"Music Broadcast Limited Q4 FY 2019 Earnings Conference Call"

May 28, 2019

MANAGEMENT: MS. APURVA PUROHIT – PRESIDENT (JAGRAN PRAKASHAN LIMITED) & DIRECTOR (MUSIC BROADCAST LIMITED)
MR. R. K. AGARWAL -- GROUP CHIEF FINANCIAL OFFICER, JAGRAN PRAKASHAN LIMITED
MS. SANGEETA KABADI -- IR TEAM, JAGRAN PRAKASHAN LIMITED
MR. JIMMY OZA -- IR TEAM, JAGRAN PRAKASHAN LIMITED

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Music Broadcast Limited Q4 FY 2019 Earnings Conference Call hosted.

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 risk and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity 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, Jagran Prakashan Limited and Director – Music Broadcast Limited. Thank you and over to you, ma'am!

Apurva Purohit Good Afternoon, to all of you. I welcome you to the Music Broadcast Earnings Call for quarter ended 31st March 2019.

Along with me I have Mr. R. K. Agarwal -- Group CFO, Jagran Prakashan Limited; Sangeeta and Jimmy from our IR Team.

Let me first start by giving an update of the financial milestones achieved during the year and the quarter.

Operating profit for the year has been Rs. 113 crores crossing the Rs. 100 crore mark for the very first time for us. We achieved record operating margins for quarter 4 at 39% and for full year at 35%.

On a comparable basis, the absolute EBITDA increased by 17% for the quarter as well as for the year to Rs. 32 crores and Rs. 113 crores, respectively. Our Phase-III stations continued their disproportionate growth and positive contribution at an operating level and at an annual level we delivered a 15% EBITDA margin on the phase-III stations.

The net profit for the year is approximately Rs. 62 crores, which grew by 19% as compared to previous year whereas, for the quarter, it grew by 13% at Rs. 18.4 crores in quarter 4. Our revenues have grown by 8% for the quarter and by 9% for the full year.

The team has been able to achieve an 8% rate hike in all the 12 core markets at the start of the year. And they were able to sustain it throughout the year along with the rate hikes taken tactically during the festive season.

Our liquidity position continues to remain strong with cash and cash equivalents of more than Rs. 250 crores as on March 31st, 2019, which is post our maiden buyback of Rs. 57 crores.

The top three categories this year for us were government which grew at 17%; Ecommerce which grew at 42%; and real estate which grew at 10%.

As you can see, given the nascency of FM as a medium in the country and its cost effective appeal to corporate and retail advertisers, even in tough economic environments, FM brands can deliver high single digit growth numbers.

I think, what is even more important to note is that in uncertain times, the one constant is the operating leverage of the FM business, which ensures that margins continue to grow and improve despite adverse external environments. And this, we believe, will continue for times to come, which brings me to the acquisition of Reliance Broadcast Network Limited, which our board approved yesterday. As you are aware, RBNL has been operating licenses under the brand of BIG FM from Phase-II onwards as a pan Indian network.

The acquisition of Big FM will compliment Radio City as we cater to different genres, with Big FM offering the retro music format for the target audience 45 plus, while Radio City offers Adult Contemporary Music catering to the younger audience of 25 to 44.

With this acquisition, we also get an entry into some key markets of national significance, like Indore, Bhopal, Trivandrum, Kolkata etc. The combined operations will create India's largest radio network and give our advertisers unparalleled reach, taking up the combined reach of both the networks to approximately 82% from the current 61% which Radio City delivers.

Given Big FM's leadership, it's significant revenues and its current profitability along with the possible synergies of the joint entity, we believe it will be value accretive for shareholders.

As far as the future goes with the elections behind us and the incumbent government returning with a clear majority, we hope to see a revival in the economic environment. With the improved sentiment in the short term we hope to see increase spending by both advertisers and by the government in the coming months.

With this, we will now open the floor for Question-and-Answers.

Moderator: Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Jinesh Joshi from Prabhudas Lilladher Private Limited. Please go ahead.

Jinesh Joshi: I have a couple of questions on this acquisition which we are planning to do, how are we going to fund this acquisition if we could just highlight that in the first bit?

R. K. Agarwal: Enterprise value is at Rs. 1,050 crore and what we wish is this should be financed through the mix of long-term funds, funds on hand and internal accruals in times to come. So, broadly when we acquire this asset subject to approval sometime you know a year from now, it should be broken up like this Rs. 500 crore debt which we would like to carry forward and would like RBNL to pay through their accruals and balance Rs. 500 crore will be financed partly from equity which we are going to put in right now in the Company by way of subscription to the primary issue and balance Rs. 300 crores - Rs. 350 crores what we what we need to pay to the seller by way of secondary acquisition that we will meet from various long-term resources which we have not yet planned.

Jinesh Joshi: Okay. And after the acquisition, will the Big FM brand will continue or will be kind of rebrand those stations as Radio City?

Apurva Purohit: So, Big FM as you are aware has been operating for the last 13 years and it has a high brand recall and equity in the market as I already mentioned it operates in different segments and therefore, both brands will continue to operate separately and independently.

Jinesh Joshi: Okay. And any specific reason why 18 stations are left out from this transaction?

R. K. Agarwal: You cannot acquire those stations under law.

Jinesh Joshi: Okay. Can you can you just highlight what is the requirement or what is actually stopping this from acquiring them?

Apurva Purohit: , we have a cap of stations that we can take as far as the MIB regulations are concerned. So, beyond that, we cannot have more than let us say two stations in a city.

Jinesh Joshi: Okay, fair enough. One last bit from my side, I mean, we had to withdraw our business transfer agreement with the Friends FM due to delay in approval from MIB and now we have this Big FM acquisition. So, what exactly did not work out in the Friends FM acquisition and how is it different this time?

R. K. Agarwal: I will explain you. As we understand Ministry of Information Broadcasting does not like any structuring of the purchase and sale of the transactions. They want a very-very simplistic approach towards it and that approach is you acquire the company which is the permission holder. So, this is what we are doing in this case. In case of this Friends FM, we wanted to acquire it through business purchase agreement which is what MIB did not like. So, this acquisition is exactly the same as what JPL did in case of Radio City. And before you pose, let me also clarify; add on to my answer to your first question. While I said, we have not yet applied our mind you know, how do we finance that Rs. 300 crores, it is just you know, source of the finance which we have zero on to and we are not too bothered about it because you can very well understand group as a whole is generating EBITDA to the tune of about Rs. 650 crore odd in next one year. And then we already have liquidity of about Rs. 400 - 450 crores cash in hand. So, out of that we will be paying right now Rs. 200 crores still we will be left with Rs. 250 crores. Besides that, we already have unutilized working capital limit of about Rs. 150 crores to Rs. 200 crores. Over and above that the group is not leveraged at all. In the name of borrowing if you look at as a net worth of over Rs. 2,000 crore what we have in terms of borrowing is just you know, less than Rs. 200 crores and out of that Rs. 100 crores is the working capital limit.

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

Neeta Khilnani: Just you know requesting for a few data points. So, can you let us know the net debt for FY 2019 for RBNL?

R. K. Agarwal: For March 2019?

Neeta Khilnani: Yes.

R. K. Agarwal: March 2019, net debt should be in the range of about Rs. 1,200 -1,300 crores, out of which nearly Rs. 600 crores is owed to the prompters who will convert it into capital as condition precedent.

