"Music Broadcast Limited
Q1 FY2022 Earnings Conference Call"

July 26, 2021

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Moderator: Ladies and gentlemen, good day and welcome to Music Broadcast Limited's Q1 FY2022 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectation of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shailesh Gupta, Director from Music Broadcast Limited. Thank you and over to you Mr. Gupta!

Shailesh Gupta: Thank you. Good afternoon everyone and thank you for joining the Q1 FY2022 earning call for Music Broadcast Limited. Joining me on this call is Mr. Ashit Kukian, CEO, Music Broadcast Limited, Mr. Jimmy Oza, and SGA, our investor relation partner. I hope you and your family are safe and healthy in current times. As we were witnessed recovery quarter-on-quarter basis last year, the second wave of COVID-19 presented a new set of challenges with localized lockdowns. While the financial impact on operation was not as severe as last year it certainly halted the momentum of recovery towards normalcy or even the possible capitalization of the growth prospects on offer in the industry. Radio has seen a rebound in volumes with the industry garnering 67% growth in volume and 26% growth in client counts. To give you a clearer picture 2400 plus clients advertised on radio in Q1 with 1100 plus using radio as a mean of first time. The corresponding number for the company are even more impressive with a 71% growth in volumes observed and maintaining the lion's share of 43% of total clients on radio choosing Radio City, but even in challenging circumstances and a fast changing landscape the company has managed to outperform, thanks to its employees, strong clientele and avid listeners. Continuing the various initiatives that were planned and implemented throughout the last year has helped us strengthen leadership position for yet another quarter, standing at 21% market share in the industry.

Talking about the financial performance for the quarter, the revenue stood as Rs.20.5 Crores it is higher by 43% year-on-year basis. The cost reduction measures that opted throughout the last year have yielded significant benefits and some of them are expected to bear fruits even in the post COVID period. In spite of loss during the quarter company has able to add Rs.6 Crores in cash flow taking our cash reserves to Rs.242 Crores. Strong balance sheets with ample reserves on testing times as the ones we just witnessed have always been focus of the company. This gives us the confidence to break any uncertainties that may or may not arise and also provide the resources to capitalize on the opportunities under deliberation and that may arise in the future. From a growth standpoint to keep up with the clients Radio City has ramped up its digital solutions providing our customer end-to-end omni-channel solutions for their products and services raising the bar in terms of number and quality of service offerings aims at creating value for our customers and synergizing the efforts for maximum impact. Lastly with regards to bonus issue of the non-convertible, non-cumulative performance shares, SEBI has accorded its approval. We have filed a scheme with NCLT and are awaiting the final approval. We will promptly keep you posted with the development in this regard. With this 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. We have first question from the line of Depesh from Equirus Securities. Please go ahead.

Depesh: Thanks for taking my questions. You mentioned in the PPT that the new revenue opportunities contributed Rs.11 Crores revenues for the first quarter, so can you please talk more about these new revenue opportunities, what are they and what was the contribution in Q1 last year please?

Shailesh Gupta: Sure, I will pass on this question to Ashit, the CEO of Radio City.

Ashit Kukian: There are various initiatives that have been started one of course we have been sharing about the Radio City Bazaar initiative that we did last year and which has continued to grow for us. Keeping in mind that the local markets and the smaller local markets were growing faster than the metro markets, we had started a lot of initiatives, local initiatives which are both health related and of course information related as far as consumers are concerned and that has taken a lot of advertisers taking their interest. So it is a combination of a lot of local initiatives, Radio City Bazaar contribution and as you know we have also started initiating digital plus radio, radio being the anchor for us we have used digital as a catalyst to kind of get advertisers, a mix of both the mediums and thereby increasing the probability of the brands being exposed to a larger set of consumers, so all these initiatives have really led us to the increase in revenues from the set of advertisers that we are talking about.

Depesh: But 11 Crore number this year, how much was last year from these initiatives?

Ashit Kukian: Last year it was 29 Crores entire year Depesh.

