and has fairly understood what are the results. Now coming back to Radio 1 and HT transaction again first of all this was not fitting in our scheme of things as I just explained. We always prefer to invest in geographical expansion and that is what we continue to do so, we continue to believe also. And accordingly, we have acquired Kolkata FM Radio station where we were not present. So, that is one. It was fitting in the scheme of things. We believed that we will not be able to get the value attrition for our shareholders, number 2. Number 3, we were not at all in this kind of transaction. It was not our cup of tea that we dilute our profit-making stations to any extent. There was no reason for us to do that especially when it was not fitting in our scheme of things. And clearly unlike our financial parameters which we had kept for ourselves that is written on equity and then EBITDA margins then PAT margins etc. probably we did not find it matching with our expectations.

Vivek Anand S: This is very-very helpful and thank a lot both for patiently handling my questions.

Moderator: The next question is from Anand Bhavnani from Unifi Capital, please go ahead.

Anand Bhavnani: Yes, I was just asking whether it is a strategy from the management's end to drive the ROE to around 15% levels in 2-3 years through the buyback or dividend route or is this a buyback one-time kind of scenario?

R. K. Agarwal: See our clear focus is the group has always been known for prudent capital allocation and this is what we will continue doing and our focus is clearly to improve our profitability and also to keep the capitals under check.

Anand Bhavnani: So, what would be our ROE targets in near term?

R. K. Agarwal: The parent company already has 20% plus ROE that is what is our desired target and that is something which we would like to reach in next 4-5 years.

Anand Bhavnani: So, that would require a payout of more than 60-70% every year sir.

R. K. Agarwal: Why would one mind?

Anand Bhavnani: Great, secondly on your revenue performance I just wanted to understand, currently this quarter we have grown around 8% but we have been guiding somewhere in the region of say 12-15%, so what has gone wrong and is it expected to come back to the levels we desire?

Apurva Purohit: Yes, we have been guiding 12-15%. We continue to give the same guidance. Quarter 1 has been more or less as we expected 1% up or down. We would have wanted to be around 9%, so that is not too much of, it is as per our target broadly. We have always said that H2 is where we will see an inordinate growth happening because the way the monsoons are going, the way the government spending will start happening. All of that is directed towards H2 and that is the expectation for the entire media industry. Including quarter 2 growth will be better than quarter 1. So, 12% and 15% is what we are in line for including what happened in quarter 1.

Anand Bhavnani: So, Q1 from the call's earlier participants' question I understood that the unorganized sector seems to have struggle a bit because of which our growth has not been up to whatever we expected but are we seeing any return of that customer or are we expecting -

R. K. Agarwal: First of all let me clarify that as madam has said we would have expected 9% growth and we have got 8% growth that is something which is in anyways indicating that we have not done well. So, in no ways as it is what we indicated in the beginning 12-15% as she has said, that is what we are going to achieve. So, in this quarter it could be as against 9% could be 8.25%. I mean whenever you target it, you cannot match it exactly to that. So, that is not something which has happened. And in any case what you should not forget is in this first quarter we have taken rate increase when nobody has taken I mean in all 12 core markets and that is altogether. So, it is a very well-known fact whether it is newspaper industry or it is radio industry or it is TV industry whenever you take this kind of rate increase, there has to be some knee-jerk reaction results in some drop in volume. So, you cannot fine tune, you cannot exactly workout what knee-jerk reaction will mean. Whether it would mean 1% or 1.1% that is something which is impossible to calculate. So, first of all let me clarify to you that there is nothing which is a disappointment like situation or it is not something which we have anticipated. We always anticipated, we targeted 9% but we were also knowing when we are taking rate increase in 12 markets in market condition which is not that conducive then it could be 8%, it could have been even 7% still we would not have been in the….

Anand Bhavnani: So, rate hike was in the region of 4-5% right?

R. K. Agarwal: No, I think it is larger.

Apurva Purohit: Yes, the rate hike was around 8%.

R. K. Agarwal: So, in such a situation, I mean such market condition if you are able to take rate hikes more than inflation this is something which is commendable and speaks volumes of the strength of the brand and the leadership position what it commands.

Moderator: The next question is from the line of Aliasgar Shakir from Motilal Oswal, please go ahead.

