"Entertainment Network (India) Limited Q3 FY20 Earnings Conference Call"

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MANAGEMENT: MR. PRASHANT PANDAY -- MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, ENTERTAINMENT NETWORK (INDIA) LIMITED
MR. N. SUBRAMANIAN -- EXECUTIVE DIRECTOR AND GROUP CFO, ENTERTAINMENT NETWORK (INDIA) LIMITED

Moderator Ladies and gentlemen, good day, and welcome to the Entertainment Network (India) Limited Q3 FY20 Earnings Conference Call. We have with us today, Mr. Prashant Panday -- MD and CEO, Entertainment Network (India) Limited; and Mr. N. Subramanian -- Executive Director and Group CFO, Entertainment Network (India) Limited.

As a reminder, all participant lines will be in the listen-only mode. 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 this conference is being recorded.

I now hand the conference over to Mr. Prashant Panday. Thank you and over to you, sir.

Prashant Panday: Thank you very much, and welcome to this investor conference call, ladies and gentlemen. Let me just start with giving you the highlights of the quarter.

I had mentioned earlier in the press statement that this has perhaps been the worst quarter in the entire media and entertainment industry in the last 10 years and when I said that I was actually referring to the period of September 2008, which was the year when the global financial crisis that hit the world. The difference between the crisis of that years and the situation today is, of course, that the crisis then was caused by global factors and the Indian economy had continued to remain fairly buoyant. And with the result at the slowdown back in 2008 - 2009 had lasted for barely four or five months.

This slowdown, on the other hand, is entirely on account or mostly on account of domestic factors that too factors connected with consumption. And as you know, the advertising industry and the media and entertainment industry depends very strongly on consumption and consumer products, and it is the result of that, that we are finding that this has been a very bad quarter for the entire media and entertainment industry.

The slowdown really started in the first quarter itself. So, we have had three bad quarters, except that for the radio industry, the months of April and May were good because of the political advertising that we got around the general elections. But from June onwards, the results of the media and entertainment industry have generally been pretty poor. The television industry has had a good two or three quarters, simply because of the new telecom order, which came into effect sometime around February last year. But going by what has been happening on the regulatory side, it appears that they will also have a troubled next 12 months on the distribution side if the revised new telecom order is indeed implemented. The print business continues to be in trouble.

Overall the third quarter has been bad for every segment of the media industry. And with that background, I want to just come to ENIL and tell you very briefly about the numbers. Then, I would really like to take the opportunity to talk to you about our strategy about how we are actually using this tough period to become stronger and as soon as the environment improves, we should bounce back really strongly. And I want to talk about focus on that more than on anything else.

But first, the quarter's revenues overall were Rs. 145.7 crores. The reported number last year was Rs. 200.9 crores. Now, if you remember, we had done two big international concerts or concerts featuring international artists last year. One was the Bryan Adams concert and the other was featuring Martin Garrix. Now the two concerts were an experiment that ENIL had undertaken. We have experimented with several products in the last several years and that is the way we have managed to grow our product portfolio.

Unfortunately, this experiment with international artists was not a happy one and we had incurred a loss of almost Rs. 9.5 crore on a top line of about approximately Rs. 30 crores on these two concerts last year. Since we have discontinued that business at least in this year and in the near future, it would be better to remove those numbers both at the revenue and margin level and then compare the business performance of this quarter. So, if we will do that then the revenue in the same period last year would be Rs. 171.5 crores, which would reflect that the revenues this quarter are down by 15%. And within that 15%, the radio business is down by 19%; the reported solutions business is down by 5.5%.

However, I must clarify here that there were a couple of the delayed IPs one related to the SBI Green Marathon, where a few cities have been pushed from Q3 to Q4. And one related to the Mirchi Music Award South Edition, which again has got pushed from the third quarter to the fourth quarter. Had it not been for this period shift, the solution business would have actually reported (+3.1%) growth. So, the solutions business in short remains strong and has given support to be radio business, which clearly has been on a weak footing in this particular quarter.

In the radio business, the biggest contributor to the shortfall has been the Central Government advertising, which contributes to nearly, approximately 35% of the shortfall in revenues or a big drop in revenues that they have seen at this particular quarter.

