"Music Broadcast Limited Q2 FY-2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to Music Broadcast Q2 FY2022 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 guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shailesh Gupta – Director, Music Broadcast. Thank you and over to you sir.

Shailesh Gupta: Good morning, everyone. Thank you for joining the Q2 '22 Earning Call of MBL. Joining me on the call is Mr. Ashit Kukian – CEO, MBL, Mr. Prashant Domadia – CFO, MBL, Mr. Jimmy Oza from our IR Team, and our Investor Relation partner SGA.

I hope you and your family are in the best of health and spirit in the festive season while still being cautious and responsible when stepping out. While Quarter 1 was characterized by the impact of the second wave which halted our recovery momentum achieved during the second half of the previous year. This quarter both the industry and the company have come back stronger and making most of the opportunities coming our way. This is further proven by the rebound in volumes with the industry garnering 49% growth in volume. During this period the overall growth and advertisers in the industry stood at 5% whereas 3,600 clients advertised in Q2 '22. Of which approximately 1,900 clients' advertisers use radio as a medium for the first time which is very heartening. On this Radio City has garnered the highest market share, at 43% of total clients and 35% of advertisers using radio as a medium for the first time. Additionally, with a series of sporting events and product launches lined up, we expect the inventory utilization to improve further.

Our leadership position continued for yet another quarter standing at 20% market share in the industry. Coming to sectorial ad spend, we observed strong growth in some of the major sectors which always have been real estate which contributes 15% to the industry grew by 150% year-on-year. While finance which contributes 13% grew by approximately 60% on a year-on-year basis. A staggering growth was observed in pharma and education as well with the two core sectors growing by 41% and 51% respectively and contributing 9% and 8% volume to the industry. However, the auto sector registered a de-growth of 19% owing to the semiconductor issues which we feel coming this festive season it should make it up and make it up really well.

The digital integration continues to be our growth driver with an ever-expanding reach and presence on social media and array of digital solutions that provides our customer end to end omni channel solution for their products and services.

Talking about the financial performance for the quarter; the revenue stood at Rs. 42 crores witnessing a rise of 105% quarter-on-quarter whereas on year-on-year basis it registered a growth of 40%. New revenue opportunities contributed roughly about Rs. 15.14 crores to the top line and expected to grow steadily going forward. The cost saving initiative put in place in the previous years have yielded fruitful results translating into healthier bottom line and enhancing the operational efficiency. This is reflected at the EBITDA level which reports turn around during the quarter with a profit of approximately Rs. 10 crores translating in EBITDA margin of 22.5%. The similar trend has also visible at PAT level on half yearly basis as well as the company reported an EBITDA breakeven which is fantastic.

On the collection front the company has managed to collect Rs. 35 crores during the quarter and total collection for the first half of over Rs. 70 crores. The collection from the government for the quarter stood at Rs. 6.5 crores. Whereas we collected around Rs. 11 crores during H1. The balance sheet continues to be strong with ample reserves which has always been the rationale of the of your company through conscious efforts aimed at pursuing a good liquidity position. Cash reserve stands at approximately Rs. 250 crores as on 30th September as compared to Rs. 236 crores on 31st March 2021.

Lastly with regards to the bonus issues of the non-convertible non-cumulative preference shares, SEBI has accorded its approval. We have filed a scheme with NCLT and are awaiting their approval. We will promptly keep you posted with the development in this regard.

With I would request the moderator to open up the floor for question and answers. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of Jinesh Joshi from Prabhudas Lilladher.

Jinesh Joshi: This is the first time in the last 4 to 5 quarters where we have seen our volume growth at 42% in the top 15 markets is lower than the industry growth of 49% odd. So, is there anything worthwhile that is highlighting over here?

Ashit Kukian: To answer your question, if you remember in the previous three quarters, the market was still not saturated from a volume perspective because if we benchmark ourselves against the pre-COVID situation, 90% utilization level at an all-market level average for us in the top 15 markets is what we were operating. So, when the markets were not really having that kind of volume what we had done is, we had kind of taken revenues with a little late on the ERs from what conventionally because if you've been watching your company we always been on the premium side of the pricing model as far as business is concerned. But the moment the volume started building up as we know while the volumes as we speak right now is at 90% of pre-COVID levels but there is an ER or a yield drop as we all know in the situations that we are in. So, the next corrective action that the organization believes will take us forward is clearly correcting our ER.

So, when you do that, you have to take certain calls which means avoiding some businesses which will affect you in the long run because it's a short-term gain versus long-term gain situation honestly. I think that little drop that we are looking at as against the industry is primarily because of this stance that the organization has taken and historically it is always seen that whenever you go in for a rate hike or a rate change there is a slight deviation that you see in the volume consumption because the volume players, some of the low volume players will drop off.

