“Entertainment Network India Limited
Q4 FY2019 Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to Entertainment Network India Limited Q4 FY19 Earnings Conference Call. We have with us today on the call, Mr. Prashant Panday, MD & CEO and Mr. N. Subramanian, ED & Group CFO. 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prashant Panday, MD & CEO. Thank you and over to you Sir!

Prashant Panday: Thank you, Zaid and ladies and gentlemen, welcome to this investor conference. I am assuming that you have read the financial presentation that was e-mailed to you. For the benefit of those who have not read it, I would just like to read out a few of the headline numbers and then tell you in detail about what happened during the quarter and during the year.

During the quarter, the revenues of the company have grown by 10.1% and touched Rs.175.5 Crore, EBITDA has grown by 23.6% and hit Rs.43.8 Crore, and PAT has hit Rs.19.8 Crore and grown by 69.2%.

For the full year FY19, our revenues are up 15.5% to Rs.620.5 Crore, EBITDA is up 19.9% to Rs.139.8 Crore and PAT is up 53.4% to Rs.53.9 Crore. These are the broad numbers but let us look in terms of the company strategy, and how we are faring versus the company strategy.

We have been talking about this for many years that the company is following a strategy of developing its radio business and which is why we invested significantly during phase 3 auctions, but also about developing in a very strong way what we call the solutions business, which is sometimes also referred as the non-radio business. We have been doing the solutions business for more than 10 years and over the last 10 years, we have been adding new products every few years. Today in the solutions business, we have multiple products including activations, concerts, multimedia solutions, television IP properties, digital, international and other things that we do in the non-radio business or the solutions business.

Let me explain to you the results of the company from a perspective of strategy. Rs.100 Crore is from radio and the remaining Rs.75 Crore is from the solutions business in Q4. The solutions business has become so big that out of Rs.175 Crore, Rs.75 Crore is coming from it.

Looking on a full year basis, of Rs.620 Crore revenues, Rs.215 Crore approximately has come from solutions businesses and more than Rs.400 Crore has come from radio business.

This gives you a flavor of where we are as a company. We are a diversified company. We are no longer a radio alone company. We have been doing this for more than 10 years and today as you will notice, there has been substantial contribution coming from the solutions business. I must also point out to you that the radio business, which I mentioned to you is approximately Rs.100 Crore, is flat in growth during the quarter. During the year, the radio business grew by a very healthy and respectable 13%.

The reason for this business being so flat in the fourth quarter is that the economy is in a weak position. A couple of days back, there was a report, which said that the GDP growth expected in the fourth quarter is somewhere in the region of 5.9% to 6.1%, and we in the media and entertainment business are actually in the vanguard of how the economy is progressing. We have seen that in the fourth quarter, the economy has been spluttering. We have seen our advertisers trying to balance their own businesses and we have also seen the impact that it had on the advertising business. You would have seen across media whether it is newspapers, where a leading English newspaper reported as much as 13% degrowth or news television channels, some of which have reported very significant negative numbers, and even Hindi newspapers, which have reported 8% to 10% growth, but largely on the back of DAVP price hike, so private business in the fourth quarter has been weak and has been felt across the media sector.

Let me give you some specifics with respect to the radio business. Some of the most important categories of advertisers on radio are BFI, auto, real estate, organized retail and FMCG, and all these sectors have reported a volume degrowth in the fourth quarter. BFI is down by 19% and we know what is happening in the BFI and the NBFC sectors, for the last six months. The real estate sector has been badly down by 26% in volume. Again, the real estate sector suffered yet another setback due to the NBFC crisis. The auto sector’s advertising on radio is down by 10% in volume terms on the back of NBFC issues, on the back of insurance issues and several other issues. Organized retail is down 9% in volumes and even FMCG is down by 8% on volumes. The only two sectors, which have sustained the growth in this quarter, have been government spending, which have been up about 5%, but last year in the fourth quarter, government volumes had gone up by 68%. On top of 68% growth, there is another 5% growth in this quarter, so government has been a big spender not only on radio but across media. E-commerce in general has also been a big advertiser on all media and so also on radio.

The business is buffeted by bad news in the fourth quarter and to that extent the core radio business has been flat. We have seen across radio players and in general, all radio players have reported poor results. However, our solutions business has given us the support in such adverse economic condition. Rs.75 Crore from the solutions business showed a growth of nearly 29%, again the reason being very simple. Clients are looking for solutions when they give the money out. They are not interested in just buying plain media.