Now, coming to EBITDA, the underlying EBITDA was Rs. 31.7 crore, the reported underlying last year was Rs. 40.4 crore. However, in fairness, if we were to remove the loss incurred on account of the concert featuring international artists, then the correct base of last year was Rs. 49.9 crore, which means that the EBITDA this quarter has fallen by 36.5%. It is not a very surprising thing in the radio business, as you will know by now, that when the revenues fall, the impact on EBITDA and PAT tends to be larger because of the operating leverage that guides this business.

However, now let me come to some of the better talking points about the quarter. The first I already mentioned to you was that the solutions business if you were to remove the period effect has actually grown by 3.1%. Even on a reported basis, it has degrown by nearly 5.5% I think that the solution business continues to remain on a very strong footing. And I must make the point over here that in today's weak market brands and companies which are able to think about the client first and the client's problem first, are the ones that are likely to succeed and the ones which will gain in strength going forward.

The solution business that we have got, which accounts for almost a third of the quarter's revenue is built on basically addressing the client problems first and that is the reason why it has been reporting sustained growth over the last three to four years.

Now, the other thing, I wanted to talk about is that the share of the radio business has grown by about 1.2 percentage point compared to last year. The Mirchi share is now approximately 30.3% of the revenues of the radio industry compared to 29.1% last year.

Coming to a very important attribute again, a very good story is how the radio listenership numbers overall continue to grow. As you know, the IRS came out after a gap of several years for the first time in January 2018, research which they call IRS 2017. It has subsequently been followed by three waves of IRS quarter 2019. And if I were to look at the latest IRS numbers and compare that with the 2017 numbers released in January 2018, the weekly radio listenership has grown by 7.3%. So any fear that you may have that the music OTTs like Saavn and Gaana and Spotify are eating into FM radios listenership, they are unfounded. FM radio has its own place, and it has grown at 7.3% in approximately the last 1.5 to 2 years.

But the good news is that in the same period of time Radio Mirchi's listenership has grown by 16%. In other words, we have beaten the market growth by a factor of more than 2.2x, which again shows that the brand is becoming stronger. As you know, when the conditions become very tough, the weaker players tend to become weak and the stronger players become stronger. We are actually seeing that in operation right now. Another indicator of the strength of the Mirchi business is that despite the weakness of the quarter, Mirchi's pricing has not suffered, it has remained absolutely flat compared to the same period last year.

In fact, if I take the top eight markets, the pricing is slightly up at 1.3%. If I will take the entire 35 legacy stations of Mirchi, the pricing is down 0.7%. So broadly speaking, the pricing has been flat, which is very good news because otherwise, it becomes very difficult to recover pricing. The slowdown this time has a very peculiar nature. The drop has been in volume terms not in pricing term, unlike in 2008 - 2009, when we have suffered a huge erosion in pricing.

The volumes of 35 legacy stations are down by approximately 20%. The capacity utilization is at a pretty low 78% at this point in time, which means that we are waiting for the recovery to happen. As soon as the recovery happens, we will come out all guns blazing in recovering the lost ground that this quarter has witnessed.

I must tell you one other thing that advertising is classically the kind of spend that clients find easy to cut for a temporary period of time when the slow down hits their business. But advertising is also the kind of medicine that you cannot live without for very long. So, it is a question of time before advertiser's starts coming back to the media and start spending on advertising because the market will open up the advertising business and will regain its strength. And when that happens, as I mentioned, Mirchi will be right at the forefront.

Now, one very, very important and very good news to share with you is that the margins on the solution business have been constantly growing. In the third quarter of this year, the margins have now touched 35.3%. These are gross margins; they have touched 35.3% the comparative number last year in the third quarter was 29.6%. And in the third quarter of FY18 was 25.1%. So that is three quarters of successive growth in margins. If I were to take full year numbers FY18, had ended at 30.0% margin; FY19 was an improvement at 32.1% and for the nine months of FY20, the margin is 39.5%. So, this is a really strong improvement in gross margins of the solution business. And this has come because of a concerted effort the company has made in keeping the costs down and in selling better. As you know, margins improve either when revenues go up or when costs come down, we are working at both those fronts.