Aliasgar Shakir: I just wanted to check between the old and new stations. So, I mean if I assume somewhere close to about 9% odd revenues contributed from the new stations, correct me if I am wrong, then old station growth has been, is it in the range of about somewhere 3-4%? If that is true then I just wanted to understand given that you mentioned that the 12 markets we have taken an 8% rate hike, how does that marry with this 3% growth and we have seen some impact in volumes then if you could highlight which sectors probably would have seen that impact?

Apurva Purohit: So, let us look at the overall growth. We are talking about overall growth of around 8%. Half of this growth has come from our old stations and half of the growth has come from new set of stations. All the growth of the new stations has come from utilization and indeed we are very happy that we are running at a pace far-far higher than we had anticipated. At current levels of utilization we have reached 45% which is very incredible for a set of stations which is just about a year and half old and which reiterates our geographical expansion strategy is working, point 1. As far as old stations are concerned half the growth, which is 4% has come from our set of old stations and as you are rightly saying if you look at the 8% rate hike that we have taken in all the 12 core markets which was again a planned strategy because we have always said that we have reached that level of utilization. So, obviously there has been – when it averages out to around 4% growth there is obviously been a dip of a couple of percentage points in volume, which we are very happy to give away because all this volume is of the low rate kind of clients which in any case was a culling strategy that we wanted to adopt to clean up our inventory.

Aliasgar Shakir: So, could you tell me which sectors would have seen this impact of this rate hike because of which the overall growth is lower than our rate hike percentage?

Apurva Purohit: I do not think it is really correct to look at it from a category perspective, because category for the industry, different categories have grown, different categories have fallen. But specifically when we talk about this movement in culling out the low ER clients it would be across all the categories. And let us say for example, the lower end of government. You know that when government has given a Rs. 52 rate and a lot of the volume fill that is happening, in fact 30% of the volume fill that is happening across whether it is multiple frequencies or any other frequencies it is coming from a Rs. 52 kind of rate that the deal was given, which we have not taken.

R. K. Agarwal: You know these are the advertisements which normally government give not to get the response but since these are acquired or since these are acquired to promote a few program of theirs. Secondly, they have to use the frequency, whichever they can..

Aliasgar Shakir: Can you just share how the current quarter so far has been, I mean are we seeing growth picking up given that you mentioned that subsequent quarters we are expecting much higher growth. So, given that we are probably in a preset festive season what has been the feedback, or interest we are seeing from the advertisers right now?

Apurva Purohit: So, from a broad trend perspective, as I have said quarter 1 will show the lowest growth and every quarter the growth is only going to go up and even in quarter 2 for example we are seeing a better traction than we saw in quarter 1. So, that is the upward trend and you will see a sharp upstream happening in H2, again a point that the entire media industry and we have been talking about from April onwards that you will see a sharp upstream this time in H2. That will really come on the back of the festive season. It will come on the back of government spending going on. So, for example in quarter 1 while the contribution of the government was around 12%, the growth was just about 2%. The category that really grew in quarter 1 and continue to show an upstream in quarter 2 and therefore in H2 are real estate which grew at around 20%, eCommerce which grew at around 63% but that was really tactical because of the end of season sales they had. The two categories which have not done well in quarter one and we expect them to do much-much better both in quarter 2 and H2 are media and auto which degrew by around 13-15%.

Aliasgar Shakir: This is helpful. Last thing, so this buyback is from the market, right. So, when do we plan to start this buyback?

R. K. Agarwal: It is going to take two weeks time because what happens is you have to now open escrow account and then there are formalities and after you give the advertisement thereafter strategically you have to give 7 days. So, I believe between 12 to 15 days it will open.

Aliasgar Shakir: So, it will go up till 385, so from the current price up till 385

R. K. Agarwal: Correct.

Moderator: The next question is from the line of Shalini Gupta from Quantum Securities, please go ahead.

Shalini Gupta: Just wanted to check like you have taken a rate hike of about 8%, so in the stations where you are strong, so what will be the difference in the rates between you and the next player in the market?

Apurva Purohit: The difference is approximately 10-15%.

Shalini Gupta: And through this year now do you intend to take more rate hikes?