One of the questions in your mind would be about the margins of the solutions business and I am happy to report that the margins in the solutions business is of 28%, a rise of nearly 5 percentage points. It was 23.1% in the last quarter. This will tell you that our continued focus on the non-radio business or on the solutions business has been giving results. Again, it has given us this year; it has given last year as well.

Let me give you numbers on an FY19 basis for the full year. The numbers on the FY19 basis are even more encouraging but with a caveat and the caveat is to remove the international concerts. The concerts we did with two international artists, both of which made losses. If those two events are taken out, then the solutions business has reported a margin of 32%, which is truly remarkable and by the time it hits about 35% or 37%, we would have done due justice to this business. The focus on the margins business is paying off, and the business has become fairly profitable at this point in time.

One of the reasons why Radio Mirchi's overall margins on the radio side is lesser than what other radio companies report is because we made a significant investment in our radio business in Phase 3 and as I mentioned to you, batch I margins are still lower and batch II margins are, in fact, negative, but again give it a couple of years and we should be right on top.

Now let me tell you about, is digital not affecting the radio business? Let me give you some very interesting data, which has emerged in the last week or 10 days. As you may know, the IRS results have been out. We still do not have brand-level data, but we do have category-level data. The category-level data is very interesting, and it should allay any fears, anybody has about what impact digital streaming or music apps is having on the FM radio business.

With regards to monthly radio listenership number, in just one year since the last IRS report, monthly radio listenership has gone up by 6.6% to 216 million and weekly radio listenership has actually gone up by 8.3%. The growth in radio is coming from two important devices. The biggest growth is coming from car stereos. You know that India sells about 3.5 million cars a year, most of these in the rich urban markets, maybe the top 25 cities. You know the fact that the roads are getting clogged, the traffic jams are huge and that is a tremendous boost for the radio business. The car listenership has gone up by 28% in the last one year, the mobile phone listenership is also up by 10%, which shows to you that there are a whole lot of youngsters and other people who are listening to radio on the mobile phone, and there are a whole lot of wealthy people, slightly older people, who are listening to radio in the cars in bigger numbers. This should allay any fears that you have.

The other good news, of course, again, it reflects all the traffic that we have on the road, is that the number of the time spent on the medium has also gone up. If I were to look at the people who listen to radio more than three times a day that number is also up about 7%.

Car is the big medium for radios and in some of the cities, we are seeing a tremendous shift happening in listenership habits. In cities like Noida or Gurgaon, outside of Delhi, we find that there is as much listenership in cars as there is on mobile phones, which means that the car listenership has really picked up dramatically in cities like Delhi, Noida, Gurgaon and others. In cities like Mumbai and Pune, cars are now contributing nearly 45%-50%. Cars, in other words, are providing the whole boost to the radio business. You will agree with me that when car sales increase to 7- 8 million, as is expected, the radio industry will certainly benefit tremendously from this.

One last point before I open up. In line with our solutions strategy, we have been pushing very strongly on the digital business. We love the digital business. We are getting very encouraging results in monetary terms from the digital business. The digital business today is small, maybe in the region of Rs.10 Crore - Rs.12 Crore; however, we believe that this business in five years could hit triple numbers. We are very confident and buoyant about the digital business. The digital business for us includes a lot of videos. Just to give you an example, on YouTube, our channels now have 6.5 million subscribers, which are 150% higher than last year, which are 2.5 times of last year, in other words. Our YouTube views have increased to 725 million in FY19, which is up 64%. On social media, our RJs have more than 18 million fans and we are monetizing social media using the social media accounts of our RJs. On original content, we made videos featuring 10-minutes, 12-minutes episodes featuring external actors, internal actors, internal directors, and external directors of more than 12 hours of content we made last year. We made more than 50 shows on podcasts, which are now distributed widely.

As a result of this digital expansion, there is a very encouraging and startling number. Our total FM listenership is about 40-50 million people, but on digital, on YouTube, we are already reaching an additional 60-70 million people, which means because of digital, the reach of Mirchi has increased from 40-50 million to almost 100-120 million. This is the power of digital.

The last point is about US where we have launched on January 26, 2019 and we are very buoyant. We are now available in almost 10 different cities in the US and we can talk more about it if there is any interest in this. With that, Zaid, I would like to open the floor up to questions.