The important thing to remember is that the company is now very, very strongly positioned as a solution provider. And what I mean is the following. Let us say if you are a brand called Pepsi or Hindustan Unilever, some brands say Lux. And you have a marketing challenge, let us say in Coimbatore or in Vadodara or in Jalandhar, you come to Mirchi, Mirchi will give you a solution specific to these cities. And we can give you three different solutions for these three different cities. And the solution will have radio, it will have digital, it will have videos, it will have our influencers, which are our RJs, it will have an on ground element as required. And if required, we can even buy and package in print or local television. So, if a full 360 degree approach we take to solutions, that is the positioning of ENIL. We do not have any competition, or we have very limited competition in this space. And this is the reason why the solution business has been growing.

One last point is that the strength of our YouTube business, or in other words, the video business, we have a channel called Filmy Mirchi, which is now India's largest independent entertainment channel on YouTube with 4.8 million subscribers. We have a channel called Mirchi Murga, which is an inch away from touching 2 million subscribers. We have strong Tamil and Bangla channels going towards 1 million subscribers. It is a matter of time before ENIL becomes the biggest MCN having 1 million plus vernacular channels in several languages. That is the unique strength of our solution business that we have a strong YouTube channel to back over solution business.

With respect to the Company's stock price, our stock price has been down, the Board is aware about the matter. But in the past also we have seen that when the advertising business is under pressure, the stock does go down. But every time that the economics come back and the advertising businesses come back, the stock has actually scaled new highs. So, we remain optimistic about the performance of the stock going forward.

And last point is with respect to the Company's dividend policy, as announced in the previous quarter's investor conference call, the Board has ceased off the matter and we will stick to our schedule announced earlier, which is to announce the dividend policy, the dividend declaration policy by the end of the financial year.

With that, I open the floor up for any questions. I have Subramanian with me, who is our Group CFO, as you are aware. Thank you very much.

Moderator: Thank you very much. We will now begin the Question-and-Answer Session. First question is from the line of Manoj Duva from Geometric Securities. Please go ahead.

Manoj Duva: Sir, in solution business, earlier we were growing despite bad economic condition. So it was growing very fast, it shows we are good at it and we have increased our margin that means we have been efficient also in it. So going forward from Q4, how to look at it? Is it an aberration that solutions business will grow in this quarter? Or we will continue growing as previous quarters?

Prashant Panday: Well, Manoj, thank you for the question and I think it is an aberration. Like I mentioned to you, there were a couple of events IPs that got pushed from third quarter to fourth quarter for entirely unavoidable reasons like rains in Chennai and other such things. So, I do not think that this will repeat, we do expect that the solution business should grow consistently in the quarters to come.

Manoj Duva: Okay. Secondly, you mentioned that you will formulate dividend policy at the end of the year. So this is a request from shareholders it should be done as soon as possible, you are also increasing it. Because most of them in the stock prices are down, investors have to sometime sell their share despite because of need of some cash or something. Fortunately, we have cash as a company, we generate cash as a company and we do not need cash to grow even our targets are high. So thank you for taking into consideration. Thank you.

Moderator: Thank you. Next question is from the line of Senthil Kamraj from Haitong Financial. Please go ahead.

Senthil Kamraj: So how do you view Central Government's spending pattern. Do you expect for revival or how long do you think that the spending will remain muted?

Prashant Panday: Well, frankly, we do not have any response from the government yet on this. And to be honest, we are surprised by the very, very, low spending. Currently, we do not have any indication that they are opening up the spending, I think they will also wait for the economy to grow a bit because possibly that is the reason why they are not spending. But the government has announced many, many programs. And sooner or later they will have to communicate those programs. So maybe it is a temporary period of no advertising or less advertising, but we expect that it will go back to regular advertising in a few months time.

Senthil Kamraj: Okay, sir. My second question is with respect to the digital platforms like you are planning to produce contents and sell it to other streaming OTT platforms. So how is it shaping up?

Prashant Panday: Well, it has been a very, very good experience, we have had so far. We sold our content last year. This year also we have done a deal with the MX Player to sell them 10 different shows, with total almost 15 hours of original video content. We are in talks with several other brands and other platforms. And we have a pipeline of nearly 20 other shows that we are picking in the market and we do expect to get some closures on that. So, yes, it is early days. But we see rapid expansion in the original content business?

Moderator: Thank you. The next question is a follow-up question from the line of Manoj Duva from Geometric Securities. Please go ahead.

Manoj Duva: Sir, we read your interview in Business Standard also that we are confident about solution business going forward. Now we have achieved some margin also, but market as a whole is still not able to understand your business solution. So, why not we do some analyst call annually to explain, not call like Investor Day or something where you can more able to explain what is a solution business, what gives you confidence that you can grow for next four - five years at double-digit? So, I think that would be nice.