Jinesh Joshi: How has been our volume performance in the high yield markets like Mumbai, Delhi, and Bangalore because if I remember correctly in the last quarter there was some shortfall to the extent of 7% to 8% when we compare it with the pre-COVID level, so are we back to those levels?

Ashit Kukian: Not yet. In fact, there is a correction of 2 percentage points of contribution that has come from the large market levels. That to our mind is the positive sign that we are looking at because the moment this contribution goes far higher than what you rightly pointed out the difference between pre-COVID levels and now and these are high yield markets you will see your company's revenues shoring up correspondingly.

Jinesh Joshi: One last question, I just wanted to know what is our inventory utilization in 2Q and revenue contribution from batch one stations?

Ashit Kukian: Inventory utilization in Q2; we are at an overall level of 54% inventory utilization.

Jinesh Joshi: And revenue contribution of batch one stations.

Jimmy Oza: Revenue contribution for basically Phase 3 station is around 14% on Quarter 2. Having said that if you recollect the last call which we had. We said that now we should look at all stations put together because they are already 3 to 4 years in the system. They're also getting to the mature stage.

Moderator: Our next question is from the line of Siddhant Mattha from B&K Securities.

Siddhant Matthaa: I have asked this question earlier also that we used to do Rs. 20 crores mark revenue per month. We had an ambition of doing that. That was a normal quarter. We have touched Rs. 14 crores. If you see Rs. 42 crores in three months. How do you see the festive season because there is a festive season which is coming, as you have mentioned auto is still you don't know because of this chip shortage but other sectors, how they are doing and especially do you think that we will reach Rs. 60 crores mark by 4Q FY22?

Ashit Kukian: The aim is to be as close to that kind of number by the end of last quarter. We are positive that we will be near about that. But at this point in time to give you definite numbers will be difficult but yes, we are on a positive growth sign. I think our aim is to chase that. We should be close to that number but yes, Q3 will tell us what the Q4 outlook will be honestly.

Siddhant Mattha: Still any indications like it are just 15 days but 22 days have passed, you have Navratri which has gone by. So, any update on how is the third quarter looking like?

Ashit Kukian: We had a healthy third quarter last year as compared to the past two quarters.

Siddhant Mattha: But then that quarter's revenue you have already beaten this quarter.

Ashit Kukian: I was coming to that only so that we have already beaten. We believe that we should show substantial growth even in this quarter as compared to the last quarter and by the fourth quarter I mean if all thing goes well hopefully the wish that you have told should be true of going closer to the last year last, last to last quarters full quarters number.

Jimmy Oza: One more thing to add on what Ashit has put in. If you look at a Quarter 1 to Quarter 2, itself there's a (+100%) growth in spite of the fact that your normal top three markets which are just coming out of the COVID scenario your malls in Mumbai are still not 100% open for everyone. In spite of that, if you see the numbers going 100%, I think the things look better off coming in quarters as Ashit put in.

Siddhant Mehta: No, there's nothing to compare but you have already reached the fourth quarter FY21 level where there was some normalcy because if you see January to March was a normal quarter because everything had opened up so that's a good sign. And secondly about costs, so you had saved around Rs. 52 crores cost in FY21 if I'm talking about total operating expenses. And currently now if you compare to the first half of FY20 you have saved around Rs. 20-21 crores cost if I see the first. So how is that Rs. 20 crores still can be saved in the second quarter and we'll be able to save around Rs. 40 crores or this is a higher number. What are your costs like can you give me some standard on the cost?

Jimmy Oza: You recollect, we would have already told that whatever savings we did last year was around Rs. 50 crores or so. Of which we said that 50 is the permanent saving which is going to come in and 50% is going to come back based on the revenues coming back and till H1 if we have done 20 I don't think we'll be adding further Rs. 20 crores to the kitty but definitely there'll be an addition to the cost-saving. But overall the permanent saving would turn around Rs. 25 crores or so.

Siddhant Mehta: For FY22 and from FY23 that Rs. 52 crores, 50%, if you consider that FY23 everything will bounce back. That 50% of Rs. 52 crores savings will be kicking in.

Jimmy Oza: Correct.

Siddhant Mattha: And my last question is regarding. so the print sector is a different thing but as you have seen that fourth quarter, so your revenues or your revenues have reached the fourth quarter of FY21 levels because the first quarter was a dip due to the second wave. How has it fared compared to print and TV as per your guidance? Do you think that radio is also coming back as print and radio coming back or you're still hoping for some more revivals in radio?