Moderator: Thank you very much Sir. The first question is from the line of Karan Taurani from Elara Capital. Please go ahead.

Karan Taurani: I just want to know the breakup of the radio business in terms of pricing and volume?

Prashant Panday: The volumes have fallen in the radio business in line with what I explained has happened with the major categories. So, overall volumes are down about 5%, pricing for 35 stations is up by about 4%.

Karan Taurani: Second question would be pertaining to the YouTube segment. You have been talking about viewership improving, you have been talking about that consumption is going up on YouTube, but how do you exactly plan to monetize all this because I believe YouTube is not a paymaster and you will just handle that with you, so do you have any other distribution model in mind or how do you expect the number of Rs. 11 Crore to be about 5 times in the next 3-4 years' timeframe?

Prashant Panday: YouTube is the most exciting piece of our business, Karan, and let me explain how monetization is happening on YouTube. What you are referring to YouTube being a poor paymaster is indeed correct, but we do not rely on YouTube to give us the moneys. Just to add on the side, whatever expense we incur in making videos for YouTube, YouTube advertising is more than covering it. However, it is still a small part, and you are right about it. What is really exciting about videos that we put on YouTube is the sponsorship that we get or what is called in-content branding or in-film branding where we get clients to become part of the series that we create, that is becoming a big source of income. The other income, of course, is what streaming platforms pay for content and as you know there is a lot of action happening in India that has become very big, but the most exciting revenue stream really is the native videos that we produce for our clients as part of our solutions business. We plan the digital media mix for our clients as well. This is growing very rapidly, and clients are using native videos to reach either media dark markets or reach their regular target audience through very innovative video ads or innovative video content, etc., and that business is really booming right now.

Karan Taurani: Thank you. That's it from my side.

Moderator: Thank you very much. The next question is from the line of Jagannadham T from Centrum Broking. Please go ahead.

Jagannadham T: You said two areas, which are still showing growth in terms of advertising revenues, one is government, other is e-commerce. Government this time, is it to do with the elections if it is true then how do you see it is playing out going forward. Do you expect any dip in the government revenues and then other is e-commerce, as of now contributes to how much of your total advertisement revenue?

Prashant Panday: The numbers that I mentioned were not political advertising. I meant government advertising where central government and state governments advertise their various schemes and that business takes a breather after the moral code of conduct is announced and therefore in the fourth quarter, government revenue growth was muted because the elections had been announced by somewhere around March 10 or thereabouts. So, in the month of March, we got almost no government advertising. Political advertising has been very good this time for the radio industry, but all of it has come in April and May so you will see the impact in the first quarter of FY20.

N. Subramanian: E-commerce is 6.4% for the quarter and for the full year it is 10.7%.

Jagannadham T: The political advertising, you said it will be more of a windfall gain for this one quarter?

Prashant Panday: Certainly, we look at political advertising as being not a regular source of income. We make the most out of it when it comes, but there are state government elections, which are also due in FY20, so there will be again some spending over there at that time.

Jagannadham T: Can you throw some more light on US opportunity that you mentioned?

Prashant Panday: We launched our US business on January 26, 2019 in the tri-state area of New Jersey, New York and Connecticut. We launched with an AM frequency. We run it directly ourselves. We create local programming as well as get shows from India and we are looking at targeting the Indian diaspora over there. We also have a second model in the US, which is the brand licensing model where we work with a local US broadcaster. We produce and help produce content and we also manage the entire brand activity on their behalf. Across the brand licensing business and our own station, we are available in about 10 cities currently.

Jagannadham T: If you are targeting Indian diaspora which language it will be?

Prashant Panday: Currently, it is in Hindi, but we also have plans to get into Telugu and Tamil as we go forward.

Jagannadham T: What percentage of revenue you will expect eventually from US listeners?

Prashant Panday: The US is a very exciting opportunity and we believe that in 5-7 years' time, we could possibly hit Rs.60 Crore - Rs.80 Crore in topline.

Jagannadham T: Thanks a lot.

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

Himanshu Shah: Sir, why are we claiming that radio was flat on a Y-o-Y basis because your presentation is showing that 35 stations grew by 7.8%, even batch I stations grew by 15%, so just trying to understand where exactly then the degrowth has been leading to a flat number?

Prashant Panday: Himanshu, the 7.8% is the growth of 35 stations on overall basis, which includes the solutions business. If I take out the solutions business, then the radio is flat. Just look at ENIL as two separate parts, one is the radio business where we are leaders and two is the solutions business, which has now become nearly one third of our overall business.