Prashant Panday: Well, we have Manoj, a lot of case studies that we show and showcase to investors as and when we get a chance to meet with them. So yes, I would be very happy to take your idea and go roll with it. And if anybody is interested in understanding this business more, we are happy to meet them face to face and give them many examples of this.

Moderator: Thank you. Next question is from the line of Srinivas Seshadri from Mirabilis. Please go ahead.

Srinivas Seshadri: One on the solution business, like can you share like what in the contribution of the solution business to the top line on a nine month basis?

N. Subramanian: It is around 32% during the quarter and as Prashant has explained over several phone calls, we see the share of the solutions business heading to around 50% in the next two, three years. So, because we expect this segment to grow faster, the solutions business, as Prashant has explained, has got multiple elements. It's a video component, it has got a digital component, it is an onground component, while there are challenges in scaling up the on ground competent quite significantly, for a company like us. What we are trying to do now is to increase the share of digital in all of our solutions and this is what clients also need. So on the back of an IR digital competent, we expect the solutions business to grow stronger and also improve our margins. Importantly, the solutions business we are looking to add one very high margin activity, discussions are on, if that happens, we will see even more faster growth in our solutions business. At the moment, we are in talks, we do not know how it will conclude. But if it does happen, we will see faster growth in our solutions margins.

Srinivas Seshadri: On this, can you give us some more clarity on what you are talking about here, when you are saying high margin activity like…

N. Subramanian: Basically, if you look at our solutions business, it has broadly three companies, it has got media solutions, it has got IP products, and it also has got a digital leg. Typically, the media solutions component has higher margins, the IP component, clients love it, they want more of it. But then, it takes time to gain traction there and that is a slightly lower EBITDA margin. And digital of course, in our case has a good margin, but in terms of scale, it is smaller. We expect to add a few more media solutions, which will improve the overall margin profile of this business even further. We have seen good traction in the margin side, this quarter has been a bit of an abrasion on the revenue side because we have seen a big crash in media spends. So, given that we believe that the performance of our solutions business is pretty good because if you account for the postponement there is positive growth. I am not aware of a single media company, which has seen an advertising growth during the quarter. So given that context, I think it has done well. But we are working on improving margins and also scale in our solutions business.

Srinivas Seshadri: Okay. And so just to understand the overall impact on the FCT business also. Now, how much of the FCT business comes as a bundle kind of service, which includes solutions and FCT?

Prashant Panday: So, all types of deals have come into the market, there are a lot of clients, who basically are just looking at getting a radio deal from us and, we do give them the radio deal. But in which case typically the client will buy other media and they will create their own solution. But increasingly what clients are wanting is that they want to actually their media partners to give some ideas and solutions on solving particular problems. Now, normally what happens is that the creative agency creates solutions for the client, the media agency buys the media. But in today's world, if a company like us goes and gives a city-centric solutions, like I was mentioning earlier in the call, if the client has a problem let us say only in Kolkata, then it is unlikely that they will use their creative agency and media agency to address the problem. Because typically creative agencies and media agencies work on very big ideas and big pitches and big budgets and all India level kind of operations, but they do not have the requisite skills to find solutions at a city level. Like it would be very difficult for a media agency to find to shoot a video in the city of Kolkata alone and to find influencers in Kolkata who would actually be able to spread the message or to find YouTube channels in Calcutta, which would be able to carry that content, it is very difficult and media agencies will struggle to do it, which is where we step in, because we not only have creative ideas. But we also have the assets to carry those creative ideas. We have the YouTube channel, we have the influencers, we have the radio station, we have 20 years of experience in on ground. We combine all of that and that is what actually works. That is why the solution businesses are going to be the thrust for us in the future.

Srinivas Seshadri: Okay. And this is just one clarification here. Like, can you also talk about the working capital metrics of the solution business or even the fixed capital, if anything meaningful? How does that compare with the FCT business for us?

Prashant Panday: Srinivas, as we have mentioned earlier. The investment in the business is very, very low. is largely working capital led or I should say, almost working capital led because the only investment that we have is some of the digital assets, the cameras that we need to sort of buy for this purpose. So, in terms of investments specific amounts with this quarter, we had an investment of approximately Rs. 19 crores in our non-FCT business.