Apurva Purohit: No, we will not be taking further rate hikes. We are very happy to have started the year with taking the rate hike right in the beginning. Typically rate hikes start happening closer to the festive season but then it also gives you opportunity only for half the year to show the growth. So, we are very happy to have taken it at the beginning of the year and there will be no further rate hikes beyond this.

Shalini Gupta: So, really what I am targeting at a 10-15% difference, I am assuming they are lower and I am not talking about this year because this year your rate hike is done I am saying going forward what kind of – I mean do you intend to keep taking rate hikes year after year and take the difference larger or you think this much of a difference is what advertisers can handle?

Apurva Purohit: Shalini let me just clarify what I am saying, so you ask me a question what is a rate hike as compared to the next player, which is when I said 10-15%. But that is an average rate that works for the market, because there are a lot of volume players in each market. So, typically if there are 8-9 frequencies in market the top 3 players are premium players and work at the top-end of the price band and then 4-5 players work at the bottom of the price band. And the difference is quite dramatic. So, there will be the bottom end players who will be selling at Rs. 500 per 10 seconds and the top end will be selling at around Rs. 1000-1200. So, that is the difference. And therefore, when we look at from the average perspective our rates would be nearly 30-40% higher. When we compare to the next player and when I say 10-15% these are the 2-3 players who are in any case playing at the premium end of the market. So, this is to answer your first question of 10-15% whom you compare with. Now coming to the thing, what is the future – we have always maintained, and this is a very-very planned strategy that we have adopted not only this year but every year is that as our volumes start filling to around 60-70% in any market, we start taking rate hikes. So, we enter the markets at an average ER of that market. So, for example when we entered our new 11 markets, we entered at the average end. We never start at the lower end. We always enter a market at the average of what everybody is selling at and once we start hitting 60-70% inventory we start taking rate hikes. The future plan is obviously is that as right now we are operating at around 70% inventory utilization in the top market and around 40%, 45% utilization in the rest of the market. So, all those market will continue to grow on volume increasing by around 5% to 10% and the top end markets will grow on the back of ER hikes. So, typically for the next five years we anticipate that all our growth half will come from price increases and half of it will come from volume increases. I hope you have answered your questions.

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

Neeta K: My first question is if you can help us for the EBITDA of the new station in now that they have just turn profitable how do you expect the EBITDA to scale up from here on?

R. K. Agarwal: As a matter of policy we do not break it down and therefore we will be constraint to share the figures for the new stations as well as old stations separately, but of course they have just started contributing and going forward they will catch up with the legacy station and there is a lot of headroom.

Apurva Purohit: So, the other way to look at it Neeta is that from the revenue contribution these new stations have started contributing around 10% of our overall revenues and the increase in EBITDA around 30% would have come from these new stations.

Neeta K: And you mentioned catch up to your existing stations so that I would imagine from two, three years down the line?

Apurva Purohit: Yes.

Neeta K: So, my second question is just wanted to understand how are advertisers looking at the IRS data for radio which sort of puts us in the number two, number three position in most cities despite which you have taken a rate high which is quite commendable, so just wanted to understand how is the data been received?

Apurva Purohit: I think IRS is really a print study and I think most advertisers look at it from that perspective. They really look at the print data in detail. Radio as you are aware is possibly the last question asked in nearly two-hour interview. So, it really looked at it not from a player perspective as much as from the industry perspective, so what advertisers end up looking at IRS how is radio as a medium in comparison to print, in comparison to within market what is the reach of radio so that is really the feedback that you have received from all advertisers. Now this thing about being number one, number two, number three I think again what players really end up doing is adding up across all the market and saying that I am number one, number two in IRS. The fact is that each player has its own network. So, if I am in 30 market and someone else is in 70 markets and someone else is in 10 markets. I as a 30-market player have no right to compare with somebody who is in only 10 market. So, that is largely unfair obviously a reach of 30 market player will be the higher than the 10-market player.

Neeta K: So, you are saying is IRS is not taken very credibility for radio?

Apurva Purohit: See credibility of IRS is very high after long time IRS has got its act together but it is a print research and only reason people look at IRS for any other medium is comparing the overall medium reach with the other medium because there is no other data available where you get multiple media all in one data base.