Himanshu Shah: Okay, fine. Sir is it possible going forward to segregate the core radio and solutions separately only?

N. Subramanian: Yes, we will look into it and then going forward, we will look at how we can provide you those numbers in the presentation.

Himanshu Shah: Okay and Sir what would be the capital investment in the solutions business, both working capital and fixed assets?

N. Subramanian: There is no fixed asset investment in the solutions business. So, what we have is only working capital and that is around Rs.13 Crore on an average for the full year.

Himanshu Shah: Sir, lastly, the Phase I stations, how are they panning out versus our original expectations because we invested almost Rs.400 Crore and even after a couple of years of operation, they are just making to the tune of Rs.12 Crore of EBITDA and this is just a license fee investment besides other capital investment that we may have?

N. Subramanian: There is a lot of headroom for growth. We are currently running at about less than 40% capacity. Going forward, you will see lot of volume-led growth also in those stations. I do agree that the first two years have not been particularly good for batch I stations due to the various reasons that Prashant had mentioned in his conference call address. Going forward, we expect a very strong volume growth also. We had seen good volume growth this quarter and even on the pricing particularly the non-government sides, we have seen good pricing traction in batch I station.

Prashant Panday: And if I could add to what Subbu said, we had not anticipated at the time of the bidding that there would be so much of economic initiatives/disruption that would happen. The whole GST, RERA, demonetization, all of that happened very early in the lifecycle of Phase 3 stations. That is the reason why we are below from where we would like to be but catching up is going to happen.

Himanshu Shah: Thank you Sir. That's it from my side. All the best.

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

Jinesh Joshi: We are witnessing a consolidation in the industry with one of your peer planning to buy out an unlisted radio player. I wanted to understand how is this move going to impact the yield and the utilization levels especially in the metro markets?

Prashant Panday: We have looked at this deal from the perspective that you have raised, and we are very happy that there is consolidation taking place in the radio business because currently the radio business is too fragmented. I think there are more than 35 broadcasters and it becomes impossible for 35 broadcasters to talk to each other. The broadcaster association has not had a meeting in the last several years. There are a lot of industry issues that we all need to talk together about, so consolidation is very helpful. Consolidation will also help in stemming some of the negative practices that exist in the radio business like unnecessary price cuts and advertising volumes going through the roof. Thus, consolidation is something that we welcome. As far as impact on Mirchi is concerned, I do not see any direct impact on us because of two reasons, one is we have a very strong solutions business, which no other radio broadcaster has and that business is growing by 15%-20% per annum, so we do not see solutions business getting affected and as far as the radio business is concerned, we believe that both the players are running fairly full on advertising inventory, so they do not have any ready headroom to grow volumes and exploit that situation. I do not expect any major impact on Mirchi.

Jinesh Joshi: Okay and secondly in the opening remark you mentioned that the radio business was flat in this quarter, but if I look at your peer then he reported a single digit topline growth and also, other two listed players who have some exposure into radio, have at least reported 5% - 8% topline growth, so just wanted to understand the disconnect over here. We being the leader were not able to grow while other players were able to grow in low single digits?

Prashant Panday: Well there is no disconnect, let me explain. This is part of strategy. In adverse conditions that existed in the fourth quarter, we could have picked up more business if we wanted, but we would have to let go of pricing. You know our strategy on pricing. We do not surrender on pricing, which is up by 4% this quarter. Most other broadcasters have been dropping their pricing and picking up volumes. I do not think it does any justice to listenership. Therefore, we have stayed away from that kind of business practices. We are not in that business. We would rather use our inventory in creating solutions for our clients in building IPs for our own business and making our revenues in that manner. Our focus is on overall revenue growth, not in just milking the radio business by dropping prices.

Jinesh Joshi: Thanks a lot.

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

Rohit Dokania: Thank you for the first time spelling out the two different segments in terms of revenues. Also, if you can give us growth outlook on each of the two segments for FY20 that will be very helpful?