Neeta Khilnani: And the external would be the remaining?

R. K. Agarwal: External debt will remain, out of that Rs. 600 – 700 crores as I said, Rs. 200 core what we are indicating in the company will be utilized to pay off those debts to the extent of Rs. 200 crores and balance Rs. 400 -500 crores as I mentioned in the opening remarks, we will be like to carry forward and we would like RBNL to pay it to their accruals over a period of year. Because clearly, group is not going to compromise on distribution of funds to the shareholders policy. It will remain committed and regardless of this acquisition because this acquisition can be funded as I explained in the beginning from cash in hand, as a group we are going to have about Rs. 650 crores of EBITDA next year. So, we have enough cash.

Neeta Khilnani: Right. Okay. And can we also share the PAT figure for the 40 stations, so we have given the revenue and the EBITDA figure.

R. K. Agarwal: We do not have access to their financials as their audit is going on. And this will be too much of detailing at this stage, I do not know whether they would like us to talk about it or not. We are under confidentiality agreement, Let us wait till we get the MIB approval till then I am minority shareholder only in the company. And I cannot, go beyond whatever we have shared about RBNL.

Neeta Khilnani: Okay. And sir, so of these 18 stations which are not included, which will be the prominent one, if you can just…

R. K. Agarwal: All the 18 stations leftover is were radio city is already present and . I think, the biggest one is Patna, if I am not mistaken where we already have a station.

Neeta Khilnani: Okay. And sir, for these 40 stations, will it be possible to share the amortization figure? If that is possible.

R. K. Agarwal: These amortizations, of course, we will not have amortization hitting our P&L for those 18 stations whenever we acquire.

Neeta Khilnani: No, for the 40 stations that will come to us, can you give us a sense of the licensee fee amortization?

R. K. Agarwal: For those 40 stations, you are talking about?

Neeta Khilnani: Yes.

R. K. Agarwal: Again, it is little more than required detailing that will share with you let MIB approval come. I mean there are so much of an EBITDA already being generated in RBNL, right that way RBNL also did not disproportionate amortization unlike other players.

Neeta Khilnani: Okay. Sir, the other thing was if you can maybe if not numbers, but qualitatively can we have how the revenue growth and the EBITDA has been for these 40 stations FY 2018, so we have FY 2019 numbers so just to understand how these stations are sort of growing.

R. K. Agarwal: Here also, I think, we are talking more and more about RBNL and which is where I am having reservation. Let us wait for some time, , we will share all data with you when there is an opportune time, right? And for sure, it is not going to be one plus one equal to two, it is going to be one plus one equal to eleven, that much I can assure you.

Neeta Khilnani: Sure, sir. And sir, one last question. There is a significant increase in net block for Music Broadcast Ltd.. The property plant and equipment net block, so what is this related to?

R. K. Agarwal: This relates to the acquisition of premises, head office premises in Mumbai and this is what has saved a significant amount of rent and this purchase was thrust upon us in the sense that the owner had mortgage this asset to the bank and bank wanted us to vacant. So, instead of vacating, we thought let us buy and that is what we did.

Moderator: Thank you. The next question is from the line of Miten Lathia HDFC Mutual Fund. Please go ahead.

Miten Lathia: I just wanted to understand, when Zee tried to acquire this asset, they had difficulties in securing MIB approval. How have we taken care of that in our structure, so that we do not run into the same issues? And secondly, what is the fallback, if for example, we are not able to complete the entire 100% acquisition because we are converting Rs. 200 odd crores upfront equity into the entity. So, if the approvals for the entire takeover do not come through, then what is our fallback for this Rs. 200 crores that we are putting as equity in the entity?

R. K. Agarwal: Right. Very true. Miten, in fact, we have adequate safeguard provided in the agreement, which as you would appreciate, cannot be shared. But the fallbacks are more than one of course, I mean like seller is standing as guarantor to buyback the stake in case you know it does not come within the stipulated time or till long stop date. So, that is one comfort as it is. And besides that there are other comforts also available, right? Number one. Number two is we do not run into trouble again, like Zee and RBNL did not happen. So, I am not exactly aware what happened there. But what is in public domain that I know their structure was not in line with GOPA. Because what was happening was the whole network was broken into two parts. One was of 45 stations; and other 14 station. So, that is something which GOPA does not allow They say, this is not a stock barrel, either you buy full or you do not buy. I will not let you trade into the licenses which are specific to you, which we granted, we are owners, if you do not want to run, you return them to me. I will see what is to be done, what is not to be done. You do not decide your number, this is what happened in case of Radio One deal also. That also got cancelled. And ultimately, HT had to acquire the entire company. So this is what we did in case of Radio City. So, unfortunately, I mean like these structuring, which we all thought are easily doable or possible and we did not see any difference between acquisition of a company or acquisition of a station but MIB finds huge a difference in that. And this why they did not sanction us even acquisition of this (Kolkata) Calcutta station. They say ABP owns this station, right? You buy entire ABP. I cannot let you buy station. Or if they cannot sell that station, right, if they do not want to run that station, let them return it to me.

Miten Lathia: Got it, sir. Understood. Quite a bold move. Congratulations.

R. K. Agarwal: No, not bold. I am like from the perspective you are saying the bold move there also, we have enough comfort. Unfortunately, we cannot share beyond it because of confidentiality.

Moderator: Thank you. The next question is from the line of Tushar Jain from Sumitomo Asset Management. Please go ahead.

Tushar Jain: I just want to reconfirm you said that the net debt on RBNL is about Rs. 1,300 crores out of which Rs. 600 crores is the promoter share which will be converted into equity, right?

R. K. Agarwal: Yes.

Tushar Jain: And when we are acquiring Rs. 500 crores of debt will be raised in RBNL itself?

R. K. Agarwal: It is already there, it will continue.

Tushar Jain: Okay. So, sir, just trying to understand. Does that mean that overall after the conversion of the promoter debt, the debt position in RBNL would be somewhere about still about closer to Rs. 1,000 crores to Rs. 1,100 crores?

R. K. Agarwal: How come? When how come there is total debt of Rs. 1,200 crores - Rs. 1,300 crores, if they are already converting Rs. 600 crores. So, how would it be Rs. 1,000 crores. It will be only Rs. 500 crores.

Tushar Jain: Rs. 500 crores will be left. And we are not raising any further debt in that company. So…

R. K. Agarwal: No, why will we, if at all we debt that we will replace. The adjusting ones where we will replace, why will we take additional debt.

Tushar Jain: Okay. So, just from that perspective, would that mean that even though we are making an EBITDA of Rs. 85 crores over there, due to leverage and depreciation even though you cannot share numbers, we probably do not make too much of PBT or net profit there.

R. K. Agarwal: No, that is incorrect conclusion. If we have run the company as it is then there is no point in stepping in, right? Let the MIB approval come and what she said Rs. 85 crores that is of the past, that is not of the current year that is not of the next year and that is not year after next.

Tushar Jain: Okay. So, in that case, now, if I go on to the charts that you have given….