Neeta K: And then last question I just wanted to understand your strategy your volume, so you have mentioned in the presentation that you are trying to normalize your peak time ads and non-peak hour advertisement so what is the strategy on this? So, are you also realizing that probably there is too much of ad time and peak and that should reduce I just wanted your thoughts on this?

Apurva Purohit: So, Neeta this is nothing new that we are talking about, this is a strategy that we have been following for the last one and half years where we said that while overall utilization is around 70%, 75% in our big markets. We need to reduce prime time and increase non-prime time and therefore the variance gap we need to reduce. Similarly, between week days and weekends we need to do a variance reduction and that strategy is again panning out very well. So, in this quarter there has been a reduction of around 10% in this variance gap and we are very pleased with being able to do that. Again, this comes on a back of a lot of processes and new programming ideas and initiatives which we have put in place. We have hiked up unique content on the weekends we have done a lot of research and evangelizing to our clients about the efficacy of non-prime time, etc., and this reduction in variance by 10% is a very positive sign.

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

Jinesh Joshi: My question pertains to the consolidation trend which we have witnessed in the industry with Radio one deciding to merge with Fever FM does this mean that the competitiveness in the metro market will increase meaningfully the reason I am asking this question is because radio 1 can now bank on the reach which HT can provide the metro markets in which ways are hyper competitive in nature. So, radio 1 which was say a number seven or number eight player in the overall scheme of things will now benefit out of HT Media reach, so does it kind of put companies with single frequencies in a disadvantage in metro markets?

Apurva Purohit: I think when you talk about HT Media reach you are referring to the print reach because Fever FM does not have I mean it is there only in seven markets so there is no reach per se of the radio.

Jinesh Joshi: I am talking about the print reach only?

Apurva Purohit: So, history shows, and we have analyzed and evaluated it I mean personally have looked at it over the last 20, 25 years that consolidation in media really does not work. So, when a big HT tries to add on Fever or tries to add on radio 1 or whatever and fell together typically the second players and the third player suffer. You end up reducing rates because HT Media print advertiser would say that okay give me this as on add on but at this rate. So, consolidation even within let say a bouquet of television channels or across multimedia platform has never worked which is why nobody whether it is Times of India or whether it is even HT and Fever they have never sold together so that reach, and it would be a danger to actually sell together. So, that is answering your questions.

R. K. Agarwal: If HT Media have that kind of a reach in print Jagran also has a very wide reach. Jagran, Naidunia, Mid-Day, etc., so that way radio city's parent company also has that kind of a reach, but as she said more and more combo more and more discounting whether within the same media platform or across various media platforms.

Jinesh Joshi: Let me just kind of rephrase this the point I am making over here is that say for example radio 1 right now is present in Mumbai but it is hardly making any money now HT Media is also present in Mumbai. So, with this consolidation radio 1 will stand to benefit out of HT Media presence in expertise in the Mumbai markets and the top metros typically contribute majority of the advertising revenue.

R. K. Agarwal: That is the question you know she is answering how will it help? It is amounting to making combo. We have already gone past that phase when we took a call that we will prefer geographical expansion over concentration or over the depth in the same market.

Apurva Purohit: Let me try and sort of answer this question a little more specifically for you. So, let us talk about the hyper competition or competition increasing that you mentioned firstly. So, last 15 years and Radio City Fever, Mirchi, etc., have been working in the same market so that always Radio City has been competing with 8 other players in Bombay to take a specific example whether it is radio one or Fever or Mirchi we have always been competing. So, therefore, that competitive platform is not increasing it is still 8 players ahead.

R. K. Agarwal: Radio 1 was always there in Bombay in all those markets.

Apurva Purohit: So, that is point one. Second point is that with radio 1 becoming part of Fever do you expect anything to change only because of merger, you can say that competition increases?, The number remain still the same for the moment. Fever and radio one combine our thesis always has been that combination will be detrimental. So, a Fever plus radio one combination could possibly lead to a mixed kind of a rate and average rate which will be lower than what they are selling separately now that has always been our thesis.

R. K. Agarwal: You never know whether they would sell it separately and they would do the combo because HT is also very experienced media player. So, they know what is the impact of the combos?

Jinesh Joshi: One last question from my side on QOQ basis our revenues were flat now considering that our new stations were operating at about 40% utilization there was enough scope for improvement in inventory for revenues to show a growth on a QOQ basis.