Prashant Panday: Let me just tell you some of the components, Rohit, in the solutions business. One of the important components in the solutions business is digital and how you use digital for providing solutions for clients. You know the digital business is growing at about 28%-30% per annum, but I think the digital solutions business is growing at more than 100% per annum. Remember what I mean over here is that Google and Facebook give you inventory, you can buy digital inventory and that digital inventory is growing at 28%-30%, but somebody who is providing solution, making native videos, developing a plan using mobile phones to reach out to media dark markets, engaging with telecom companies to work out platform solutions, that whole thing is growing at more than 100% in our estimation. The other component is, of course, the whole business of event management, which is growing at about 17% per annum, but again we are not in event management. We are in the business of creating IPs like we created a new IP called 'Mirchi Cover Star' this year. We have 'Mirchi Music Awards'. We have about 8 or 10 IPs that we have created over the years, but we plan to double that portfolio going forward. The IP business is growing very fast. Ticket revenues and FNB revenues are getting added. The advantage of doing an IP business is that you get money directly from the consumer's wallet and not just from the advertising budgets of advertisers. The solutions business growth is driven by these two background factors, and that is the reason why we believe that the solutions business will continue to grow fast.

Rohit Dokania: Would it be possible to put some numbers to it, core radio, could it grow in the range of like 8% to 10% and solutions more like 20%-30%, so overall growth could be more like around 15% odd?

N. Subramanian: While the mix percentages will change, but we are looking at a growth around 15% for revenue and 20%-25% growth for the EBITDA number. This can vary depending upon the quarter and how things pan out in the next financial year, but these are the numbers that we think are feasible.

Prashant Panday: Rohit, let me just qualify that the core radio business on a like-to-like basis, our estimate has been that it will grow at 8%-10%. It is not that the growth cannot be higher, but we believe that every now and then, there will be some or the other economic issue coming up in the market, so it will take a longer period. I think expecting about 8%-9% CAGR on like-to-like radio business would be a good estimate.

Rohit Dokania: Sure, that is helpful. The other question I had was if you have any sort of update on the TV Today transaction and is there any hope that MIB will go ahead and give their approval?

N. Subramanian: We are trying to see how we can get the current transaction structure approved. If the current transaction structure, which, as you know, is a slump sale, is not approved, then we may have to go for an alternate transaction structure. I think we should have some update for you by the next conference call. Our Board meeting for the first quarter results is in the third week of July, so we will have some update on the transaction by then.

Rohit Dokania: Sure. This is very helpful and thanks a lot. Wish you all the best.

Moderator: Thank you. The next question is from the line of Pavneet Singh from Skyline Equity Managers. Please go ahead.

Pavneet Singh: Will it be fair to expect that revenue contribution from political ads can be touching almost double digits for this quarter?

Prashant Panday: Yes, the political spend will be in double digits for the months of April and May, but we will be able to tell you that only at the end of the quarter.

Pavneet Singh: You had been quoting earlier in your conference call that the adverse economic situation in fact helps you to expand your business because whenever there is a slowdown, they tend to push the inventory out by advertising more on the mediums whichever are prevalent like TV, radio, print. So how do you feel, that auto sector is doing currently, and do you think anything else beyond that?

Prashant Panday: Currently, the auto sector is doing very badly across all media. Some of the factors, which are affecting the auto business such as fuel price increases or the insurance requirement that has come up, etc., cannot really be offset through schemes. So, I guess automobile makers will start offering schemes at some point in time and then the positive impact on radio will come up. I believe that the auto sector will rebound because it is too big a sector and they have a lot of plans. We know that MG Motors is coming in and Kia is coming in with more models, both in the next few months, so there will be a revival of brand advertising as well on the auto sector and overall, I think the sector should revive within the year.

Pavneet Singh: What was the proportion and whether that proportion is going to get hurt this time around badly or is it too small that we do not need to worry much about it because the political ads might have compensated on that front?

N. Subramanian: Yes. Auto was about 6.4% during the quarter and 6.5% for the full year.

Prashant Panday: It is an important category for radio because 6-7% makes it important and it has been facing headwinds. We expect it will recover, but it would not happen in the next two quarters. If it happens, it will happen in the Diwali quarter.

N. Subramanian: Generally, our view is that most of the growth would be back ended this year for media companies. In the first half, they would be a little soft because of the slowdown that all of you are aware of. We should see a lot of back-ended growth happening in this year, and that is what we think will also get reflected in our results.

Pavneet Singh: Which other sectors are not going up to the mark apart from auto, this quarter?

Prashant Panday: I mentioned it being BFI, real estate, organized retail and even FMCG. FMCG has not advertised much on print also and FMCG growth on television has been very minuscule because of the whole disruption of the TRAI order.