Srinivas Seshadri: Rs. 19 crores?

Prashant Panday: One-nine.

Srinivas Seshadri: Okay. And that corresponds to a revenue of you said one-third of the….

Prashant Panday: Exactly, yes. Basically, you can assume an investment of about Rs. 20 crores. So this year, we should close over Rs. 200 crores as non-FCT revenue.

N. Subramanian: In this quarter our non-FCT revenue was Rs. 47 crores.

Srinivas Seshadri: Rs. 47 crores, okay. So around Rs. 200 crores of revenue and a margin of like sustainable margin of like high-teens on that, the capital deployed corresponds to….

N. Subramanian: Basically, if you look at our EBITDA margin in this business, this quarter, the EBITDA margin has been 16.9% and YTD has been 18.9%. So, we expect this year FY20 number to be a little shy of 20%. But as we said, we are adding a lot of competence to our non-FCT business. This should get us to a much better number than where we are currently.

Srinivas Seshadri: On our return on capital basis, these businesses is saying accretive to the overall….

Prashant Panday: Yes, absolutely. And it also adds value to the client. So automatically, you will see a good margin profile for this business.

Moderator: Thank you. We have a follow-up from the line of Manoj Duva from Geometric Securities. Please go ahead.

Manoj Duva: You have improved your gross margin in solution business by approximately 8% to 9%, can you contribute what are the factors which helped you to improve the gross margin in solution business becoming a part of your business, what changes you are taking at the company level going forward on this?

Prashant Panday: I could not hear your question very clearly. But from what I gather, you are asking us about the factors which have contributed to the margin expansion. Is that right?

Manoj Duva: Yes.

Prashant Panday: Okay. As I mentioned earlier, the margin contribution depends on two things, obviously revenue generation and the cost management. On the cost management because we are a very large spender on these solution businesses now. We have extracting more value from our vendors on the back of a stronger spent pattern that we have got. So, we are working at getting more margins out from our vendors. But more importantly, on the revenue side, we are designing better IPs. We are launching them earlier in the market. We are selling them for longer and therefore, we are able to monetize them much better. So, the marginal enhancement comes from both these factors.

Manoj Duva: Okay. And what are the changes you are doing in the company for going forward? Because the solution business is now becoming a big part of your revenue?

Prashant Panday: Good question, Manoj. Basically, the strategy of the company has been to build a solutions business into a strong pillar. To support this strategy, there is a huge people structure that has been created. But so that we do not add too much overhead or too much costs to the solution business. What we are basically doing is that we are replacing people from the radio business into the solution business wherever it is possible. So, since the radio business is an area of major strength for us and because our revenue market share is rising and, we know all the clients so, we are able to basically withdraw a few people from the radio business especially in some of these cities where we have some room to do that and the room that we are creating is something that we are putting behind the solution business. So this year as well and in the years to come, we expect that these solutions team will become bigger and stronger in every area be it in selling, be it in product designing, be it in creative, be it in commercial negotiations, we expect the solutions team to become stronger and we expect that the radio team will proportionately become more efficient and better organized.

Manoj Duva: Okay. Subramanian Ji told that we invest in Rs. 19 crores in solution business this quarter, is this right?

N. Subramanian: Yes, so that is the closing investment. That is not an additional investment. That is one nine. That is the working capital position.

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

Rohit Dokania: I am sorry, I joined the call a bit late, if it is repeat. Can you give the breakup of core radio revenue and solutions revenue and the EBITDA also for both the segments?

Prashant Panday: On the EBITDA margin we have put it out in the investor update that we have circulated. The non-FCT EBITDA margin this quarter, the gross margin and the EBITDA margin both we have given, the gross margin is 35.3% and the margin is 16.9%. Our non-FCT revenues degrew by 5.5%. But that was also due to some postponement. And also, without considering international concerts. Net of postponement, we actually saw a growth of 3.1%. There are two activities that we have planned to do in the current quarter, they are getting done in the subsequent quarter that is January, March quarter.

Rohit Dokania: So, this is a timing issue basically.

Prashant Panday: It is a timing issue, right. Our FCT business has declined by approximately Rs. 20 crores.