R. K. Agarwal: One thing I am very clear, right? As Jagran has always done, right? Post-acquisition, we will have reasonably good return on our capital, that much I can say. And it is going to be whatever structure ultimately will pan out that will be decided keeping in view the interest of all the shareholders, whether they are of Radio City or they are shareholders of JPL, we do not intend to raise any capital at RBNL level. So, just for your information, even though I go with your argument and say there will not be anything left, there will be only Rs. 15 crores - Rs. 20 crores you know, which is going to be left or Rs. 25 crores it is going to be left but as still you know I mean even though I go with that argument which is, as I explained not holding good in the sense that Rs. 85 crores in the last year's figure, even then will add minimum is Rs. 1 to Rs. 1.50 EPS on as and where is as is basis for Radio City shareholders.

Tushar Jain: Okay, sir. And sir, just coming on to post merger scenario if I see on your charts about the listenership market share like Mumbai and Bangalore Big FM also seems to have a pretty good market share, would that mean that your pricing power and your ability to bargain better prices would go up or the competitive intensities would still continue?

R. K. Agarwal: That as a question which can be left to you only, right you can very well understand, once you consolidate, the benefit is to the entire industry as well as you know all prominent players. So, not only Radio City, but the in fact even peers will also benefit.

Moderator: Thank you. The next question is from the line of Neelesh Dhamnaskar from Invesco. Please go ahead.

Neelesh Dhamnaskar: I have two questions. One is with respect to the acquisition since you have spoke about that you will be surrendering some 18 odd stations, could you give us some sense on what would be the EBITDA, are those 18 stations generating any positive EBITDA or some sense on the profitability of those 18 stations?

R. K. Agarwal: Let me clarify to you, we are no one to surrender, we are not to take any decision as far as those 18 stations are concerned. They are very much with the existing promoters, right? We will we and before we step in they have to decide the fate about these 18 stations and which to my mind is surrender, nothing else. So, that is one-point number two, they are also not giving negative EBITDA. They are also positive EBITDA, of course, their contribution is miniscule in comparison with the remaining 40 stations because those 18 are not very large ones.

Neelesh Dhamnaskar: Okay. Are there any metro circle

R. K. Agarwal: No,

Neelesh Dhamnaskar: Okay. Sure. That was question number one. And the second question was coming back to the quarterly result, what was the growth in the legacy stations and new stations for Q4, as well as for the full year, if you could give?

Apurva Purohit: The growth in the legacy stations was around 8%. And around 9% was the growth in the new station.

Neelesh Dhamnaskar: Okay. So, new stations then the growth was relatively much weaker than what the recent quarterly trends has been. So, any specific reason you could tell for this?

Apurva Purohit: Sorry. So, let me just correct myself, the overall growth for the entire all our stations put together was around 9%. The growth for the legacy stations, the Phase-II stations was around 6%. The growth in the new stations was 58%.

Neelesh Dhamnaskar: Okay. Yeah, that is more...

Apurva Purohit: Yeah, that is my mistake, yes.

Neelesh Dhamnaskar: So, just to 58% was new stations, legacy was 6%

Apurva Purohit: All the others. Yeah, around 6%.

Neelesh Dhamnaskar: 6%, okay, yeah. And on the margins, so you said 15% was a margin for new stations for the full year, right?

Apurva Purohit: Yes. On an annual basis it was 15%. In quarter 4, it was around 19%.

Neelesh Dhamnaskar: 19%, okay. Fair.

R. K. Agarwal: Yes, these are the stations which have been waiting for reaching that level of 40% - 45% which is the legacy market margin**.**

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

Vivekanand Subramaniam: The question that I have pertains to this philosophy that you had in the past that monetizing second stations in large markets is challenging. In light of that, how will you look at the future monetization of large metro stations of Big FM? And on a related note, how do you reconcile the your payment of almost 2.5x or 3x of the license fee that Big FM paid because, I mean, if I look at the EV of the transaction, it is almost 2.5x of the license fee that Big FM paid. And finally, if I look at the OPEX of the two entities, Radio City Rs. 212 crores in fiscal 2019 and around Rs. 171 crores for Big FM, it would be great if you can discuss areas where one can have a shared resource while we maintain the two independent brands. Thanks.

R. K. Agarwal: Okay. You have too many questions, right? Let me address first of all the questions which are worrying most then the operation part can be handled by madam. Number one is it is you know very simplistic calculation to make whatever fees we paid multiplied by 2.5 that comes to 1,050 that is what we are paying. You are absolutely not factoring in this the Rs. 300 crores turnover, you are not factoring the fact that it is EBITDA positive and decent EBITDA, you are not factoring the working capital investment which has been made, you are not factoring investment in CAPEX, you are not factoring investment in brand. So, my dear friend, it is too simplistic and let us not compare it with the buying you know those multiple frequencies with came naked without any business without any brand, without any investment CAPEX, without you know going through the pains of gestation period, etc., etc. So, it is not correct to say it like that, right? Rs. 1,050 crore is purely based on its profit and its ability to generate profit and the upside is the synergies which we will provide in addition to its own strength. So, let me correct you on this first. So, do not link to only fees, it is unlike those cases where people had bought the frequencies in Phase-III and they went out in the market to sell. And how their formula was working right if I had Rs. 200 crores give me Rs. 400 crores, or if I have paid migration fees Rs. 30 crores and the new frequency available in that market is Rs. 300 crore, you give me Rs. 300 crores. So, this has to be distinguished and existing business has to be distinguished from both kind of you know sale number one. Number two is that dual frequency versus acquisition of the band again there is no comparison. Dual frequency unlike buying the new frequency, building the business there and already built the business, already built business these are two entirely different things. There you have to build the listenership, you have to generate the revenue, here you have already done that, they are already incumbents, they are one of the strongest competitors to us as well as EINL / peers**.** So, this is adjusting business. It is not you know I mean like I have to build anything, it is already built. Now, I will pass it on to madam to clarify rest of the questions of yours

Apurva Purohit: Yes, so I think, you were wanting to understand the philosophy of revenue generation. So, let me just correct and explain what the philosophy was, and I think, a little bit you have understood incorrectly. I do not think we have ever said that the metros do not have revenue potential. We have always said even now metros contribute amongst the highest revenue in the entire kitty not only for radio, but for all advertising, whether it is television and print and that revenue growth we had always said in metros will come from largely price hike and someone of volume a utilization increasing. Obviously the smaller metros because there are new stations, the percentage growth is going to be far higher, because naturally the base is so small given that they are new stations. However, the philosophy I think that you are alluding to is the entire thing about multiple frequencies. There again, from day one, the point that we have been maintaining is that multiple frequencies do not make sense if they are exorbitantly priced, if as Mr. Agarwal pointed out, if you are starting from scratch and building them up and most importantly, they will end up cannibalizing on your mother frequency if your genre is the same and if you operate in the same segment. The part about this particular acquisition is that for the last several years, Big FM has been operating in an alternate genre, they have been playing retro music, which appeals to a very different TG from what Radio City TG is which is the younger audience. And therefore, both these end up being complementary to each other, the moment you are able to go back to an advertiser and give him an additive audience share rather than a duplicated audience share your ability to give him higher reach and therefore be able to get a higher revenue share from him

Vivekanand Subramaniam: Right, understood. Is there also an element of certain new advertisers, whom we will be able to cater to because of this acquisition?

Apurva Purohit: On a national basis, largely the networks, both the networks are pan Indian networks, etc., etc. So, national advertisers, everybody typically ends up going to the same list of 200 corporate advertisers. Certainly, there are retail advertisers, which would be different because you would know that retail advertisers and end up picking up only one station etc. in a market and some of the Big FM markets are different. So, those advertisers would be different. I think, the opportunity here is not in cross selling to advertisers, as much as in improving utilization in all the markets for example, for what we know of the available data, the utilization levels of Big FM are around 50% - 60%, so that there are opportunities there.