Ashit Kukian: Revival for radio as it will be there for print and television because we all know that we are just coming out of the pandemic. If you look at the second quarter, television has grown by about 15%. Of course, albeit on a larger base as against the 40% growth that we are talking about for radio. So yes, print again is showing growth. I believe all sectors will see a growth in Q3 for sure. And if all things go well, I think Q4 will also see a growth as compared to this quarter.

Moderator: Next question is from the line of Gautami Desai from Chanakya Capital.

Gautami Desai: My question is that our peak performance was somewhere in 2019 in terms of revenue and I guess also in terms of profit and we have started slowing down in terms of performance even before COVID. So, for us coming back to our peak performance would mean going even behind COVID means as a company we did something wrong even before COVID. You have been always in all the quarters telling us about the cost reduction and a number of new clients and the new business and all that has been there every quarter. Could you tell us that internally when do you think that Music Broadcast can come to its past glory, in how many years and also what are the actions that we are taking for that because when you keep talking about the cost savings in a company which is so kind of creative and people-oriented and then there is so much wage inflation around, so we are worried whether are you hiring the right kind of people, are you trying to be creative enough and so basically, my question is that when do you think we will come back to our past glories and what are the actions that we are taking towards that?

Ashit Kukian: Thanks, Gautami. I would respond to your questions with the first point that you made which is saying that our company was much before COVID not doing well. But I think you should reflect that performance with the industry because for the last so many quarters if you see our performance versus the industry has always been better. That point that we were not doing well when the industry was doing well is factually incorrect, number one. Number two, yes radio as a medium has also in the last so many quarters had to evolve itself because as you know with the so changing mindset of the consumers there are various aspects that come from a media consumption perspectives concern. To answer your second question of whether we are investing in attracting the right talent, you should be happy to know that your company has perhaps one of the lowest attritions in the media industry largely because of the way we have managed ourselves irrespective of the monetary gains that we are talking about because one thing that our company is known for is basically for the rewards and recognition, the people management and not simply the Great Places to Work has come in. So, I think that those are positive signs that we look at. As far as the answer to when will we get to the past glory, we're looking at it two ways. One is of course when we are talking about cost savings, we are looking at one from a perspective of the top-line revenues, how are we going to operate? But largely I mean as an organization as the management looks at it is that how close can we or how faster we can come to the bottom line of the organization whether it is PAT or EBITDA. So, all the savings that you're talking about, irrespective of whether we will reach the top line faster we are very clear that we have to reach the bottom line faster. Lastly, to answer your question as the industry has evolved, we have also evolved ourselves, both from a digital play perspective because today when you look at the whole media game you will find that social media influencers play a large role in marketing. We have been effectively in the last two quarters using our RJ influencers through our digital route along with the radio to get advertisers to come in and that's where we believe the play is. As we go forward, we believe the fourth quarter of this year hopefully we should show you some numbers which will give you real understanding of how far we are from the actual pre-COVID number bottom lines that we are talking about.

Gautami Desai: Would you have a wish list that maybe in 2 years you come back to 2019 levels in terms of profit?

Ashit Kukian: If you ask me, I would say 2 years is a long time. I would want to do it in 1.5 years.

Moderator: Our next question is from the line of Sarvesh Gupta from Maximal Capital.

Sarvesh Gupta: On the bonus preference shares, I think you mentioned that it is currently under NCLT. By when are we expected to finish the process?

Jimmy Oza: This bonus preference shares lying with NCLT is a long story now. I think we are also struggling a lot to get these things expedited. The next date for NCLT is on 29th of this month. Hopefully, the bench sits. The problem is the bench itself is not sitting, so the hearing not going to take a lot of time because end of the day it's only for the minority shareholders and we don't find any issues which are going to be picked up by NCLT or any observations which are going to reject the proposal as such. Let's hope that on 29th the board sits and at least the decision is taken. Thereafter I think it takes a further 30 to 45 days to put everything, to put some record date in place.

Sarvesh Gupta: Secondly, while the other participant also alluded to this question about wage inflation and all that. So today in case you want to hire good quality talent then of course, there's a price to pay for it. And how do you see that impacting the kind of savings of Rs. 50 crores annually that we are talking about? How do you see that getting impacted by the inflation in your cost structure?

Ashit Kukian: To answer your question that, hiring the right talent is if you believe that you don't have the right talent right now because you can look at the talent that we have got. A lot of our core teams are people who have been in the organization for a long time. So, they are not the talent which we have attracted recently and we believe that over the years this talent has delivered us. As and when if there is a requirement for a specific talent, I don't think we are going to cut corners. But to answer your question, I think at the moment we believe we have one of the best talents in the radio industry. And that's the reason why you're seeing our performances over the quarters will go on improving. Honestly, I'm not worried about that adding on to the cost because we are not seeing any level of discontent amongst those set of people who purely are the ones who are contributing to the organization.