Depesh: Rs.29 Crores entire year, okay, got it and your fixed cost is Rs.29 Crores for the Q1, so what is the guidance for the next year because last year I think you did Rs.30 Crores kind of a quarterly number, but in the last Q4 I think the number increased so again it is below Rs.30 Crores and what is the guidance for the full year, how much is the fixed cost you are looking at?

Ashit Kukian: I think Jignesh here the fixed cost will be mostly the same it is not going to change a lot, only cost which will increase would be the variable cost which will keep on increases based on the revenue which will go up, so it would be more of a cost of do business and maintaining that market share.

Depesh: If you can give the revenue contribution on EBITDA?

Ashit Kukian: Revenue contribution would be roughly 9%.

Depesh: Lastly you are the biggest radio company talking more about the digital medium and shifting to the platform kind of model, so I just wanted your thoughts like how relevant do you think radio still as a medium is because the largest radio company is shifting, the commentary is shifting more towards a digital theme than on the radio right, so what is your thoughts on this radio as a medium going forward?

Ashit Kukian: I really cannot comment on how we are looking at the whole business, but we very strongly believe that there is a large radio play as far as the next few years is concerned, at the same time we also recognized the fact that digital will have a capitalist or a catalyst kind of role to play, so for us it is a mix of radio plus digital and when I am saying radio plus digital we are using a lot of our RJ influencers, today when you look at the whole world being driven by social media influencers I think what radio brings in on to the table is the large credibility to the influencers through the RJs that we have, so for us it is a sweet mix of radio plus digital and we very strongly still believe that radio has a larger role to play at least for the next few years and that is clearly seen the way advertisers are adopting to the medium in the last two to three quarters, the newer advertisers that is coming in. Coming back to the whole ecosystem as far as India is concerned, the whole Made in India and the SME thrust that is happening all these people are finding radio to be a far effective medium vis-à-vis a large medium where the cost to the return on investment on radio works quite well and that is why during the tough times, even in the smaller market advertisers have still started to advertise because radio gives you that opportunity, so for us it will be a mix of radio plus digital. Having said that whatever each required on digital whether it is extension of our terrestrial brands on digital through the podcast we are all creating the content for streaming platforms, our strategy has been very clear that we have the potential and the strength to create high level creatives for the audio industry and we will strive that all multiple media places to be that and give the consumers what they want in the platform of their choice and that is the way our approach has been.

Depesh: Got it and lastly any update on the timeline for the preferential bonus that we declared last year?

Jimmy Oza: It is still lying at the NCLT level, we had a hearing week back but it did not happen because of technical reasons.

Depesh: Okay, but any timelines you are looking at or no clue in that?

Jimmy Oza: Once the NCLT gives us the approval it would be roughly a month or so, so we were expecting that to happen last week, so fingers cross, let us see in the next date, it is not yet come out.

Depesh: Thank you and all the best Sir.

Moderator: Thank you very much. The next question is from the line of Srinivas from Mirabilis Investment. Please go ahead.

Srinivas: My first question is on the pricing discipline in the industry, just wondering if in the first wave we did see a breakdown and lot of discounts and offers and all those are going on, in the second wave like what I understand from your company is that kind of rolling back on some of these discounts, bundling and that kind of thing, have we kind of more backwards on that as an industry or as a company on that aspect during the previous quarter and as we speak?

Ashit Kukian: Just to answer your question as you remember in the last quarter, there was an improvement over there first quarter as far as ERs is concerned, at the overall level it was a -49% for the year but the Q4 was a little lesser than the -49% that we are talking about. As we speak for the first quarter between Q4 and Q1 there is no change because we have maintained the ERs between Q4 and Q1; however, because if you remember last year the Q1 ERs had dropped in the second half of Q1, so there is a marginal drop between Q1 of last year and Q1 of this year there is a marginal drop of ERs this year, but my position on this is that as long as we are maintaining Q4 which was the biggest inventory utilization quarter for us I believe we are on track Srinivas.

Srinivas: Okay, got it. So Ashit, there is no broad change in the outlook in terms of improving ERs as the quarters go by.