Vivekanand Subramaniam: Understood. And my second question was on the OPEX and areas of potential synergies.

R. K. Agarwal: Potential synergies we have identified and there will be some positive gains but we are more concerned with the top line with the revenue growth, that is where the maximum synergies will come. Since both the brands are going to be run independently, I am not denying any cost synergies there will be but that is not something which is bothering us much because it is as it as fixed cost model business, you just grow revenues and you will keep on improving your margins and profit. So, we identified, there will be I mean both OPEX put together we may save 3% to 4%.

Vivekanand Subramaniam: Okay. And Sir, how many employees does the Big FM have? If I may ask?

R. K. Agarwal: Again, it is a little bit detailing. I am not authorized to speak on their business because you must appreciate, the agreement are in the process of being finalized which should take another which basically should take some more time but thereafter, we are going to be only minority holder right? After we induct this Rs. 200 crores till we get the MIB approval or rather till 31st March 2020.

Moderator: Thank you. The next question is from the line of Manish Poddar from Reliance AIF Management. Please go ahead.

Manish Poddar: Actually just wanted to get some details on this deal. So, timely, the debt portion of the existing promoters for RBNL is converted into equity and at this Rs. 1,050 crores, we will infuse Rs. 350 crores at Q1 2021, Rs. 200 crores currently and the remaining will be the debt in the entity which will come to us.

R. K. Agarwal: No, if everything goes well, we will acquire this asset you know currently we are investing 24% right in the company, which will be utilized to pay the third party debts, right? After MIB approval comes we will acquire this asset by acquiring the stake from the promoters of RBNL. So, which will happen a year from now. And that time will have to pay Rs. 350 odd crores.

Manish Poddar: Okay. So, then these stations these 18 stations which need to be whatever decision needs to be taken would be taken by you all itself, right?

R. K. Agarwal: Sorry.

Manish Poddar: When you are acquiring the entire entity. The decision for its 18 stations needed to be taken by you all itself, right?

R. K. Agarwal: No, by them only. As I said we are only minority holders of 24%. So, what decision we will take, right? I mean like fact is whatever transaction we are doing that transaction should happen. According to the law and our understanding those 18 stations have to be surrendered before we step in as acquirer. Which means that surrender could happen by 31st March that is what is the law. And I believe promoters will do the things which are required to complete the transaction with us and whatever addition they have to take, they will take.

Manish Poddar: And if you do not mind, can you explain this accretive part because Apurva mentioned initially this will be accretive to us, can you probably…

R. K. Agarwal: It will be accretive in every respect because very simply speaking, when you are not bringing in capital from any third party right, you are just using your resources to fund this acquisition right. So, whoever is there, whether it is Jagran shareholder or Radio City shareholder all will get additional profit which will be generated from RBNL.

Moderator: Thank you. The next question is from the line of Himanshu Shah from HDFC Securities. Please go ahead.

Himanshu Shah: Ma'am, couple of quick housekeeping questions. One is this other quarter financial liabilities has increased substantially year-on-year and even compared to first-half FY 2019 at Rs. 69 crores. So, what is this line item pertaining to the balance sheet?

Jimmy Oza: Agarwal Ji, I will take this. other financial liabilities basically is the NCD`s which were to be paid in a FY 2020 which were lying in non-current, since they are now to be paid within a year has move to current.

Himanshu Shah: Okay, fine. Thank you. Secondly, can you help with the revenue for new stations? You have already alluded the EBITDA margin for the quarter and year, but what would we like revenue contribution from new stations? Preferably on an absolute basis?

Apurva Purohit: The contribution is around 9%.

Himanshu Shah: Okay. And what would be this number last year, 58% is the revenue growth for the quarter or the year?

Apurva Purohit: For the year.

Himanshu Shah: Full year there has been 58% revenue growth in new stations?

Apurva Purohit: Yes.

Himanshu Shah: Okay. Thirdly, ma'am, is it fair to assume that till the time we get MIB approval for Big FM acquisition, it would be run by the existing management only and only post takeover we would be stepping in from an operations perspective.

R. K. Agarwal: Totally right.

Apurva Purohit: That is right.

Himanshu Shah: Okay. And lastly, just on value creation part, still not sure because Rs. 1,050 crores, we are going to invest and even if we assume around 10% kind of a yield on that number, it is like Rs. 105 crores that current EBITDA is Rs. 85 crores. Now, I presume there would be some synergy benefits some growth, but even if I take into consideration the monetization charge of the license fee. How are we foreseeing the value equation and being EPS accretive from the year of acquisition itself?

R. K. Agarwal: I will just explain to you. Rs. 85 crores is the EBITDA for the year 2018 - 2019, right? 2019 - 2020 and when you will step in that will be 2020 - 2021, okay? So, even now if their interest burden is half, right still they will result in even at this Rs. 85 crores number also if their interest burden is half which will happen after conversion of the debt equity by the promoter their PAT will be the range of about Rs. 25 crores to Rs. 30 crores. Now, you take it forward to year 21 in which they will have synergies also. So, so long as this 25 - 30, if it crosses Rs. 50 crores right you will you are back home because what you will lose in terms of treasury income that will be say Rs. 30 crores and what you will get additionally that will be Rs. 50 crores. So, this is very-very simple math and very broadly speaking, I am not working here for Rs. 20 crores game. Understood? Just to repeat, if group is investing Rs. 500 crores what they are losing in terms of treasury income that is at the rate of 6% - 7% say Rs. 30 crores - Rs. 35 crores. And if this Rs. 25 crores - Rs. 30 crores PAT which they are currently having, if it is taken to only Rs. 50 crores right in 2021, how much you would gain? By Rs. 15 crores - Rs. 20 crores additional.

Moderator: Thank you. The next question is from the line of Amit Nigam from Invesco Asset Management. Please go ahead.

Amit Nigam: Just two quick questions. One, were you the only buyers for this transaction?

R. K. Agarwal: We were earlier.

Amit Nigam: Okay. When Zee had put in a bid, is it?

R. K. Agarwal: Yes, 2007.

Amit Nigam: Okay. And this time around, you were the only ones.

R. K. Agarwal: We approached only them. They never came to us.

Amit Nigam: Okay. So, the valuation has been based on certain parameters which can be disclosed or…

R. K. Agarwal: That I think, that are very-very apparent, one can easily understand, right? You may be knowing you know, the recent deal HT and Radio One. Are you aware?

Amit Nigam: No, sorry, I am not aware of that.

R. K. Agarwal: Okay. That was a deal of I think 7 metro stations - 8 metro stations and probably the deal was Rs. 500 crores - Rs. 600 crores, right. In 2017, as I read in the press this network was to be sold for about Rs. 1,600 crores, right? This is what was the deal value, right? So, these are the two parameters and whatever is the market capitalization of ENIL and Radio City easily you can you know deduce from that whether value is justifiable or not.

Amit Nigam: Sure. Secondly, as I read in the presentation there would be an overlap of about 10 markets out of these 40 radio frequencies. And as Apurva you were highlighting that since your genre is different there would not be any cannibalization. But, if I were to understand, (a) the revenue yields would be lower for Big FM, would that be a good starting point?

