Entertainment Network India Limited Q2FY22 Earnings

October 27, 2021

MANAGEMENT: **MR. PRASHANT PANDAY MD & CEO, ENTERTAINMENT NETWORK INDIA LIMITED**
MR. N. SUBRAMANIAN EXECUTIVE DIRECTOR & GROUP CFO, ENTERTAINMENT NETWORK INDIA LIMITED
MR. SANJAY BALLABH HEAD OF FINANCE, ENTERTAINMENT NETWORK INDIA LIMITED

Moderator: Ladies and gentlemen good day and welcome to Entertainment Network India Limited Q2FY22 Earnings Conference Call. We have with us today, Mr. Prashant Panday MD and CEO, Entertainment Network India Limited, Mr. N Subramanian Executive Director and Group CFO Entertainment Network India Limited and Mr. Sanjay Ballabh Head of Finance, Entertainment Network India Limited.

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 would now like to hand the conference over to Mr. Prashant Panday MD and CEO. Thank you and over to you sir.

Prashant Panday: Thank you Janice. Welcome to this investor conference call, dear investors.

Coming on to the company's performance. Before we take questions, I just want to give you a small rundown about the quarter that went by. We have positively called it a strong recovery quarter and it is borne out by the numbers that we have already put in the presentation but I would like to draw your attention by calling out some of these numbers. The total revenues of the company in the second quarter of this financial year was Rs. 68.8 crore compared to 47 crore last year which represents the growth of 46.3%. That's a top number that you must remember. If you were to look at it sequentially, the revenues were 68.8 crore versus 38.8 crore in the first quarter of this year which is 77.3% growth. Normally we do not talk of sequential growth in a media business because different quarters have different built in. The only reason I'm referring to sequential growth is because we are emerging out of the second wave of COVID. Hence, I'm sure you're curious to know how the business has picked up. It's a strong recovery in revenues. In terms of EBITDA the good news is that in the second quarter of this year itself we have turned positive with underlying EBITDA of Rs. 1.7 crore versus a loss of 14.9 crore last year in the second quarter and on a sequential basis the 1.7 crore of EBITDA in this quarter is comparable with the loss of Rs. 26.2 crore in quarter. As you know as revenues grow in our company because of high operating leverage, it has an immediate impact on EBITDA and numbers. You've seen that happen in this quarter.

Talking about PAT numbers; we have reported a loss of Rs. 7.9 crore in Quarter 2 of this year, comparable with the 23.7 crore loss in the second quarter of last year and the 27.7 crore loss in the first quarter of this financial year. Overall, you will notice that because revenues have grown strongly at 46% compared to last year, the EBITDA has turned positive and the PAT losses have reduced very significantly. In fact, the quarter s recovery was uneven because the lockdowns which were imposed as a result of the second wave of COVID were not fully lifted until even July and therefore in many parts of the country and most notably in Mumbai as you would all know, in July there were severe restrictions on timings of shops, multiplexes were shut, many things were not working at full capacity. We saw that happen actually that our business really picked up more from the middle of July and into August and September. In fact, in August and September our EBITDA numbers are actually ahead of our own internal plan numbers. We normally don't share plan numbers but I'm just giving that again to let you know that the recovery has been gradual and consistent as the restrictions have lifted. Now it's very important to also remember that in the media business whenever a recovery happens and I mentioned this last year also at this time that the recovery from a complete lockdown always first happens in the ad-volumes and then it is followed by a price recovery. This quarter has been no different, the volume has grown dramatically in this quarter compared to the same quarter last year. Volumes are up by 61% compared to the same quarter last year across our network. The pricing is further down by 5% compared to the same quarter of last year. Clearly it is a quarter which had grown on the back of a volume recovery. Despite the volume recovery the capacity utilization across my network was just 52% during the quarter. This capacity utilization was weak even in the top eight markets where the capacity utilization was merely 79%. Now remember the top eight markets contribute 65% to the company revenue. If the top eight markets are operating at 79% it tells you that there's a lot of headroom left to grow still. Therefore, I would say that the recovery while strong is still only a work in progress. I wouldn't say that the company's out of the woods yet but I think we are pretty much on the path to a full recovery. The final evidence of that is that the volumes in the business have actually grown even on a YoY basis which means even compared to the pre pandemic levels the ad volumes are up by 24%. Now this is a remarkable number. The reason for this number that I'm quoting over here is that it shows how popular the medium is with advertisers. Advertisers are putting more and more money, more and more ad volumes into the radio business and clearly that indicates the strong support that the medium enjoys with its advertising fraternity.