Ashit Kukian: I will tell you the broad change will happen from the midst of the high yield markets because if you see Mumbai, Delhi and Bangalore has been largely affected, there is a direct correlation between the active cases of COVID vis-à-vis the volumes and hence the value in the market, so Mumbai, Delhi and Bangalore is still at the suboptimal level for the industry because of the various clampdowns, the lockdowns, the movement of people not being there. The moment that contribution comes up the yield change will happen because those are high yield markets, so right now because the smaller markets are contributing higher than what conventionally it does that is the reason why we are feeling yields much lesser than what it should be, but the moment Mumbai, Delhi and Bangalore eases out the way the COVID situation is getting under control that contribution when it increases the yield will get back to much better levels than what it was in the previous quarter.

Srinivas: Got it. Ashit, maybe on this last point that you mentioned if you can elaborate because what I see is generally the lockdowns are kind of coming down, traffic is also kind of building up on the streets, so what kind of conversations or pulse of the advertisers are you picking up on some of these markets as to when they open the wallets and normalize their spending, is it visible now or at any point of time in the future?

Ashit Kukian: Definitely, at the beginning of the quarter the conversations are increasing because as the people are slowly getting back to much better situation than what it was in the previous quarter conversations are increasing, but for us it is very clearly a direct correlation as we all know the advertising has a direct barometer with the GDP and as the improvement of GDP happens you will see that growth happening as far as quarter-on-quarter is concerned plus also the consumer sentiment while the consumption is happening at levels like food and soft drinks and consumer products which are essentials per se I think the mood will be when you really start the higher end products and auto as a category and the consumer durables as a category pickup and that I think we will only have to wait and watch because the sentiments still is of concern and wait and watch kind of a thing, because fourth quarter was a really good enough, we were getting back into track and suddenly post April 7, 2021 the second wave has really disturbed lot of people’s future plans, so now once bitten twice shy kind of a situation, so I think there is a wait and watch concern right now, but the fact is that there is more conversations happening for sure at the beginning of the second quarter.

Srinivas: Can I ask question one more question?

Ashit Kukian: Please.

Srinivas: Just a followup on this matter of license fees where the industry is trying to seek some forbearance from the government, so given that now again the industry would go through some kind of a stress, is there any kind of relief forthcoming from the government any progress on that?

Ashit Kukian: From our side I think we have done multiple level of representations, if you remember last year also we have done the representation might be through AROI, through the MIB, through the Commerce Ministry, through the PMS office too, but unfortunately like most of the places I think there is not much of movement happening even the last quarter we again tried because we could see that the movement is not really happening we also gave them an option like whether if suppose a relief is not coming to us kind of extend our license fees for another x number of years, so we are giving multiple options to the government, but as we speak there is no movement from their side so I cannot commit on anything, but I can only commit that the industry is putting a lot of efforts to push case as far as license fees SOPs are concerned.

Jimmy Oza: Just to add as Ashit was saying Srini, last year also what we got was just a moratorium, so in spite of being the situation which the radio industry or the entire media economy was, we had to pay entire money, only that phasing out of money happen, Q1 we had to pay, Q2 we had to pay, so no relief come from government especially to us.

Srinivas: Okay, thank you. Wish you best of luck.

Moderator: Thank you very much. We have the next question from the line of Sidhant from B&K Securities. Please go ahead.

Sidhant: Basically, you used to talk about Rs.20 Crores revenue per month before COVID, you reached around Rs.13 Crores to Rs.14 Crores till fourth quarter, but then again because of second wave, so how do you see the next three quarters do you see Rs.20 Crores revenue by the fourth quarter of this financial year or you think that that might come to till FY2023 only?

Ashit Kukian: As I told you at the beginning in the last previous question also, we have a direct correlation of GDP playing a large role of advertising sentiments not just for radio but across mediums, so our take on this is that we will do whatever that is required and in the past if any trend to look out our Q1 is better than Q1 of last year, so in that sense just put a logic to it we believe that the exit of Q4 will be much better than the exit of Q4 last year beyond that putting any pulse on the numbers like I said if you would have asked me the same question in April first week I would have gone ahead and given you a number but the second wave has really put everything back for us to question the way the things are going to move, so the mood from the current scheme of things seems to be positive, but time alone will tell and that like I said will only depend on what the way the economy moves forward and the sentiments with the consumers and the advertisers going forward.