Apurva Purohit: Yes, but broadly, the utilization levels are lower in each of the markets.

Amit Nigam: Okay. So, in terms of the capacity utilization, the way you highlight for your company?

Apurva Purohit: Yes.

Amit Nigam: Okay. And so, therefore, the effort is put on the sales front would help in better utilization and therefore better profitability.

Apurva Purohit: Exactly.

Amit Nigam: Okay. But if they are operating in a different genre, then at least on the back end, the synergies would be a little different or that is wrong inference by me.

Apurva Purohit: So, I think as Mr. Agarwal has already explained, what we are really looking at is driving revenue maximization and there are very various opportunities for any business to look at revenue maximization. For example, as I already mentioned, improvement of utilization, looking at the non-FCT portion, which the Radio City for example does extraordinarily well, I do not think many other radio players do it as well as Radio City does where all our content integration through audacity, etc. happens that is another opportunity. So, there are several optimization opportunities, synergy development opportunities, through revenue maximization. As far as cost is concerned, of course, the front line will remain as independent brands, will remain separate. But again, there are a few opportunities possible at the back end.

Amit Nigam: Okay, got it. And lastly, just one more question. In this transaction, you mentioned that the promoters of RBNL will be converting Rs. 600 crores of debt into equity, right? What if that does not happen? Or is that a part is a binding agreement…

R. K. Agarwal: It is a binding agreement; it is condition precedent to our putting in money.

Amit Nigam: Okay, so if that does not happen, then you get Rs. 200 crores back?

R. K. Agarwal: No, it is condition precedent to our putting in Rs. 200 crores. If they do not do that then they will not ask me also to put in Rs. 200 crores.

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

Rohit Dokania: Hi, this is Rohit. I had a few questions, sir. Firstly, if you can talk about, Big FM do they have like presence across the top 12 - 13 cities in India or how is it?

Apurva Purohit: Yes, largely they are there all across the country? Obviously, they do have some small stations also but across metros and mini metros? I do not think any of the big metros is missing, except maybe one or two.

Rohit Dokania: So, I think then it is a great transaction, at least personally that I would read because if you look at the sort of prices that went in the sort of Phase-III auctions, the top sort of 13 cities, barring Kolkata itself went for around Rs. 580 odd crores and here the entire EV that you guys are paying is about Rs. 1,050 crores with an established brand and also with established revenues and EBITDA. So, I think from that perspective, it appears to be, you know, a good transaction. The other thing that I wanted to ask was, you know, does the sort of RBNL promoters own 100% of the stake or are there any minority shareholders as well in RBNL?

R. K. Agarwal: First, Rohit, let me also add, as you rightly say, not only these are our 13 stations, which matter but more important for us they have a certain station which matter to us even otherwise. For example, I mean, like the group has a very strong presence in M. P. and Chhattisgarh, right through the print, we never had any opportunity to acquire any station there because they were not available in Phase-III, and we were more than keen to get them, then we do to have (Kolkata) Calcutta, which is missing from our bouquet, this is why selling friends and this is why we wanted to acquire that will also come in this bouquet. So, these are again, you added advantages, which will come with this, in case will come with this. Number two, what you were asking?

Rohit Dokania: Sir, are there any minority shareholders in RBNL?

R. K. Agarwal: Yeah, there are minority shareholders, very-very insignificant they are, I think they are 4% to 5% holders. And after the conversion, they will get reduced to maybe half a percent or so.

Rohit Dokania: Okay, that is great. And also, sir, are those shares pledged by the existing promoters of RBNL?

R. K. Agarwal: Even if there are right, they will get them free, and we will get them back.

Rohit Dokania: Okay. And sir, just one last question, what is the existing cost of debt of RBNL if you are aware, just to see…

R. K. Agarwal: It is of course higher, that is again a synergy which will pass on to them. It is quickly pretty much higher than what Jagran group gets loan at. At least there will be a difference of about 2% to 3%.

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

Sundeep Allamraju: I think almost all the questions have been already addressed, just one question. So, between now, when you invest Rs. 200 crores to the company and then when you are able to finally close a deal with 100% acquisition. So, they will be a big amount of a debt which you will be falling due over next one year in RBNL. And as you were looking to continue with the company having at least some Rs. 500 crores of debt. So, sir, does it mean that the debt which will be falling due over next one year will be refinanced with some kind of a backing off music broadcast, either in a form of a corporate guarantee or some kind of some kind of an undertaking to ensure that the debt which is refinanced is refinance at a much lower cost of funding?

R. K. Agarwal: We are not looking on a much of saving as far as interest rate is concerned, right? But of course, we are committed to provide them. Whatever support, we have, whatever relations that we have, we are committed to provide them to the existing promoters to replace the existing debt.

Sundeep Allamraju: Okay. So, does it also mean sir that if required you may have to overtake some of the debt on Music Broadcast Limited per se?

R. K. Agarwal: No, that we would not, as a matter of philosophy, we do not do that, if you recall even in case of Radio City, in fact, in anticipation of bidding, we had raised the Rs. 200 crores in Radio City even before we stepped in, by providing comfort to the lenders.

Sundeep Allamraju: Right. So, at least, so sir, the question was that similar kind of support may be given to the lenders?

R. K. Agarwal: We will try to do whatever best is possible.

Sundeep Allamraju: Okay, sir. And sir, any timeline for the closing of that first tranche of 24%, by when do we think that will be expected?

R. K. Agarwal: 24% should happen soon because unlike whatever debts are falling due, they also have to be repaid, so we would also want to put in money ASAP, right? I think, agreement finalization is happening, it should be over in six days - seven days - eight days and then after they have to comply with the condition precedent. So, what I am looking at is 30th June.

Sundeep Allamraju: 30th June, okay, sir. And sir, just one last question between now when you have already invested like Rs. 200 cores and by the time you take the full acquisition, full control of the company, any control that will be exercised by Music Broadcast in terms of either the business operations or operational synergies or anything?

R. K. Agarwal: See we will always be available to advise them, it is up to them whatever value they want to expect from us we will be working closely with them as minority investor. But then unfortunately, we cannot you know have a control for two reasons. Number one is we are minority shareholder, how can we dictate majority shareholder to do business the way I want, number one. Number two is regulations also do not permit us to assume any control. Of course, having said that, unlike promoters also see value in our association and whatever management and the promoters would want we would be moreglad to extend.

Sundeep Allamraju: And sir, while you have given one-year timeline, for closing the entire deal. So, that is the outer timeline that you have specified or it is like I mean it may happen much faster than one year that you have indicated?

R. K. Agarwal: It cannot happen much faster because the lock-in period will expire only on 31st March, 2020, So, that way sitting in May we can assume that I mean that if MIB approval comes in next four months - five months' time which is a normal course then in that case I mean in 10 months' time only you can close this transaction. But it can be closed only after 31st March 2020 not prior to that. If MIB will grant the approval, it would grant the approval with effect from April 2020.

Sundeep Allamraju: Even for making the application to MIB, you do not have to…..

R. K. Agarwal: That we will do.

Moderator: Thank you. The next question is from the line of Jayesh Shah from OHM Group. Please go ahead.

Jayesh Shah: Just on the acquisition math and numbers, did I hear it right that you talked of combined EBITDA of Rs. 250 crores?