Sarvesh Gupta: Now that because of COVID we've seen that the market shares that you have held on have been stable.But since industry has gone through a very bad phase, so do you see any inorganic opportunities or opportunities where your market share can be improved because some other players are folding up in this sort of a tough environment that we have been through. We of course have a much stronger balance sheet but any comments on the industry competitive structure, is it going to be favorable for you because when I see the market share, they seem to be on the same trend. It looks like your competitive positioning hasn't improved because of COVID as such.

Ashit Kukian: We have always been at the highest share. So, once you reach the highest share amongst all the players, any improvement from there on is going to be a tough task because everybody will have their share of the pounds of business that they would want to have. Any large drop from that would be a concern but improvement obviously will be at two costs. One is of course looking at it from a play that you want to do. Do you want to show large volume play or you really are playing the value game? I think at this level of shares we believe we are in the sweet spot of the right share of volume and the right share of revenues. It is our belief and that's the way we will be operating.

Sarvesh Gupta: No, that's fine, sir. That's on the operating side but there are two other ways of increasing share. One is inorganic, which we have tried, and which we have seen how difficult that process is to get approvals. Also, obviously, I don't think you will go down that path again. The other path is, where some major player folds up because of the challenges that they have seen. So, on the second side are you seeing anybody folding up or anything of that sort because of which your market share can improve?

Ashit Kukian: That I cannot comment but the moment if any such instance happens, clearly as leaders we believe that we will be getting a large portion of that share or a substantial portion of that share because that market will then open. That were speculations but yes, if there is such a situation, we are up for it and we are closely keeping an eye on likely players who would be possibly folding up if at all. We are closely keeping a tab of the customers that they have to ensure that the moment as and when that happens, your team will be there to kind of get those businesses over our side of the business.

Moderator: We will take our next question from the line of Manjeet Buaria from Solidarity Investments.

Manjeet Buaria: I wanted to understand, radio as an industry, one looks from an advertiser perspective, pre-2016 and post-2016, and where I am coming on 2016 is post that the data costs in India really dropped significantly for internet users. So, how is the advertiser perspective changed? When they think about radio as a part of the strategic advertising planning, I would love to get some thoughts over there from your perspective?

Ashit Kukian: Specifically, when you look at radio, I think the radio advantage advertisers see is the local reach that we are giving. While they will have large scale carpet bombing through television if there are large advertisers or even a large-scale print, language print editions if somebody is doing that, they believe that radio has a different kind of a field from a local perspective and that gives them the advantage of localizing their brand's content to the consumer that they are reaching out to number one. Number two, historically this whole multimedia concept is something which is largely worked and global researchers have always proved that when you use two mediums in conjunction, your probability to influence your customers are far more and radio that way works happily, whether it is radio and out-of-home or radio and print and radio and television. Unfortunately, in India, there's not much research to show that but if one goes by the gut feel, there is a clear understanding that advertisers see that and largely today when you look at all the top category advertisers who are advertising; if we look at television as the big medium and now digital, you will see that all of them are also simultaneously testing radio. The only challenge is that the investments in radio is not as much as they do in the other mediums and that's where the radio companies are doing their efforts. And today what we are doing is to make that mix more interesting. This whole digital play that radio companies have and especially we have got with the RJ influencers playing a large role. We are seeing that having a lot more traction with their advertisers. A lot of advertisers now are taking our radio along with our digital and RJ influencer bit which is showing larger successes for us and as we go forward, we believe this will have a large role to play in our success.

Manjeet Buaria: One follow-up. Now from a consumer perspective, just anecdotally what one observes as our last few years data costs have come down. People have a lot more audio-visual options with smartphones is becoming cheaper. So, just from a listenership perspective, is it fair to assume let's say 5-6-7 years back, the number of people who tuned into radio would now be substantially lower or even if the number of people is same the hours listen to on the radio would have gone down meaningfully because there are better alternates or other alternates, if not better alternates?