Rohit Dokania: Okay, got it, sir. The other question that I had sir, if I look at your overall revenue growth for the first nine months, it is about a 9% decline and the employee cost I think, as far as that is about flattish odd. I was just wondering, will Q4 generally see a large sort of write-off I would assume that you continue the provision for employee bonuses and all that, assuming that your targets for the year will be met. But let us if the targets are not met given the overall slowdown. Could there be larger a large reversal that one could see as far as Q4 is concerned?

Prashant Panday: Not this year. In the earlier years, you were seeing a larger reversal closer to quarter four if the numbers were not met. This year we have done it based on each quarter, so you would not see the type of reversal that you saw last year.

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

Deepesh Kashyap: Sir, your radio revenues declined by 19% and you said the pricing was stable. So it was mainly led by volumes, is that correct, sir?

N. Subramanian: Yes, it will be led by volumes. Yes.

Deepesh Kashyap: Okay. So, can you give a sector-wise color like how were the growth trends in the various sectors?

N. Subramanian: Basically, all the sectors have done poorly. But there were two or three sectors which stood out for doing well. One was the auto sector, which has been doing well quarter-on-quarter. Clearly, because the auto dealerships were liquidating stocks before the BS-VI comes about and of course before the season of Diwali and all of that. So that has grown, I think about 6% or thereabouts in volume terms. And the other is the real estate has done well for us. It was a little better not a big jump. We have seen a 5% growth in real estate. But other than that, all of the sectors have registered a decline, some improvement in media and entertainment as well for us. But the big jump as Prashant said is mostly in the auto. Cement companies have also advertised to more than what they did last year.

Prashant Panday: Yes. And the other sector also, in addition to what Subu said is basically organized retail, what we call organized retail, it has basically remained flat, which in today's world is considered to be a good sign. Because again, a lot of our consumer offers were running throughout the season and I think radio is a popular medium to use for that.

Deepesh Kashyap: Right. Sir, what was the contribution of Central Government in your radio revenues this quarter?

Prashant Panday: I mean the revenues fell by Rs. 7.8 crores, it fell by 85%.

N. Subramanian: The share of government department is about 5.9% in our radio revenues. It was 8% last year.

Deepesh Kashyap: But that includes Central Government as well.

N. Subramanian: We do have a separate breakup, but we will give that to you separately later.

Prashant Panday: But of the 5% to 9% Central Government would possibly be under 2%.

Deepesh Kashyap: Right. So sir, Central Government has been like not advertising at all in this particular year. So like, going for the fourth quarter, I think it should be your base, right? So going forward, this impact should not feel that much in your numbers. Is that correct understanding?

Prashant Panday: We do not believe that we have no news about February at least. So, I think this quarter also is a washout as far as Central Government advertising is concerned. Remember, State Government advertising continues at the same level as last year. In fact, there is a small uptick in the State Government advertising but Central Government advertising in Q4 is unlikely to start. So, I think that maybe in the second year and I remember that in the first Modi Government, the second year was a strong year for advertising. So, well, we remain hopeful of that.

Deepesh Kashyap: Sure. And sir, lastly, what is the update on the TV Today acquisition, why it is getting delayed?

N. Subramanian: No, we have mentioned in the call earlier that the government is not approving it. That is why the deal is not going through, but the marketing arrangement that we have with TV Today continues. ,As we said, the restrictions are on buying the station and running it. There is no restriction on the marketing arrangement that has been in place for the last couple of years. And that arrangement continues.

Deepesh Kashyap: Given the fall in the valuation of the listed companies, do you think you will negotiate with TV Today for the three stations that you have, or do you got the same originality?

N. Subramanian: We will talk about it at the appropriate time. I think that is not relevant today.

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

Rajiv Bharti: Sir, I just wanted utilization numbers for your top eight, next 27, batch one and batch two.

Prashant Panday: Yes. Just a minute. So, the overall capacity utilization for the Company is 49.5% for the migrated stations which is 35 is around 78% for batch one it is close to 30%. And batch two stations it is around 18%.

Rajiv Bharti: Okay. And if you can give a like-to-like number for the last year, where has it fallen from?

Prashant Panday: So migrated stations from 97 it has come down to 78. For batch one, it does come down from 39 to roughly about 30. And for batch two stations, it has improved 12% to about 18%. But batch two, I also assume I think we had fewer stations last year. So, the increase is on an IR base in the current quarter. So, batch two we have seen an improvement, but they are newly launched stations.