R. K. Agarwal: Which year? 2020 - 2021?

Jayesh Shah: Yes.

R. K. Agarwal: I think, nobody has shared that. But if you have heard that I do not know.

Jayesh Shah: No, I was trying to understand, you talked about the repayment for Rs. 1,300 crores of which Rs. 500 crores goes from the promoter. So, that leaves Rs. 800 crores, the carry forward debt is around Rs. 500 crores. So, there is a gap of around Rs. 250 crores to Rs. 300 crores. Am I clear or should I repeat? Yeah, I am looking at the overall acquisition math, if the total debt is Rs. 1,300 crores of which you pay Rs. 550 crores which comes in as equity so Rs. 1,300 crores minus Rs. 550 crores will be Rs. 750 crores and you said the balance debt that is carried forward post acquisition is Rs. 500 crores so there is a gap of 250 crores.

R. K. Agarwal: So, what I said out of Rs. 1,300 crores Rs. 600 odd crores are owed to promoter. They will convert it into capital. Whatever shares they have; they will sell those shares to us at Rs. 350 crores.

Jayesh Shah: So, Rs. 600 crores worth of shares will be sold us Rs. 350 crores. Okay, got it. And my other question is to Apurva, is that post this acquisition would you bundle this and offer it to advertisers? Or how do you look at it from the advertiser's point of view in terms of you offering a bouquet and how does it place you versus your competition?

Apurva Purohit: So, clearly, if you compare it, compare this combined network with anybody else in the market, it becomes the largest network both in terms of number of cities, number of stations, as well as the reach it will command which will be around 82%, as I explained earlier. So, that is a significant advantage in the market. Obviously, this kind of reach makes a lot of sense for national advertisers. So, if at all, we still have to evolve as we have already mentioned, the control transaction is a year away. So, we still have to evolve our going forward strategy. But this combined reach is of great significance to a national advertiser. So, clearly there are opportunities there. Apart from that, as far as retail advertisers are concerned each station will operate on its own steam and indeed possibly compete with against each other for the retail advertising spend. We see opportunities in revenue maximization by improving the utilization in most of the markets as far as Big FM's current utilization is concerned. And adding, you know, our unique selling skills which are in the sphere of non-FCT and creative selling,

Jayesh Shah: And just as a mix for Big FM, do have a higher share from national advertisers as revenue or do the regional guys have hire share versus Radio City?

Apurva Purohit: We cannot say but the mix of contribution of national advertisers to retail advertisers largely seems to be very much in keeping with whatever is happening across the industry.

Jayesh Shah: Okay. And when you have two large networks like this and you become big. So, hypothetically does this mean that overall your yield should go up, just because your reach has improved from national advertisers?

Apurva Purohit: Yes, theoretically, that is very much possible. And we will, see as the nature of selling evolves over the next year or so.

Jayesh Shah: Sure. And the last question is how do you see the environment one is hearing about slowdown and virtually all the sectors, are you all seeing the impact as well or you see companies are kind of down-trading and opting more for radio advertising compared to the other medium?

R. K. Agarwal: Name any media platform which is not suffering here. Be it anything, either it is digital or it is print the size you know TV, everything is suffering, no? I mean like in past two years to two and a half year whatever has happened, that is something not to be expected to be repeated. And if that does not repeat then everyone will grow. Just to share with you I mean like after nearly 10 quarters to 11 quarters, print industry also have done very well in Q4. So, I mean, there is nothing like which can be called to be permanent in terms of down turn, etc. etc. this is all emerging from or emanating from the current economic scenario.

Moderator: Thank you. The next question is from the line of Priyank Singhal from HDFC Life Insurance Company Limited. Please go ahead.

Priyank Singhal: Agarwal Ji, just a few things I wanted to clarify. So, one is this Rs. 1,050 crores of EV how to split basically. So, Rs. 200 crores we are paying so Rs. 1,300 crores…..

R. K. Agarwal: I will just tell you. Currently it is split as follows – Rs. 700 crores is the debt; Rs. 350 crores is payable to the sellers by way of secondary purchases after MIB approval comes. Out of this Rs. 700 crores once we induct Rs. 200 crores this Rs. 700 crores will go down to Rs. 500. This Rs. 500 crores, now you have an option to carry forward which is what I would wish because RBNL is generating sufficient cash and from their accruals, it can take that burden, right. So, essentially this is how it would happen. When you buy that secondary stake after one year or so that time you buy from whatever cash you have already, you are going to have about Rs. 650 crores EBITDA out of that in any case about Rs. 250 crores - Rs. 300 crores is non-cash debt to P&L which you neither can distribute to shareholder nor in any way right, for example depreciation, amortization, deferred tax liability, etc. So, even that fund which you cannot even though you wish you cannot distribute to the shareholders that fund itself will be good enough in the group to buy stake but how will we do that, whatever is in the best interest of the shareholder that we have not applied much mine to it because, currently what you have Priyank, currently you are expecting say last year, if the group is having EBITDA of about Rs. 530 crores - Rs. 550 crores next year, you should have about Rs. 650 crores plus you already have Rs. 400 crores cash in hand out of which you will give away Rs. 200 crores - Rs. 200 crores still you are left with. About Rs. 150 crores is underutilized working capital limit, right. So, going forward for scaling up your operation, you do not need to invest in working capital, you need to invest a very little in CAPEX, maybe Rs. 60 crores - Rs. 70 crores so with kind of liquidity. I mean like, whatever is the best for the shareholder that is what we will decide when we reach there.

Priyank Singhal: Sure. So, Rs. 1,050 crores Rs. 350 crores out of which is equity which will be paying next year Rs. 700 crores which is debt portion, Rs. 200 crores we will be paying right now. And another

Rs. 500 crores when we take control of the company, we will be sitting as debt in the balance sheet of RBNL, that is way it is right? The Rs. 500 crores the maths behind that is that currently RBNL is Rs. 1,300 crores on the balance sheet out of which Rs. 600 crores promoters will turn that into equity so then RBNL will be left with Rs. 700 crores. Rs. 200 crores we are paying them. So, that they will use to retire Rs. 200 crores out of the Rs. 700 crores and then, therefore, they are left with Rs. 500 crores.

R. K. Agarwal: Right. In fact, let me tell you out of the Rs. 500 crores - Rs. 100 crores a debt which you need not pay that is about for Rs. 50 crores is the working capital Rs. 30 crores - Rs. 40 crores is the debt like item like unfunded gratuity, etc. which you will not pay. So, interest bearing debt will be about Rs. 400 crores and working capital that is Rs. 450 crores only.

Priyank Singhal: But that is how it is tying up. So, essentially when we take control of RBNL one year from now, we will get revenue and EBITDA for the 40 stations that we acquire. And in addition, we get Rs. 500 crores of debt. In terms of I believe that RBNL outside of radio station has some other business as well outside of radio. So, that will be hived off.

R. K. Agarwal: That they have already either stopped or that is again a condition precedent whatever your couple of subsidiaries are there they will hive-off.

Priyank Singhal: Okay. So, there is no liability or anything?

R. K. Agarwal: No, nothing. We will get completely cleaner business.

Priyank Singhal: So, we will get a complete cleaned up asset which is only these 40 radio stations. 18 stations that they have to either surrender or take care of otherwise and non-radio businesses that they will clean it up everything before comes to us.