Ashit Kukian: So, that is the conventional belief but all research paragraphs, for example, the AROI did a research post COVID. So, the two interesting facts came out. One is of course listening time has increased in radio. Secondly, the number of listeners have increased in radio. This was the top six markets study that they do. I think this all comes from the perspective. You have to look at this whole evolvement of the consumer in this today's media consumption. And that happens from the fact if you would have looked at 10 years back; an average media consumption of a consumer would have been about 3 hours. You would be surprised to know that 3 hours is gone as high as 8 to 9 hours now and largely because of the work from home and availability of time as per the consumers point. Earlier if you have stepped out from your house to go to your office and come back, your 8 to 10 hours is lost. Today I think with work from home the entire perspective has changed. So, mediums like radio have thrived because what one people always forget is that radio is always listened at home. 80% of radio listenership though traditionally people in metro cities believe that radio is listened when in the car, 80% of the radio listenership happens at home. That is the advantage that the medium has got and hence this has increased the kind of consumption both at the consumer listenership level and even the reach level.

Manjeet Buaria: Today are there mechanisms or methods by which advertisers can get a sense on the return on investment they do on radio advertising or it's still not possible?

Ashit Kukian: See, I think astute marketers obviously have their own ways of finding out how any kind of an investment on a medium was because suppose they have their sales team, and they have their distributors and so on and so forth. Some of large media spenders like HUL and all even conduct their own surveys. I am sure there's some way for them to find how the medium works for them. Also, now that one point has come to my mind on the perspective of advertisers and radio. I think one thing which people need to know is that today's consumer is a hybrid consumer. He's not a linear consumer who's only consuming one medium per se. Today if you will see even if you put yourself personally you may be doing little bit of an OTT or a digital OTT, you will be listening to some radio station or streaming platform, or you would also be listening to or watching television with news or any. Today's consumer is a hybrid consumer and it's not linear. How one would have seen it about 2 decades or 2.5 decades back because the choices were limited. The multiple choices that people have got, have made the consumer hybrid which means interesting mediums to the interest of the consumer is also consumed as and when he wants, and radio gives you that anytime advantage of listening to radio because of the accessibility that radio has. So that's obviously for the last previous point that you raised but having said that I think the medium has his own presence and that's the reason why large investing clients like Levers and the Dabur and all and I am taking FMCG because they are large investors, but you have across-category investors who are using radio affectively.

Manjeet Buaria: If I exclude post March '20 when the COVID onset happened, if we take the decade before that for radio station like a Mumbai or a Delhi that has been there continuously. How has the pricing evolved in terms of yields? Has it gone up structurally or there was a time where it hit a snag with different options like digital OTT etc. coming up where people had divided attention again versus just TV and radio probably up to 2014-15?

Ashit Kukian: I think the prices, in any pricing model the prices is a demand and supply ratio. When you are talking about a decade or 2 decades of 1.5 decades back the number of players in a particular market was limited. Obviously, the pricing was demanded, gone as per that demand and the kind of availability of supply that is there. The moment that is an overhang of supply sometime effects of pricing will be there and that is not just for any radio as the medium but across categories it will be the same. I think from that perspective of course one is, none of the companies would be enjoying the kind of yields that they were getting previously. But having said that, I think the yields currently that we are aiming to get to is something which will still make us profitable.

Moderator: Our next question is from the line of Himanshu Upadhyay from PGIM Mutual Fund.

Himanshu Upadhyay: I had a question on this slide #10 of our presentation where we showed the leadership in the listenership data?

Ashit Kukian: Yes.

Himanshu Upadhyay: See the two cities Mumbai and Delhi, it seems that we have lost some market share in the listenership in last 1.5 years. From Delhi, it is more interesting that from number 2nd, we are nearly number 5th and Mumbai also the trend line is we are number 5th now and it seems very sharp fall has been there. Can you elaborate on that and what is happening in these two markets?

Ashit Kukian: So, in the absence of any investments on hardcore research, a lot what we go by the data that is that in front of us in various formats that we get through our on-air activities and so on and so forth. What you've observed is right, that is primarily because there has been a slight shift in the audience segments when it comes to the two drivers shows that we are talking about, especially the morning and the night shows that we have. If you know our night show which is again show that we always been proud of the *Kal bhi aaj bhi*, there has been a slight shift in audience and that shifting audience perhaps in the absence of data couldn't be captured, but we have now realized that we need to kind of get closer to the segment which is listening to that show. Because if you look earlier, we were playing the old seventies, which is the retro show that we're talking about, but the generation now even eighties become retro today as you look at 80. So that's the minor change which possibly was lost out in the gamut of so many things that is that and that I would say, it's an observation that you've rightly pointed out. But all post-correction that is required in getting the segment from the leadership perspective consent is already in place and hopefully we should be able to show you better results in the coming quarters.

Himanshu Upadhyay: One small thing, so once the data what you have is also being seen by the advertisers at various places, they would be also using some third-party data. So how soon or when does he start getting worried on the leadership positioning? Would it affect the rates in the future if this trend does not start improving or on the upside?