Sidhant: Just a second part of the question, can you give me the breakup of the new revenue in the existing stations?

Ashit Kukian: New revenue in the.?

Sidhant: New stations.

Jimmy Oza: It is Rs.11 Crores all put together, we have not broken up between New and legacy stations since RO is a multi-city will get allocated to most of the station.

Sidhant: Okay and it is not comparable, but because you ended fourth quarter around Rs.43 Crores revenue do you expect the second quarter to be similar or it is a bigger figure because I know the fourth quarter cannot be compared, so just to get a trend how the revenues are shaping up, just wanted to know about that?

Ashit Kukian: Second quarter similar to?

Sidhant: The fourth quarter.

Ashit Kukian: That is too early what we can commit to you right now is that the second quarter will be far, far more than the first quarter, the way we are looking at it is that take a quarter at a time, do all that is required, keep your cost at the bare minimum and if you know from a P&L perspective last approximately two years around Rs.40 Crores to Rs.50 Crores of cost is what we have saved, so we are purely looking at the second quarter from a performance basis much, much higher than the first quarter and hopefully in line with what we have demonstrated in the past.

Sidhant: I know you have given some guidance on the cost earlier in the call, but generally speaking any percentage of the cost which are permanent in nature which we have taken in FY2021 or you can give me a number compared to FY2020 these costs are permanent in nature and it would not flow into FY2022 or something like that?

Jimmy Oza: If you recollect our earlier call last year overall we have saved around Rs.50 Crores in FY2021 of which we believe that roughly 50% of that would not be coming back it is permanent saving.

Sidhant: Do you expect some recovery from the third and the fourth quarter generally in sense how the new revenue opportunities are going to shape up, so like you were telling me that Rs.29 Crores was the full figure for FY2021 and you have mostly 30% to 40% in the first quarter only, so how do you see because currently it is around 50% of you total revenues with the new revenue opportunity, so do you still see the figure being the same around 50% or do you think that the revenue mix will change?

Ashit Kukian: Typically created business for us is around 20%, 23% of our values that we have, this quarter it may look as high as some 38% but I think in an efficient mode of management we will be around 20%, 25% of the overall revenue through the created part of the business, through our various endeavors and initiatives which we believe it is an efficient way of working towards organic business and the new business that we are talking about.

Sidhant: Okay, thank you so much. I will come back in the queue.

Moderator: Thank you very much. The next question is from the line of Mr. Jinesh Joshi from Prabhudas Lilladher. Please go ahead.

Jinesh Joshi: Thanks for the opportunity. Sir, in the opening remarks you mentioned that certain hanging markets like Mumbai, Delhi and Bangalore are operating at suboptimal levels, by when do you expect recovery in these markets and also if you can share on a steady state business what is the revenue contribution of these markets for us?

Ashit Kukian: I will start with the volume which is far more easily manageable from industry perspective. Typically you have the large markets contributing to close to about 28% of the volumes at a monthly level that levels have come down to 21%, 7% to 8% improvement is the scope that we have as these markets now gets normalized from the movement of the people, COVID cases coming down and that will be the upside that you will see both from a revenue as well as volume is concerned that contribution would be anywhere on a very superior yielded levels was anywhere between 40%, 45% which will be currently at a 31% from a value perspective, so it will be 8% to 9% by volume almost 14% to 15% of value differential that will happen when this gets normalized.

Jinesh Joshi: Okay Sir. Fair enough and that would evidently result into yield improvement and revenue will come back right that is the broad assumption?

Ashit Kukian: Perfect.

Jinesh Joshi: Sir, one last bookkeeping question, I just wanted to know the inventory utilization figures for the 28 legacy stations and back end stations?

Jimmy Oza: Overall inventory utilization is as of now at 26% in Q1.

Jinesh Joshi: Can you break it down between the legacy and back end?

Jimmy Oza: Earlier we used to look at legacy station and new stations now it has been four to five years of running new station and all have broken even, so from now on let us look at 35 stations all put together.