R. K. Agarwal: Absolutely, right. We will have neat and clean radio business of these 40 stations.

Priyank Singhal: Do they carry any accumulated losses on their balance sheet, is there any tax synergy that we will get?

R. K. Agarwal: Yes, we will get tax synergy very-very significantly.

Priyank Singhal: But is that possible to quantify that is adjusted in this Rs. 1,050 crores EV or that is you know, that is a benefit that will get?

R. K. Agarwal: That is the benefit we will get. Okay, of course, you know, when this EV was decided that was also kept in mind, but then that is an additional, it was not factored.

Priyank Singhal: Okay. And you are not in a position to disclose?

R. K. Agarwal: I mean like as simple as that, I can tell you what, next two years - three years RBNL may not have to pay any tax.

Priyank Singhal: Okay. In terms of the Rs. 85 crores EBITDA that is there that is only pertaining to these 40 stations, it is already excluding the 18 stations that we are not getting. So, the number that Rs. 85 crores on which the valuation is being determined at 12 point something times is the EBITDA is only for these 40 stations.

R. K Agarwal: Yes.

Priyank Singhal: In terms of so FY 2021 if you look forward to right, because currently, the Rs. 200 crores cash that we have on the balance sheet of Radio City that any way will give to RBNL as the first tranche of the payment. And then, you know, one year from now we will get Rs. 500 crores of debt. So, if I have to just make a pro forma P&L….

R. K. Agarwal: If you have to make pro forma P&L, I was explaining to someone right, how do you have to look at supposing you know I mean like RBNL in 2021 after synergies have for example an EBITDA of Rs. 125 crores. Then they pay interest on Rs. 500 crores like Rs. 50 crores, right. So, Rs. 75 crores you are left with Rs. 20 crores is the amortization, for example, let us say, right Rs. 20 crores - Rs. 25 crores whatever it is, whatever you are left with, right, that is clear cut PAT because we do not have to pay any tax. That is be bare minimum which you get in 2021 and what you sacrifice in terms of treasury income, that is say Rs. 30 crores - Rs. 35 crores.

Priyank Singhal: Sure. But if I were to look at the combined entity Radio City at Rs. 113 crores of EBITDA in FY 2019, hypothetically if I assume a 15% to 17% growth, maybe we reach 150 - 155 in FY 2021. And then, you mentioned 125 of combined EBITDA you know Jayesh Bhai threw the he had come out with. But we are in the ball park range of combined entity EBITDA so Rs. 250 crores to Rs. 280 crores in FY 2021 of EBITDA, right and then obviously readily available cash over the next two years. So, our FY 2021 debt obviously had at a consol level will be obviously significantly less than Rs. 500 crores because of the cash generation in FY 2021.

R. K. Agarwal: Absolutely right. And you as it is, you know I mean like we are not going to compromise on distribution to the shareholders. We will go on distributing the new way we have been right, as simple as that, what I am looking at in 2021, if you reach an EBITDA figure of 250 - 275 whatever it is in 2021 plus Jagran is generating about Rs. 600 crores, right. So, with that kind of EBITDA out of that what you cannot distribute is non cash debits to the P&L. Number one is depreciation amortization which will be in the range of about the for the combined entity to the tune of about Rs. 180 crores and Rs. 190 crores – Rs. 200 crores plus deferred tax liability of any other Rs. 50 crores. Out of Rs. 250 crores even if you incur CAPEX of Rs. 70 crores - Rs. 75 crores still without in fact affecting a penny to be distributed to the shareholder you can repay your debt at the rate of Rs. 175 crores - Rs. 180 crores per annum.

Priyank Singhal: So, obviously if we include Jagran's balance sheet then all this amount that we are talking about is relatively small but I was trying to understand purely if Jagran were to not step in you know in how many years can RBNL plus MBL put together become debt free you know would FY 2022 be that year or FY 2023 - FY 2025?

R. K. Agarwal: See, what I am looking at RBNL should become debt free only on its own strength by 2025. Only on its own strength, I am not using MBL's cash even to the extent of Rs. 5. Only by utilizing their own cash they should become debt-free by 2024 or 2025.

Priyank Singhal: So, are we not looking at merging the two entities?

R. K. Agarwal: That is not possible. Not possible.

Priyank Singhal: So, RBNL would still be run as a separate subsidiary?

R. K. Agarwal: As a subsidiary of MBL.

Priyank Singhal: Okay. And when we pay Rs. 350 crores next year to buy out the promoters we will be getting 100% of equity in the company.

R. K. Agarwal: Yes.

Priyank Singhal: So, it could be a wholly owned subsidiary of Music Broadcast Limited?

R. K. Agarwal: Absolutely, right.

Priyank Singhal: Okay. And while you have so far shied away from giving some cost synergies, but if it stays as a subsidiary, what kind of cost synergies you think, in the sense of could there be a step jumping in EBITDA just because of cost synergies as well as rationalizing the rates to Radio City's level?

R. K. Agarwal: Yes, the second part, of course, is something which we are looking. First part cost synergies, I mean like it may increase one-time EBITDA, by say 2% - 3% that's it.

Priyank Singhal: And, just a couple of questions for Apurva. Apurva, at least I do not understand Big FM as well. Is it possible for you to just give some broad parameters you know, operational parameters in terms of what their utilization etc. are for the 40 stations that we are acquiring, and what would be the say delta difference in your view in our rates versus there's some ballpark numbers and just trying to understand what kind of revenue synergies we can get both by stepping up utilization as well as taking the rate increases once we get to control of the asset.

Apurva Purohit: So, Priyank, I am just sharing very high-level numbers right now and at a broad level, if you see that, if you average out the utilization of their 58 market, their utilization is approximately around anything between 50ish percent. So, in comparison like to like in our markets versus their market, the utilization difference would be between 15% to 20%. So, that is one part. You also know that always we have said that both RED and BIG operate at the volume end the market as compared to ENIL and us who operate at the premium end. So, the differences in rates between volume player and the premium player is again around 15% to 20%. But there is always time because given that each player occupies a kind of particular slot in the market, there is value to have some player operating as a volume player also in the market, if you understand what I am trying to say. Non-FCT portion, we have not from outside in perspective, we have not seen too much or non-FCT play out in the case of BIG as compared to Radio City. We think that they have a higher share in some of the corporate advertisers and some of the FMCG advertisers, they seem to have a higher share, which could be a pricing reason which could be the kind of market season we do not know. But these are really the broad level.

Priyank Singhal: Okay. And of the 40 stations that we are acquiring, is it fair to assume that across the top 20 - 25 towns, they would have a station or are there any portfolio gaps that they have in their 40 stations among the larger cities?

Apurva Purohit: Not really, they had a few gaps in Phase-II, but they covered them up in Phase-III. So, significantly, I think the only market in the top 13 that is not there for them is Ahmedabad.

Priyank Singhal: Okay. So, out of Ahmedabad they have pretty much most of the large cities covered which means that as a group we will have at least two frequencies in each of the larger markets but would there be a situation that we will have more than two frequencies in any of the large markets?

Apurva Purohit: No, in 10 markets, we would have two frequencies, in the balance 69 markets it would be a single frequency.

R. K. Agarwal: That is the beauty Priyank. In fact, you know, because expanding which is what you know, Apurva has always been saying, our strategy has been to you know, expand our preserve geographically and this acquisition will also help in that.