R. K. Agarwal: Again, this is not an appropriate comparison. In media industry Q3, Q4 are always far better than Q1. So, that is not a fair comparison this is a seasonal industry. So, QOQ comparison will be misleading.

Apurva Purohit: For example, quarter 4 has a lot of finance advertising it does not come in quarter one so there is lot of seasonality that operates in media.

Jinesh Joshi: I understand the seasonality part, but the reason I asked it is because there was enough inventory waiting to be sold in the new stations and the incremental revenues coming in from these stations should have partially offset the seasonality aspect hence I was just trying to correlate that never mind but that kind of answer my question.

R. K. Agarwal: Madam has just informed us in response to one of the queries. In fact, a new station are contributing nearly 10% of the top line, but those eleven stations are not that significant which will materially change the upside which is available in Q4.

Moderator: The next question is from the line of Shrinivas S from Mirabilis. Please go ahead.

Shrinivas S: The first one was the rate hike which you took I presume like it would kind of happened through the quarter so is there any residual impact which will come in the second quarter on an average basis?

Apurva Purohit: You know as I am saying that this rate hike is already implemented and out in the advertiser so obviously the growth that happens in quarter two, quarter three or quarter four will be partially from this rate hike and the other growth will happen as volume grow up as we have just discussed Q2 and H2 move into festive time etcetera.

R. K. Agarwal: Actually, his question is we may have taken the rate increase say in the month of May or we may have taken the rate hike on 15th April. So, I mean here in this first quarter it may not be exactly 8% it maybe on an average on weighted average it could come to be 7.5%. So, in the coming quarter there will be higher impact of the rate increase than what we have seen in Q1 in case it was not for full quarter.

Apurva Purohit: So, when we are talking about this 8% it is the weighted average already. So, there would be some deals we would have taken 10%, with some deals we would have taken 5%, some deals would have started earlier later to weighted average is 8%.

R. K. Agarwal: For the quarter.

Apurva Purohit: For the quarter and that is what will continue.

Shrinivas S: Secondly you talked about better growth in the second quarter, but when we look at the festive season this year I think bulk of it is coming in the third quarter unlike the split which happened last year between second and third quarter, so how confident are you because base of the second quarter itself will be factoring in some festive revenue pertaining to Dussehra and so on so. Despite that do you see enough momentum in the business to carry over to higher growth rate versus first quarter or was there in the something in the base which was not normal because of GST or some other reasons?

Apurva Purohit: You are absolutely right most of the festive seasons is now concentrated in Q3 as compared to the previous year. So, we are definitely saying H2 which is why we are saying that we have sharp upswing both because festive is all concentrated in Q3 and because of seasonality of Q4 and government spending going up. So, these are the reason why you see a sharp uptick in starting from H2 onwards. The point I was making of Q2 was in comparison only to Q1 and yes, we will see a growth to a certain extent. We would have seen a better growth a part of the festive season had started earlier at it had the year before. So, to that sense it would be muted, but certainly there will be growth over Q1.

R. K. Agarwal: I mean in other words what you said is absolutely right in Q2 last year if festive season was captured, but then last year Q2 was the first quarter for GST implementation. So, that had an adverse impact which was partly compensated by the festival season. So, yes because of GST impact in the second quarter of the last year will report a growth better than the Q1 as it is, but we will record growth on YOY basis as well which is going to be better than Q1 growth rate.

Shrinivas S: So, you are saying some base weakness will help us.

R. K. Agarwal: Yes, will help us.

Shrinivas S: Few questions on the cost if I look at the other expenses that is excluding the staff cost and the license fees they used to be in the range of about 30 crore in second and third quarter. The fourth quarter of last year it came down to about 26 crore and that time the reason given was there were some what you call reversal of bad debt provisions end of the year. Now this quarter also it has coming at around 26 crores which appears to be on the lower side. So, I am just trying to understand is that again because of these factors or have you kind of brought down the AdEx because the stations are kind of stabilized what are the drivers behind the cost being much lower on an absolute basis versus two-three quarters ago?