Ashit Kukian: The challenge with radio listenership is, it is limited to only a few markets as against the large presence that radio has. One, be historically at all researchers including television there is always a pinch of salt that the advertiser takes any data, so for us even in the past whenever there has been a change in our positioning which is on the lower side of what we were apart from being the leader that has not substantially changed our market rates, because advertisers see the value in totality in terms of the way and integration is done for the brand, the way the execution is done of the brand on ad and so on and so forth. Largely they go like I said, have their own way of having the pulse of what station works for them. I have seen certain advertisers will not even take the number one station on record because they believe that we doing a better job in that market even if your number not number one. So I guess it's something which is case to case, but past has not shown us any indications of drastic rate reductions in line with any change in listenership data, because there are for two reasons, the listenership data is already 3 to 4 weeks old and they keep changing from time to time. It's a larger perception that they have and oppose their own experience of the brand integration that they have seen in the past with a particular radio station which makes them come over and over again.

Himanshu Upadhyay: Two more things. One is we used to do activation events even for new product introductions for the customers and with now economy opening up and events being more happening what we are hearing and even a new product introduction will start happening over a period of time for even FMCG and many of the products. Do you think that out of home category or out of the studio business what we were doing, we'll start gathering pace? Are you seeing some pace and how important businesses can that being for the profitability of the business and brand building of the business for us?

Ashit Kukian: Any opportunity which allows a larger involvement with the client and the investment of the client obviously will improve the bottom line, A. B, currently in the absence of that what we are doing is we are using the digital route for un-boxing of clients and so on and so forth. We are already doing some form of un-boxing or launching of products and so on and so forth. But you're right that as soon as they're on-ground activation, the experiential part starts and evolve COVID norms are taken care of and we don't see any other challenges. You will see your team also doing the same simultaneously because we have done that in the past and like I said, too difficult to credit but quarter-to-quarters from now, you will find that being a part of our play when it comes to doing on-ground events and yes, on-ground events usually are a EBITDA booster because we only work with a certain level of margins otherwise, we don't do on-ground events. So you're right there in identifying that will be another opportunity that will add to our bottom line.

Himanshu Upadhyay: But are we seeing any traction on that business now?

Ashit Kukian: We are doing small level of engagement at malls or maybe at a particular retail outlet level, but there is too early for me to give you any indication on those minor things that is happening right now. I think, when it happens large scale I'll be able to give you a positive answer that, yes, it's happening. Some of them are really bringing it up, but we are doing a lot of those online events as of now but we are not really because right now we believe we should go with the protocols that are given of not really engaging largely on on-ground. But because we are doing online events in the absence of that, the moment on-ground starts we will translate it to the on-ground part of the activity and get going with it.

Himanshu Upadhyay: One last thing on your digital initiatives, what you are taking now putting the brands on digital platforms. What is the way you can differentiate yourself versus others because this job is being done today by a lot of media companies and how do you really differentiate in that business and how scalable is that business for you?

Ashit Kukian: Biggest difference here is that if you look at social media influencers, I think the biggest challenge digital ad is about the trust factor. N number of studies have shown that while you see a lot of things happening and we've all heard about fake news and so on and so forth. I think digital influential getting the trust and credibility is the largest biggest problem. That is a radio station like us differentiate because RJs are seemed to be trustee because the medium itself is trustful, in any amount of study along with trends radio comes at the top two mediums which consumers trust. That gets translated when RJ go really goes and talks about a product. So that of course it's an important scheme of things and for us using RJs as influencers to kind of do brand communication along with radio is really bringing in a new opportunity and like I say, I'm confident that as we go forward, you'll see more and more of that happening.

Moderator: The next question is from the line of Manoj Dua from Geometric.

Manoj Dua: In earlier call also a minority investor has applauded management for their, this preference bonus share only to the minority and we as an investor’s call these to other company also, I want to applaud this again and I also want to applaud the management for answering every question very carefully and patiently and with very transparency. My next question is now a little bit ahead of time, now after this preference share which will be given after this NCLT and now as we say we are again going back to pre-COVID level and we have again good cash generation. Are we having a CAPEX plan in this or we will still after giving this generous preference debenture bonus still we will be giving a good part of a money back to the shareholder?

Jimmy Oza: As you know we are part of Jagran Group and Jagran is always known to reward shareholders in whatever way they can. I think we are going to follow our parents' footsteps doing along what a parent has done till now.

Moderator: The next question is from the line of Anish Jobalia from Banyan Capital.

Anish Jobalia: I just wanted to take this conversation a bit on the yield recovery. So, could you help to understand how is being the recovery in the yield in Q2 and what is the current gap with our earlier pre COVID levels?