Pavneet Singh: Is television doing well?

Prashant Panday: Television for us has done very well, but again it is a temporary thing because when the TRAI order came and they were advertising their new packages and subscription deals, they used radio very effectively.

Pavneet Singh: Thank you.

Moderator: Thank you. The next question is from the line of Manoj Dua from Geometric Securities. Please go ahead.

Manoj Dua: Sir, as you pointed out that you want to return the money to the shareholders as you have done very good cash flows in a bad time also and the radio business has a quite predictable cash flows going forward, so can you touch upon that - How much would be the size of the buyback, how you are going to proceed with that?

N. Subramanian: Manoj, I do not think we have said, we will do a buyback. What I think, we said in the press release was that our cash flow is strong, and we are reviewing our distribution policy and the Board will take a decision on it. We have a Board meeting coming up next in July as I explained earlier, and the Board will review the shareholder distribution policy. Currently, our dividend is about 10%.

Manoj Dua: Okay. Let me take the question forward. As your dividend distribution is not so great as compared to what we are earning, and it is not also a tax efficient way to give that money back to the shareholder so what is your view on the buyback. Per se because what you have done expanding solutions business; also, I should recommend you that you are not using capital, so we are seeing a good amount of cash flows coming to the company and we are thinking that company is not going to use that so it should be distributed back to the shareholder so what is the management view on that?

N. Subramanian: So that is what I said Manoj that the Board will review it, that the Board will take a call on it and we will come back to you after the Board has taken a decision. We have also said that in the press release.

Manoj Dua: Okay. My second question is regarding the solutions business. You have done well in the last 10 year and in interviews, you said our solutions business will be equal to the radio business and if we achieve 8% growth on the radio business, it means that our solutions business will grow minimum 20% for next five years, so can you give me more color on that. Why are we confident that for the next five years that we will grow by 20%. Which of the vertical you think will be putting more growth to solutions business.

Prashant Panday: Yes, that is very right. In our solutions business, we have a very strong component called digital, which includes multiple revenue streams, all of which are growing rapidly. We believe that they are growing at more than 100% now. We also have big business of IPs, which is creating intellectual properties either television IPs or on-ground IPs or digital IPs and that business also is growing very rapidly. The third piece that is growing very rapidly is the client solutions. Remember advertisers today are not interested in buying media. No advertiser goes and says give me so much print and so much television and so much radio. If you can go and tell them that you share your marketing challenge with us, and we will come back with a solution then the clients are buying large quantities of solutions and therefore we believe that solutions is the biggest growth category going forward.

Manoj Dua: Thank you. I really appreciate the way we have done the solutions business, when no one was doing and really it is very good Sir.

Moderator: Thank you. Next question is from the line of Manish Gandhi, an individual investor. Please go ahead.

Manish Gandhi: My question is, in last five years, the in-car listenership has gone up from 10% to 25% or more. What we as a company, and the industry will need to do that we maintain and grow our listenership in the car. We said the car sales will grow, but in future other technologies will also come, so what we and the industry should do?

Prashant Panday: Manish, first and foremost there are technologies already available in the car for many years and let me give you the example of the US. There have been digital technologies coming inside the car for the last 5-7 years, so there is nothing left. In fact, in-car listenership in the US has grown, there is no doubt about it as well. However, FM radio listenership in car remains at 90% plus of Americans every week in the US. We are seeing the same thing happen in India. In India, on the other hand, because most people drive by themselves, they prefer the convenience that the FM radio medium offers and I do not think, that is going to change. But you asked a very interesting question about increase in car listenership. It means a lot in terms of the profile of the listener, in terms of the method of listening, etc., so it has a lot of bearing on the programming that we do. You know that we spend a lot of money on research such as music research and consumer research. We are taking continuous action on the back of all the research that we do, and you will find that going forward the product will evolve, and it will cater more closely to the needs of a car driving audience.

Manish Gandhi: Fair enough. And again on the car, even though it is fair to assume because last three years we had a very bad economy and now suppose whenever the economy turns and our overall radio industry, the profile of the listener has changed in cars, so is it a case for a very good pricing, whenever the economy revamps?