Apurva Purohit: On an overall basis we should not read too much in this 3% growth because on an annualized basis our cost will be as we have always maintained around 7%. This particular quarter the growth figure is lower because in Q1 of last year we had spends on marketing on Phase-III stations and given the fact that we are running ahead of plan there and the market are doing so well those marketing spends are not there in this quarter the ones that get used for Phase-III.

Shrinivas S: And on a full year basis how should we think about advertising spend because now these markets are largely on autopilot, so we had a big jump last year in the advertising spend compared to the year before. So, this year will it normalize to somewhere in between or maybe slightly lower than last year is that how we should think about advertising spends?

Apurva Purohit: They will normalize to around 7% last year there were around 9% and 2% extra was for all the launches.

Shrinivas S: One question on the financial non-operating income that was on the lower side compared to the kind of cash and investments we have is that more of a mark-to-market issue.

R. K. Agarwal: Yes, you are right absolutely.

Shrinivas S: So, on a full year basis we should hopefully revert to that.

R. K. Agarwal: Yes. Group does not invest in anything else except the mutual fund units. These are all debt funds and therefore mark-to-market issue was there.

Shrinivas S: Sir have we invested in any aggressive long-term debt funds?

R. K. Agarwal: No, we are not. We have been very conservative I mean the same policy what Jagran adopts continuous and this is why we do not try to earn from treasury. We know how to run the business and that is where we forecast and whatever is the balance left that we prefer to distribute. So, that you do not start expecting us to become a mutual fund manager.

Shrinivas S: Finally, last question on Kolkata just wanted your assessment on whether any kind of upgrades are required in terms of the facilities or any kind of operating expenses which we have to kind of spruce up with respect to staff or any other elements when we take over the operations or is the kind of cost based pretty reasonable on a going forward basis?

Apurva Purohit: I think ABP has done a very good job of infrastructure and staff, etc. So, we do not expect to increase cost in anywhere in fact we definitely are seeing the revenue benefit playing out and translating into margin increase and any cost management per se there.

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

Vikas Mantri: On the growth of or the strategy of adding new frequency by some of the players in the metro markets we have not seen them do well as you mentioned. The question I want to ask is it is failure of strategy on part of putting a differentiated product by these players or the market as you said that advertisers are looking for reach is a market not there for additional frequencies in these markets?

Apurva Purohit: I think I would not like to comment on strategy of other players. What I would like to really say is that and I repeat this that there is a timing in every industry on what strategy to adopt. So, there are strategies, but people forget that good strategies can become bad because of the wrong timing. So, there is nothing wrong with a strategy of having multiple frequencies and I think I have always maintained that. Television finally grew and reach because of multiple frequencies. Print as Mr. Agarwal was saying that you keep on adding variance once the market matures so it is all about timing Vikas and I believe that the current timing is wrong. Current timing rewarded people who were giving reach because this medium did not have reach to begin with. So, when you went to the large FMCG player the large auto player he said that with 30% reach I will give you only 4% of my share. So, reach expansion is what he was looking for and that is what he was looking for and that is what players like us are provided and whoever has provided that is benefitting from that in seeing the volume expansion happening. Yes once the market matures whatever reach the advertisers were expecting is given at that stage depth will become important, but depth again needs to be understood not as a number that now I have one frequency and now I am giving you two, or now I am giving you three but depth needs to be understood from the point of view that may I being able to go to an advertiser and giving him three different kinds of audience and on that is where I would say the current strategy has failed. The timing is wrong and secondly the segmented offering is not there. And segmented offering we could see from a mile that it would not be there because if you are paying 100 crores for a frequency how can you give a niche offering. You have to give him a GEC yet again.

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

Dipesh Kashyap: Just continuing with the previous caller's question so Fever FM has been a very strong player in Delhi and Mumbai. Their second frequency Radio Nasha has also been able to scale up to 10% listenership here in two years' time. So, just want to understand now with Radio one also becoming part of the portfolio, do you think there is a further risk to listenership share in Mumbai specifically?

Apurva Purohit: It will really depend on what they will do with Radio one. In the current scheme of things Radio one has been there for the last eight years. It has gone through several transitions of its own from different languages to different types of music, etc., and it has a particular listenership share despite all those changes. So, frankly it really depends on what happens there I do not think that it will make a dramatic difference because there is a brand positioning that get settled in a consumer's mind and then to try and change it after eight, nine years is very difficult.