Ashit Kukian: So there has been a minor yield growth, approximately 4% over the previous quarter and we will be approximately at 55% to 60% of the yield level that we are talking about. So, one way to look at it as the opportunity is still 40% more than what you're operating at and that is largely because of the way the industry is poised. So yes, a long way to go from a yield recovery as against the pre-COVID levels, but a marginal improvement has started, and I think Q3 and Q4 should give us more reasons to feel that the recovery will be faster as we go forward.

Anish Jobalia: How do you expect this gap to close, do you have any timeline given your understanding of the advertiser's mindset etc. So how do you see the timeline, when can we recover? Not the remaining 40% of the given the gap which is huge right now, so what's your current assessment?

Ashit Kukian: It's difficult to predict because a lot of this will also be dependent on the way the competition behaves because right now we have certain players it's a question of survival and they would kind of take anything that comes their way. Now that largely affects a certain set of advertisers who have limited money and who would want to go with them because they believe that let's be present on the medium because I can't afford anything else. That's a catch 22 situation for us, but I would want to believe as we gave a window period of 1.5 years to 2 years as I said, if the recovery has to happen from what we said. I think that should be the game plan for us that if we can be able to get within those 1.5 years to that level of yield and with the cost efficiencies, I think our margins would be much better.

Anish Jobalia: So just in terms of the volumes can it we say you want higher than the pre-COVID levels today and then we have a yield gap of 40% and going forward the recovery in our revenues will be completely led by the yield improvements over the next 1.5 years?

Ashit Kukian: Largely by yield improvement but also if you see the second- and third-layers market, there are still at a 60%-65% inventory utilization level because they are they're just getting into the maturity stage. Normally depending on the way, the market is and the potential from an advertiser's attractiveness it takes about 5 to 6 to 7 years to reach 80%-90% kind of inventory utilization level. I'm talking about the industry; our positioning has always been better. So there is room from a volume perspective in those sets of markets. Yes, a large market that we are talking about it has to be largely done through the yield route because you're right there it's almost at 90%-95% in some markets of inventory utilization already.

Anish Jobalia: My one question, are our volumes today higher than the pre-COVID levels?

Ashit Kukian: Some markets yes, it is higher than the pre COVID but the large markets we believe there is a room, and is still lower than the pre COVID levels.

Moderator: The next question is from the line of Jatin K from Alpha Capital.

Jatin K: My first question would be on this quarterly result, there is jump in other expenses. It has gone from Rs. 16 crores – Rs. 17 crores to Rs. 20 crores, so anything would you like to comment on this?

Jimmy Oza: Expenses have increased because one, the royalty which is increased by crore or so and the rest is the cost to do business which has increased.

Jatin K: We expect this number to grow in line with revenues?

Jimmy Oza: Yes correct.

Jatin K: In terms of total revenues were guiding that 3Q and 4Q are expected to be better, so are we seeing month-on-month improvement if we look at the last quarter as well as this current quarter. Are we seeing any month-on-month improvement which is helping us guiding this improvement?

Ashit Kukian: Yes, it is and we are seeing that improvement happening.

Jatin K: Last question would be on the preference debentures; do we plan to list them on the stock exchanges, or they will stay unlisted?

Jimmy Oza: Yes, they would be listed in stock exchange.

Moderator: The next question is from the line of Laksh, an Individual Investor.

Laksh: We at the current level of revenue, including other income say it is Rs. 46-47 crores our total income is Rs. 46-47 crores. We reach break-even at net profit level, being we a fixed cost business what is the operating leverage we see for the H2 to of FY 22.

Jimmy Oza: In fact, to answer you have already answered your question, basically whatever revenue further on from here with go into and add up to the bottom line.

Laksh: There was an increase in other income, what was that?

Jimmy Oza: Mutual fund deposits which we have and the corporate FD’s.

Laksh: So, it’s one time only?

Jimmy Oza: No, it's not one time it's been there. So, this income is going to continue.

Laksh: The H2 of FY 22, are we planning to beat the industry?

Ashit Kukian: If you're talking about volumes, I'm not so sure, value I'm sure that we will be I mean; we can get to know it from whatever the listed companies will show results. But volumes like I said, I would want to play the yield game, so while we will not see drastic reduction in our volumes but I would not really be what it is if I'm still at a 20% and not at 21% of market share because my aim is to increase the yield.

Moderator: The next question is from the line of Gautami Desai from Chanakya Capital.

Gautami Desai: Coming back to the same question that you said that there is a possibility of soon coming back to 2019 level. So, make it simple can you tell me that compared to 2019 at what percentage discount are we both in terms of capacity utilization as well as in terms of yield?