Rajiv Bharti: Okay. And your usual breakeven for at a unit level must be close to 35 odd percent below that at a station level there should be a loss.

N. Subramanian: It varies, and it depends on the model because many stations and network station so, the cost structure there is much lesser and then there are stations which are full-fledged operational stations then the cost over there are higher. But even in this very bad quarter, the batch one stations have reported positive EBITDA and even batch two the EBITDA has improved dramatically. It was a loss of Rs. 1 crore in the same quarter last year. I think Rs. 16lakh is the EBITDA loss at the batch two sessions this quarter.

Rajiv Bharti: Okay. Sir, on the solutions business, the ways you have dissect the business media solutions, IP and digital. Is that a broad proportion where we are and where we were, let us say year and two back. And now which proportion is moving faster?

Prashant Panday: Okay, so the digital component is still small, I think it is only about 2% of the Company's revenue, but we expect to end at 3%. And in the years to come, that will go to 10% or thereabouts. But right now, it is small. Between media solutions and IP solutions, more or less media solutions and IP solutions are both about the same size. But if you look at if you see where we are going in the future media solutions will grow far faster than the IP solutions. IP solutions have a strong on-ground component and as Subu mentioned earlier, on ground components are more difficult to scale up. Also, on ground based IPs are more vulnerable to an economic slowdown because they are based on sponsorships and ticket sales and those kind of things. So, in the next couple of years, I think that the IP solutions growth will be slower than the media solution growth. Media solutions are going to grow very fast simply because the clients are desperately seeking solutions to their own problems.

Rajiv Bharti: Sure. And sir, in terms of market share, the number of you mentioned that the listenership number has, you are growing at 16% versus the industry growing at 7.3% where are you taking the market share from?

Prashant Panday: So, this is listenership numbers. In listenership, the market itself is also expanded. The market expanded by 7%. We grew by 16% does not mean that we have taken share away from somebody, what if there is multiple listenership as you know, right. So somebody may be listening to Mirchi but somebody may be listening to two other radio stations as well. So, when we increase by 16%, what it means is that there are more people listening to Mirchi some of them were not listening to Mirchi two years back. They were listening to some other radio station earlier. Maybe they are still listening to the radio station, but they have also started listening to Mirchi. So Mirchi's reach has increased and then there are a few stations whose reach has actually come down, I do not want to take the name over here, but there are few stations whose reach has actually come down. But remember, this is multiple listenership. So, I may be listening to more than one radio stations.

Rajiv Bharti: But you are not taking let us say the viewership or the listenership away from other mediums. Radio is taking away from let us say some other….

Prashant Panday: Okay, let me just explain. The numbers are very small right now. Radio monthly reach is about 220 million. Newspaper is about 420 million and television is 800 million. So, radio is a very small number at this point in time even compared to newspapers. Now remember, a reason for this is simply that the radio is not available across the country. There are 80,000 newspapers in India and they are spread across the length and breadth of the country. So, in parts where radio and newspapers both are available radio beats newspapers hollow. Because radio listenership and reach is far higher than newspaper listenership and reach. But, because overall the number is still small, the number can only grow and that is what we are seeing. If you saw the number of devices also which carry radio tuners is going up every passing quarter in every passing year. Just to give you one statistic the in-car listenership, right, the listenership of radio inside car has increased by 60% in just two years, and weekly listenership used to be about 20 odd million, it is now 35 odd million or 32 odd million. So high profile listening, which is more richer people in bigger cities the radio consumption is actually increasing very strongly. So those are factors. But yes, it is not really that it needs to grab from another medium. This medium is still small, it is growing to find its rightful place in the overall bouquet of media.

Rajiv Bharti: Sure. And sir, lastly, in terms of this podcast, something came to podcast or some long format, which you were talking about some time back of experimenting because the utilizations are low. Are we trying to do something there and an experiment there and see how it goes because we see that let us say especially on like say Spotify, there are various formats have been tried.

Prashant Panday: Yes. So original podcast or original audio is something that is of fair interest in our company. We recognize that it is not a big commercial opportunity at this point in time. But we also recognize that there is it is a niche market for a lot of upscale and certain type of people who prefer audio. So yes, we are making a fair number of podcast. We are placing these podcasts on as many as seven different platforms. So, our podcasts were available on Spotify. Our podcasts are available on Apple. Our podcasts are available on many such platforms. But in all honesty, there is no revenue consideration at this point in time. It is more a foot in the door strategy. But we are hoping to get a few anchor sponsors, who are interested in the audio podcast and if that happens, then we will actually be in business.