Dipesh Kashyap: This counter your arguments what you intent to do with the Calcutta station that Friend FM is also like around 2%, 3% listenership share. Now with coming with Radio City brand we intent to increase a listenership, so can Radio Fever FM do the same with the Radio 1 station?

R. K. Agarwal: I think here the comparison may not be appropriate first of all your assumption that we would like to increase the listenership share that is something which is everyone's intent right which is there even for Radio City own stations that is one part, but here the reason for acquisition is it is giving our advertisers an additional market and important market which is fifth largest in the country which we did not have. It is more from advertising perspective and of course in case listenership increase its is fine. So, it is a standalone station in Calcutta without network. So, when you get included in network it makes a lot of difference like for example promoters had Radio Mantra 8 stations once they became part of Radio City automatically their revues started growing manifold this is what should happen to Calcutta.

Dipesh Kashyap: Lastly, Apurva Ma'am I just wanted to understand your thoughts like what different are we doing in Bengaluru market where we are already a market leader, but we are still increase our share, why cannot we replicate the same strategy for Delhi and Mumbai for example?

Apurva Purohit: Of course, we would like to replicate the same strategy everywhere and the programming team is working extraordinarily hard and in fact you will see that has played out in Delhi where for the last several weeks we have been at a number two position. So, obviously the attempt is there to keep on improving even where we are number one to keep on improving engagement. So, we may be number one in Bangalore, but we are still working hard to improve the time spend listening, so I think that works across all our 39 markets.

Moderator: The next question is from the line of Rajiv Bharti from India Nivesh Ltd. Please go ahead.

Rajiv Bharti: Just from the previous caller's questions so in terms of this Radio one discussion which we have, so from the advertisers point of view if you can segment the markets, for example, right now you are doing well in the GEC segment and radio one kind of categorize on the English genre where you know business class people or people who are travelling or listing our reading English newspaper they will be there or middle class are part of their genre which they were targeting, but they were not getting a critical mass to make station as good as a GEC channel if you would want to launch one more below your frequency which will be that segment which the advertisers keen to participate in terms of segment in the same market going deeper in the same market?

Apurva Purohit: So, firstly as I have said that this stage I would not like to have a multiple frequency because the timing is not right but let say theoretically as you are asking a few years down the line one does have a multiple frequency when the market is ready, I think there are various opportunities. The segmentation can be done consumer wise to look at Radio City core audience the young adult 25 to 45 so under and above that is our opportunities. There are options of segments on the basis of genres, so you can have different types of music. For all you know the market may have developed at that stage to have options of doing non-music programming completely. So, there is an evaluation and at the stage you enter you figure out what is the requirement is of the consumer and enter accordingly. So, it is very important to time the market right.

Rajiv Bharti: That is fine, but even from the point of view for example Radio 1 which had frequency from Phase-II so they migrated at relatively cheaper cost as compared to what Fever paid. They were not able to find a genre which is differentiated form the GEC segment and equivalent amount of money per stations in at least the key metro markets because they had very good frequencies at least in terms of location?

Rajiv Bharti: From the advertising point of view there is data which comes in we require this if there was a frequency which offers this particular segment it would have been better off then what we are getting bouquet?

Apurva Purohit: From advertisers obviously, you do not get this kind of answer. It is up to your own internal strategy your own research, your own processes or your own experience that helps you decide what to enter with and again I cannot comment on what their thinking processes was, but Radio City does a lot of research before we figure out what is the content driver. So, we enter each market for example when we entered Kanpur and Patna and, etc., we did a whole research on the content requirements of that market is it humor, is it music, is it RJs is it civic information and then after that only we enter the market. So, I am not sure whether everybody does this kind of research.

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

Apurva Purohit: We thank all of you for your participation in our earnings call. Our endeavor will be to complete the buyback as soon as possible so that the reward reaches our shareholders without delay. We have uploaded the Investor Presentation on the company's website in case of further queries you may get in touch with SGA, our Investor Relation Advisor or please feel free to get in touch with us. Thank you very much.

Moderator: Thank you. On behalf of music broadcast that concludes this conference. Thank you for joining us and you may disconnect your lines.