Ashit Kukian: I will just give you sense, to add onto what Jimmy said, typically large markets Mumbai, Delhi and Bangalore and the next markets will be around on a normalized year 90% to 100% utilization level. The smaller set of markets have yet not matured to the level that the larger markets are, in a good year they would have been at 60%, most of them are operating at 50% of the volume utilization at this point in time.

Jinesh Joshi: Okay Sir.

Moderator: Thank you. The next question is from the line of Gautami Desai from Chanakya Capital Services. Please go ahead.

Gautami Desai: Thank you for the opportunity. I do ask very basic questions why do not FMCG generally advertise on radio?

Ashit Kukian: FMCG for years have been lured by the television industry and the cream on it is that the television industry bends over backwards to ensure that they get the kind of rates that is expected so with that thought whatever in a situation where there is limitation of marketing funds they believe that the television industry is giving the rates and the threshold level of investment in that medium. Having said that it is not that the FMCG industries are not using in fact currently as I speak in this quarter food and soft drinks is the number one category for radio also, but the magnitude of spends given the largeness of the medium is what making it look miniscule, but I think over the last two or three years innovative way of getting them on board through radio and digitally something which the radio industry is trying and we are getting some conversions out there.

Gautami Desai: Okay, could one reason be that because radio does not have a proper measurement?

Ashit Kukian: To admit yes measurability will be a challenge but having said that today I think the proof of the bidding for lot of advertisers is when they do a specific activity and when they do a post activity research whether it is specific brands have also done top of mind recall for the brands through a specific scheme of things that we have done, there are clear ways of showing, but measurability with the kind of current situation and the cost involved continues to be a challenge. We are working with both current measurability is only which is rare in the markets four or five markets and IRS which is not a radio research per se, so one part of that will be your measurability, but I think through the various activities that we are doing like for example we did this activity for a specific client in Delhi when we gave them return about the number of test drives that has been done, so that is a form of measurability that happens, so they came and said that they want through the end of the campaign 10000 test drives we gave them 17000 test drives, so we are innovatively using newer ways to show the measurability through specific things that we are doing as a radio station.

Gautami Desai: Going forward do you have any hopes on measurability improving because I believe if I am not wrong you are present in one of the UAE countries where there is measurability I believe, can anything happen in India on that front?

Ashit Kukian: No, I think world over radio measurability is limited because of the high cost involved and limited scale of revenues that happens because if you look at the television people meter cost and the effort that is put because the industry ensures that has been taken and ploughed back into the measurability. Radio challenge is that we have a measurability issue, but having said that during the COVID we did AROI listenership which was funded by all the radio operators that clearly the radio listenership is shown on as well, so we are using those measurability as and when it happens, but if you are asking for a periodic measurability even the IRS is giving you measurability which is about one-and-a-half years back, so I do not know what measurability the industry is right now referring to, I think a lot of advertisers are going by the understanding of the medium and for us in a way the digital plus radio is also giving some form of measurability because when we do a specific traditional plus digital activity whether it is for views that you get, whether the engagement that we get in the form of interactions that is there, is being used by us to kind of get advertisers convinced about this whole radio plus digital plans that we talk about.

Gautami Desai: Thank you so much.

Moderator: Thank you very much. The next question is from the line of Anish Jobalia from Banyan Capital. Please go ahead.

Anish Jobalia: Good afternoon. Thank you for the opportunity. I hope my voice is audible to you. So just want to understand in terms of the various sectors, major sectors that we have, so to get our yields back could you kind of comment on which are the sectors which needs to come back strongly so that our pricing comes back, if you comment on that, that would be helpful?

Ashit Kukian: Categories like auto, finance are all categories which are high yield categories they have seen the value of the medium. Government of course is the only one we are constrained by the GLP rate that is there, but the rest of the categories which are big for us from a value perspective or these two large categories, electrical appliances, auto and finance and e-commerce of course.

Anish Jobalia: These are the ones which you are saying not doing well right now.

Ashit Kukian: No, these are the ones which is when they increase their spends the yield comes back because they are working at a higher ER as such because the value of the medium and they are willing to pay that extra premium as against real estate for that matter or a surrogate advertising so on and so forth.