Priyank Singhal: Right. And I am not again very clear about the regulation, but once we get control of the asset is it the regulatory issue that we can cannot say combined the offices merged offices merge the brand so, that is not the issue in terms of getting operational synergies.

R. K. Agarwal: No, there regulation does not come in place right, you can merge the office, you can do that practically.

Priyank Singhal: Okay. So, while we are not talking about cost synergies and our basic premises is on revenue synergies, but there could be a lot of cost optimization once we takeover, overlapping 12 markets we should be able to have reasonable costs synergies.

R. K. Agarwal: In our analysis, we never considered those synergy. In fact, while evaluating the deal we never considered any synergies which will flow to us also by having them and cost synergies.

Moderator: Thank you. The next question is from the line of Dipesh Kasyap from Equirus Capital Private Limited. Please go ahead.

Dipesh Kasyap: Just on the other expense side in the 4Q, can explain the sharp drop?

Apurva Purohit: Sorry, what was your question?

Dipesh Kasyap: The other expenses in 4Q were sharply lower than the last quarter.

Apurva Purohit: So, if you remember in the last earnings call, we had said that there was a large scale marketing activity that we had done in Q3, which was a huge customer Connect program, which was a one off. So, that is why there is a drop, the drop is largely the marketing drop.

Dipesh Kasyap: So, now going forward, like this is a trend that we should see in the other expense or there can be another like marketing expense that you are planning to do?

Apurva Purohit: The way you should look at it as an annual basis, the marketing spends have more or less remains the same as this as a percentage of revenues. There may be one quarter or depending on how our marketing calendar flows, quarter by quarter, it will change. But on an annual basis, you should have the same revenue percentage.

Dipesh Kasyap: So, we are basically forecasting EBITDA margins as north of 35% going forward. So, is that correct?

Apurva Purohit: See, for the last three years, if you have seen, we have increased EBITDA margins by approximately 2% every year. So, hopefully, the economy improved and things look better…..

R. K. Agarwal: Since it is fixed cost business model, margins are going to improve there is no doubt about it. Even when we say marketing expenses in relation to revenue in terms of percentage are going to remain same. Of course, marketing expenses, have two component one or signature another semi variable, third one is variable. So, it will not change exactly in that ratio, but more or less, it will remain the same. So, maybe that even though it is reduced by half percent, so it may, increase the EBITDA by point 1%.

Dipesh Kasyap: Understood, okay. So, lastly, on the organic growth part, can please sir, give some guidance? What kind of organic growth for the industry you foresee for the next few years? And what kind of growth can Music Broadcast have?

R. K. Agarwal: Let us go by that projection what E&Y has done? They say, you know, it is going to be 8% for next three years - four years, although we do not accept that. We expect it to be higher. And as Radio City has always maintained, they grow faster than the industry and with this acquisition this will further speed up the growth.

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

Vivekanand Subramaniam: Zooming out a bit. Since you spoke that the synergies would largely be from extracting more revenue from the existing industry footprint? Do you foresee radio gaining greater share of the overall advertiser's wallet? It is currently 4%. And can you also touch upon other initiatives like measurement, proprietary content, that you feel can become more prominent in the days to come?

Apurva Purohit: So, we have been talking about obviously because of lower based radio industry growing faster than the overall advertising industry, I think that trend will continue again, given the base is lower. Having said that, over the last couple of years, the entire advertising industry itself has been growing at a muted space. So, radio will grow a percentage or two percentage higher, from that number. Once that entire base improves because of positive sentiment and positive economy, obviously, radio itself will sort of bubble up equally. As far as the measurement is concerned, there has been no movement beyond what we have discussed last time, which is while the technical bids have been taken in by two agencies, but we have still not been able to come to a conclusion on the amount that we will be willing to pay the agencies for the measurements. So, the measurement stuck where it was when he spoke in our last call. The interesting thing that one is seeing in radio, I think from a content perspective clearly been seeing that RJ's as influencers has become even more critical and you should see some of our bigger RJ's whether it is in Delhi or in (Mumbai) Bombay have been able to lead some of the social policy changes, for example, some of the RJ's in Ahmedabad for the guys who sort of were taken up as mascot by the local government to ask people to vote, etc. So, we are clearly seeing an increasing trend, we are also seeing that some of our content is being sourced by some of the streaming services, their content like Babbar Sher, Joke Studio, etc. is doing well both on YouTube and some other streaming services are in discussion with us to monetize that. Non-FCT again, is becoming a significant part of the revenue upside and indeed this year for Radio City the non-FCT component grew by close to 40%. So, that again is becoming a very important part of our selling strategy to advertisers.

Vivekanand Subramaniam: Right. So, the measurement part that you spoke about, what is the fee that is being spoken about right now?

Apurva Purohit: It is significant, each player will need to pay approximately Rs. 1 crores for the measurement.

Vivekanand Subramaniam: This Rs. 1 crore on a monthly basis or?

Apurva Purohit: For getting measurements in around 20 cities.

Vivekanand Subramaniam: Okay, for each measurement, it is Rs. 1 crore, is it?

Apurva Purohit: Each player will have to contribute Rs. 1 crore to avail of this indicated measurement.

R. K. Agarwal: You will be getting surprises I am also equally surprised, not to worry, because Rs. 1 crore to be paid by each player so that itself is becoming so expensive only they know.

Vivekanand Subramaniam: Okay And since you mentioned the 40% growth in non-FCT. So, does it contribute to now 20% of your revenue or how is it like %?

Apurva Purohit: It is around 12%.

Moderator: Thank you. The next question is from the line of Tushar Jain from Sumitomo Mitsui Asset Management. Please go ahead.

Tushar Jain: Most of the questions have been answered. Just one question, for this year, has there been any price hike so far? Or are we expecting something?

Apurva Purohit: Last year we at the beginning of April of the year that just gone by we took an 8% price hike as I mentioned in my opening remarks and that price that continues to play through for the whole year, we took some tactical price changes during the festive season. But this is those were only tactical in nature. Again, starting this year, we are expecting to take a 6% to 8% price hikes for the entire single play out as some of the larger deals expire by June.

Tushar Jain: So, they could be more visible in the second quarter and the third quarter?

Apurva Purohit: Yes.

Tushar Jain: Okay. And you suppose to talked about expectations around increasing expenditure advertising expenditure from the government, which grew about 17% for this year, right? If you could just give us a sense on how was this growth rate CAGR over the last five years?

Apurva Purohit: I think around 13% - 14%, I do not have the exact number but I think it is around 13% - 14% because around three years ago it was 16% then it sorts of fell to around 12%. And the last year again, it has been around 17%.

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

Manish Poddar: I had a small doubt. So, this Rs. 200 odd crores, which we are paying for 24% stake and another Rs. 350 crores which we are paying for the remaining stake, so the equity value should be Rs. 550 crores, right? It is mentioned Rs. 350 crores in the presentation.

R. K. Agarwal: In the presentation, whatever figure is given better we break up a Rs. 1,050 crores, right. Now, if you induct further equity, which we will do, then it will change it will become as you are rightly saying Rs. 550 crores.

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

Apurva Purohit: Thank you very much. That was a long call indeed. We thank everyone for your participation in this call and have uploaded the Investor Presentation on the company's website. In case you have any further queries, please do feel free to get in touch with SGA our IR advisor or with any one of us. Thank you very much. Goodbye.

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