Ashit Kukian: Like I said, the yield inventory utilization is at 85% to 90% levels already. In fact, the smaller markets are at a 100% capacity utilization level as compared to the 19-20. The yield I have already said that we are operating at around 55% to 60% of the operating rates and that's the play room that we believe is the room that is there for us to grow from a revenue perspective.

Gautami Desai: I'm talking about FY19 I'm not talking about FY20.

Ashit Kukian: You're talking about FY19, so between 19 to 20 there has been a correction in yield because of the multiple players, the multiple frequencies markets getting matured. Secondly, the larger impact was of course the government revenues, which drastically came down in 19-20, because we had a large component of political revenues which was there which didn't come out. The central government which is the largest contributing category just didn't do any activity in the last 2 years.

Gautami Desai: So just kind of clarifying you said that your wish list would be in 1.5 years back, come back to FY20 or FY19 levels?

Ashit Kukian: As of now we're talking about FY20 levels, because FY19 levels is still something which will be once, we crossed the FY20 levels will go.

Jimmy Oza: Just on the revenue front, when we are talking about, we came FY19 number or FY20 number, let me drive your attention to the bottom line. If in spite of being reaching FY19 number or 20, because of our cost-saving and because of levers our bottom line will be much better off and much quicker to recover as we have seen from Quarter 1 to Quarter 2, Quarter 1 we had 10 crores loss while Quarter 2 wiped off everything at H1 level we are at positive.

Gautami Desai: Yes, but we have a very long way to go.

Jimmy Oza: But the bottom-line recovery would be much faster as compared top-line recovery.

Gautami Desai: So, say it would come back to FY19 profit levels. The difference between I'm just kind of you know going over again, so that I'm more clear but we are at 85% to 90% discount to what was the capacity utilization then and we are at 50% to 60% yield of what we were then, am I right?

Ashit Kukian: So, 85% to 90% discount, no we are at a 10% discount of when you say I would say utilization level.

Gautami Desai: I get it. So, we are at 85% to 90% of what we used to be in our best of days and we are at 50% to 60% in terms of the yield.

Ashit Kukian: Correct.

Gautami Desai: Now in this particular you said that, you came down in terms of volume as compared to the industry because you want to have some price hikes and all that. So, what has been your experience in the past few days after indicating a price rise and how long you saying that we will be come back to that 100% of our yield?

Ashit Kukian: See 100 % of yield will be like I told you, I've answered this question to the previous participant also we'll have two factors to it. One is, the way the competition is going to take their own strategy in terms of yield, because ultimately, you're playing in a multiple player scenario and as an industry, we are trying to see that how soon can we get to that level? But like I said, it is going to be in the media as I've been in media for so long.

Gautami Desai: Obviously the competitor has been telling us that we are spoiling the rates; let's keep that aside may be let's assume that they follow us, if we continue with our rates then what is your view?

Ashit Kukian: I would with all due respects, I don't know when we say competition is saying we are spoiling the rates and I don't know how to answer that question because those are anybody can make any claims. But if you go out in the market and you test the market and ask advertisers or even agencies, you'll have a different story to ears. I would urge you and request to that if you would be kind enough to have neutral parties talk about what Radio City is operating perhaps, you'll have a better view. Having said that I will accept what you're saying and I'm saying that we are working towards improving yields and that you will see over the quarters to come because it's not easy. The point I'm making is not just that I think about it and it'll happen because each time I go to kind of push the rates if I have a competitor coming in saying that I'm willing to work at the previous rate or even lesser, it's going to be as equally challenging. That's the challenge that I have to live with and that's a historic challenge that we have seen in media over the years and that's the biggest challenge. That's why people who are seasoned professionals they will say 8% to 10% increase in media takes a lot. It takes a lot for somebody to move that kind of yield percentage for a media company across mediums. So that is a challenge we will be facing too and that's the only way I can address this question because I cannot talk about what others are saying because I think we always pride ourselves being premium players from a pricing perspective and we believe that it is, unfortunately, our advertisers and clients also believe that we are willing to pay that premium to us.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Shailesh Gupta for closing comments.

Shailesh Gupta: Thank you everyone for joining us on this earnings call. Having turned a new leaf and returned to profitability, we are confident that the company will continue this growth momentum and further solidify its leadership position. The presentation and earnings release are already uploaded on the website and stock exchanges. Should you have any further questions, please do feel free to get in touch with any of us or SGA. I wish you the very best of luck and more importantly, stay safe and take care. I would also like to extend greetings from the Radio City family for the upcoming festive season to all of you. Thank you and have a good day.

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