Anish Jobalia: Just one question on the auto side, there are some challenges that auto customers are facing I do not know the extent of the challenges, but let us say the supply side is a semiconductor issue, so how is the response that or the feedback that you are seeing from your auto customers let us in terms of the preparation for the festival season, are things on track or you are seeing some muted response or feedback on them because of which our revenue could be impacted going forward in the next two quarters?

Ashit Kukian: If you see the first quarter has shown us well as far as the growth of the auto industry volumes are concerned number one. Number two with a lot of launches of products whether it is Hyundai, whether it is Maruti, Skoda, with the huge activity with Hyundai launch, so we do not see that happening right now at least in the first quarter our conversations has been that the scheduled plan of launches that is scheduled, a couple of new SUVs are being launched, so I think our auto we have not at least sensed that at this point in time about the backend and the operations part of the business, but from advertising part I think there are lot of conversations as we speak that is happening in this category.

Anish Jobalia: Okay fine. Thank you so much for the opportunity.

Moderator: Thank you very much. We have a next question from the line of Gurjot Ahluwalia, an Individual Investor. Please go ahead.

Gurjot Ahluwalia: Thank you for the opportunity. You talked about Q4 being returning to normalcy, if I look at the revenue in Q4 about Rs.42 Crores odd and if I just look back a couple of years the company had annual revenue of around Rs.325 Crores in 2019, so if we are talking about returning to normalcy around Rs.50 Crores this still barely was short of what it was a couple of weeks so do we ever see that kind of sort of revenue coming back in the near future or that is a long time away, given the Covid has changed the world?

Ashit Kukian: To answer your question I think we are very clear that we are not really, really chasing topline so much so as we are chasing the bottomline, so for us profits is far more important, also having said that on the backdrop of Rs.40 Crores, Rs.50 Crores of savings that we have done on cost is the endeavor is to say that two years back whatever topline we were doing and whatever bottomline we were driving at if we can do that at lesser the topline that is there and the bottomline which is what it was then I would say we are fairly successful. So honestly I am not really looking at the topline numbers, but yes as a goal for us is we are definitely looking at improving our profit positions and aiming towards two year back whatever that numbers are and all efforts from our side is towards that.

Gurjot Ahluwalia: You are saying that even with much smaller revenue let us say Rs.200 Crores, Rs.250 Crores you can see similar EBITDA margins?

Ashit Kukian: Clearly we would want to I mean the exact numbers we will pan out the way, we will go ahead, but yes, clear understanding is that we would not chase topline and numbers mindlessly, we will chase our profit numbers and having said that it could also happen that at a much lower topline numbers we would possibly deliver similar profits that we have done over a period of time.

Gurjot Ahluwalia: Secondly I wanted to sort of understand you were talked about that some of the key metro cities like Bangalore, Mumbai, Delhi are performing sub-optimally, so I also want to understand have you done any sort of analysis in terms of trend for these decent markets, major cities or tier 2 cities in the last two, three years and is there any significant impact of music streaming apps and then data have been so cheap that viewers are not sort of tuning in to radio that much in the last couple of years?

Ashit Kukian: I will just give you a different take on this. If you really look at in year 2000 consumer time spend was about one hour and it reached to three hours in 2010, in the beginning of 2020 that consumer time spend has moved to nine hours, this COVID has added to that nine hours, so for us if there is any streaming media it is happening over and above what the radio listenership is all about, in fact on the contrary radio listenership has increased in whatever little study we have done it has increased, so to answer your question there is no movement of consumers or listeners from radio to streaming media because radio delivers far more than what the streaming media platforms are giving right now at least the current indications are. Now coming to the financials through large platforms the kind of revenues that one is running and the kind of losses that is one is running and that is why we are very clear that we would rather be in a situation where we possibly have a sweet mix of both and ensure that the profits are taken care of.

Gurjot Ahluwalia: Okay, great. Alright. Thanks for clarifying and all the best.

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

Shailesh Gupta: Thank you everyone for joining us in this earning call. We would like to close this call now. Have a great week and be safe. Thank you.

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