Moderator: Thank you. The next question is from the line of Amit Gambhir, he is an Individual Investor. Please go ahead.

Amit Gambhir: Sir, when you say that listenership is grown by 16%. How do you measure the listenership? Is it some minutes per day minimum that you will count as listenership? How is it like?

Prashant Panday: The measurement is a common currency called IRS or what used to be called earlier Indian Readership Survey. The IRS is India's biggest media research. The sample size is more than 300,000 respondents, the research is done all over India. It is continuous research, every month there is more research happening and it happens throughout the year. So, the radio listenership is measured in the same way as newspapers, television and online listenership is measured or consumption is measured in IRS, which is basically that the interviewer asks the respondent about the consumption of radio yesterday and then they notify that numbers. Then they ask questions about how long they heard, which station they heard, how long they heard it, what day part they heard it? Those kind of questions are asked and then they are extrapolated and presented. So yes, the number that I am giving you 16% higher is reach number, which means how many more people are listening to Mirchi. If there are 37 million people who are listening to Mirchi on a weekly basis, this number was 32 million, just two years back. So, we have added 5 million listeners in the last two years.

Amit Gambhir: Thanks, got it. And sir, can you give us split of this listenership in terms of like how much is out of home and how much is like in-car? And how has that shift changed over time? Yes.

Prashant Panday: Yes. There is a lot of data available and if there is something specific in it, I can give it to you later. But for now, let me give you this answer at a category level and at an industry level. At an industry level, there are 118 million weekly listeners of radio. Approximately 35 million are listening in car. Approximately I think, 100 million or 110 million are listening on the mobile phone. And then, there are I think 60-70 million people who are listening on the radios, transistors, those kinds of devices. So, this will add up to more than 118 million because again there is multiple device consumption I may be listening on a mobile phone also and in the car also and on the stereo system also. So, yes,the big three components are mobile phones, car stereos and home stereo systems.

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

Rohit Dokania: Just two quick questions. Prashant, can you talk about how the quarter has been, almost half the quarter is over. I understand giving an outlook would be difficult. But at least, how things have been is the run rate of radio, equally poor as we have seen in the last two quarters I am talking of core radio or is there any signs of improvement that we are seeing?

Prashant Panday: Well, Rohit, at the beginning of the call I had mentioned that this particular slowdown that we are seeing in India is of a severe nature. It has been around since the first quarter of this year, which is from April. And in the fourth quarter, which we are now in, there does not seem to be any relief. In other words, this whole year, has been a bad year and I was hazarding a guess as to why that is. So, because it is more consumption led and typically when it is more consumption led then the whole battalion of advertisers are kind of being careful with their advertising spends. But I also mentioned that advertising spends you can cut for a short period of time. But, in the long run to cut advertising spends damages your business. So, I think that advertisers will come back. But they are just waiting for a little queue in the market. I mean, we are a good PMI number this month, in fact, a very strong PMI manufacturing number, I think 54 or something, a couple of good data points that are may be on the credit side. And I think this whole thing about the demand contraction and all has been going around for a very long time. And I do not think that you can replace it for too long. We are remaining optimistic but specifically to your question, the fourth quarter looks as weak as the only three quarters.

Rohit Dokania: Sure. Got it. Quick one for Subu, so the EBITDA numbers that you have mentioned in the PPT for the batch one, batch two, they are excluding any positive benefits from IndAS, right?

N. Subramanian: The batch one numbers include the benefits from IndAS We have also given you the impact of IndAS separately.

Rohit Dokania: Yes, but the impact is for the overall network. And, so earlier it was helpful when used to sort of break out the EBITDA, will it be possible for you to…

Prashant Panday: Okay. We can take that offline Rohit, we will give there. So yes, we have consolidated IndAS in fact, we have not given you batch one and batch two impact separately, but we will give you that number

Moderator: Thank you. Sir would you like to go ahead with the closing comments

Prashant Panday: Thank you for the call. And if there are any more questions, we would be happy to do a face-to-face or take questions on email. Thank you very much.

Moderator: Thank you so much, sir. On behalf of Entertainment Network (India) Limited, we conclude this conference. Thank you for joining us and you may now disconnect your lines.