Prashant Panday: Manish, it is a thing that the radio industry has failed to do, and I hold the nature of the radio broadcasting industry responsible. When there are 40 players and each one of them is trying to grab market share from each of them rather than grow the market, the pricing will not increase, and which is why in an earlier question I answered that consolidation in the radio business will help every player. So yes, I believe that if the radio industry can showcase the fact that the car listenership profile of people is high. It is all NCCS A+ people who are driving cars, and I see no reason why the pricing in the radio industry should not grow.

Manish Gandhi: Right. Good. We are entering US and we are spending three years, we make a loss for three years, we are spending our manpower energy, so is it fair to assume that you do not see any problem for the next 10 years in US FM?

Prashant Panday: No, that is not what we are seeing. The US is a leader in digital technologies and Indians in the US are particularly savvier and you will find that certainly they will adopt digital technologies as well. However, remember another thing that Indians are the richest ethnic community in the US. All of them drive cars, many of them premium cars and therefore, I do not believe that the radio listenership habit inside car will change very much and thus I believe that Indians will remain big consumers of in-car radio listenership and they will also become consumers of digital listenership.

N. Subramanian: Manish, just supplement to what Prashant said, the US model is a very asset-light model. We have not made any capex investment there and the loss at an EBITDA level is because of marketing investments. Pre-marketing investments, we are not incurring a loss. It is more marketing investments, which will lead to a loss in the first year, but there is hardly any capex investment in that business. As you know, we have leased out stations, so all the costs are variable, and the other model is the licensing model.

Manish Gandhi: Great. Thank you and all the best.

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

Himanshu Shah: Couple of bookkeeping questions, employee cost has been down, both year-on-year and quarter-on-quarter any one-off reversals in that?

N. Subramanian: We have explained in earlier calls that there is a variable pay, which is part of the overall pay component and that gets reviewed at the end of each financial year after the results are prepared. We have not achieved our internal plans, so the variable pay gets reversed in the fourth quarter. For the first three quarters, we typically assume that the variable pay will kick in and that is the way we do our quarterly numbers. In the last quarter, we assess whether we meet our numbers. In this quarter, we have not met some of our internal targets and the variable pay has got reversed in the current quarter.

Himanshu Shah: Okay. Other expenses also were up both year-on-year and quarter-on-quarter, anything specific over there. I thought probably it would be trending downwards slightly at least on a sequential basis?

N. Subramanian: Other expenses have CSR component. The CSR expenditure gets incurred in the fourth quarter, that is why you are seeing the other expenses at a slightly higher level in the current quarter.

Himanshu Shah: And lastly, if you can provide capex guidance for FY20?

N. Subramanian: We are done with almost all our capex. There is nothing pending now because batch 2 is also operational. Going forward, you will just see a maintenance capex in the region of about Rs.10 Crore.

Himanshu Shah: Thank you.

Moderator: The next question is a followup from the line of Pavneet Singh from Skyline Equity Managers. Please go ahead.

Pavneet Singh: I would like to know what had been the employee addition and what is the employee strength?

Prashant Panday: 21 people were added in the quarter and we are now at 1090 people.

Moderator: We will take the last question from the line of Manoj Dua from Geometric Securities. Please go ahead.

Manoj Dua: Sir, as you said that our car listenership is the main. Rich people driving in the urban cities are one of the premium customers for the product, so how we are able to convince the advertisement industry to look for the pricing because actually it is the only segment, in which most buying happens of all the major commodities, so can you throw some light on it about the pricing, how it will be able to convince the advertiser that this is my area where we have to work on?

Prashant Panday: The advertisers are very smart. They know that two mediums cannot get disrupted; one is out of home because when you drive in the car you cannot switch your eyes off and you will watch all the sights. The second is that when you are driving then you will listen to music or to radio and therefore these two mediums are digital disruption proof. Advertisers also know the profile of these car drivers and therefore it is a matter of explaining to them that the numbers have increased so dramatically. Like Manish had pointed out earlier, the car listenership was probably 10% and it has now grown to 25%. Advertisers also make note of these changes. I think it is partially obvious, but also, the consolidation in the radio industry will help to market the medium better.

Moderator: Thank you. Would you like to add any closing comments Sir?

Prashant Panday: No, that is it and thanks you ladies and gentlemen. If there are any more questions, please do feel free to contact us. Our contact numbers are there in the presentation and we will be happy to take your queries. Thank you very much once again.

Moderator: Thank you very much members of management. Ladies and gentlemen, on behalf of Entertainment Network (India) Limited, that concludes today's conference call. Thank you for joining us. You may now disconnect your lines.