Moving on, the revenues amongst the radio business of the core STD business grew by 50% in this quarter, core solutions business. In that for a moment only leaving out other operating income and the income that we earned from our advertising sales arrangement with TV Today stations last year. I'm leaving those two out. The core solutions business grew by 51%. That shows how much strength both the businesses have demonstrated in the quarter. If I were to include other operating income as well as the TV Today numbers, then the solutions business has grown by 36%, clearly because other operating income had come in lower and TV Today stations the revenue contribution has gone off because we terminated the advertising sales agreement in August end of last year. Now you would be keen to know which categories are doing well. The categories which have done well are durables, at GOLY or growth over last year of 300%, real estate has done 135% jump in revenue contribution, health and pharma is up 80%, media and entertainment itself, the industry is up 77%. Remember a lot of this business comes from OTTs because movies have been typically off because theaters have been shut in Mumbai till very recently. It's mostly OTTs and the movies released on OTT platforms. Auto is up 71% despite all the industry's problems, FMCG is up 60%, BFI is up 50% and so on and so forth. Important thing to note again is that these are strong volume growth numbers across a spectrum of category. It is not as if the recovery is patchy and only in a few areas. Of course, the exact percentage numbers are not the most important right now because it also depends upon what the base was last year. Therefore, to some extent I would say that don't go by the individual growth numbers per se. However please note that the growth has been fairly secular across different categories of advertisers.

One very strong point I wanted to make is that the company has continued to maintain very tight control on its cost of operations. I'm leaving out what the direct variable costs because they depend purely on revenues generated against those particular activities. I'm leaving those out because that's variable. I'm also leaving license fee out because license fee is again partially variable at least and it's outside of our control really. The cost that we can control which includes everything else which is people cost, electricity, rent, administration, travel, all those costs which make up basically the other operating costs as we call it, is up by only 20% compared to last year. Remember revenues are up 46% but we have kept the cost tightly controlled at 20%. Even this 20% has some one-off numbers built into it. Most notably in the HR head last year we had a reversal of some MIP provisions of year FY20 which therefore kept the base of last year low. There were some one-off items which we do not expect to repeat in the remaining part of the year. If I were to look at my projected cost numbers for FY22 which is including the next two quarters, for the full year of FY22, my projected numbers are representing a potential saving of Rs. 80 crore compared to the pre-pandemic year of FY20. To repeat because of tight cost control, we have benefited in the quarter because the costs have grown by only 20%. But more importantly because of the tight cost control compared to the pre pandemic number, the cost will be down by nearly Rs. 80 crore. This is something that we are gunning for and we will ensure that happens because remember we are still not out of the wood. One doesn't know if a third wave will come or not and one has to be prepared for any eventuality that may come up in the future. We don't know if a virus mutates and all the vaccination success that we've had maybe partially rendered ineffective and therefore the company has to keep that provision in mind.

Now let me come to the most exciting part of the narrative; and the narrative is that as we've been telling you over the last few quarters Mirchi is fast transforming and becoming a digital first company. Now to this end as you remember we dropped the word radio even from our logo radio Mirchi about three quarters back. Now in this transition towards Mirchi digital first or what we are internally calling a platform company. This company ENIL which you know as Radio Mirchi is going to transform it become a digital first company and its digital offerings are likely to be like a Mirchi platform which means that not only will we put content on the platform but we're also creating a roadmap where we can have a lot of user generated content which comes on to the platform, a platform where advertisers and content creators will be hosted together. All the benefits that accrue to a platform operation is something that we plan to capture in ENIL. All of this is going to unfold in the next 2 to 3 . But in the meantime, let me just tell you about some specific timelines. Our platform launch which includes app and web both should launch by the end of this financial year, if not earlier. The international portion of the app will launch before the end of the year. So hopefully by January of 2022 we should be able to launch it. We have a team of 90 people, in-house in the company working on our digital platform which includes tech people, content people, product people, data people, etc. Today if you come to my company, we look like a tech company. We are selling inventory of interesting digital players. For instance, we are sending Google inventory, we are selling Gaana inventory. Very recently we have sold a YouTube inventory of a big south Indian music star when they launched a video over there. We sold the inventory for that. We have developed expertise in selling online inventory. We have 13 million subscribers on our YouTube platform now. We've got a massive following on social media. We have a massive content production underway on podcast which we'll be launching on our platform before the end of the financial year, like I mentioned to you we have a slate of celebrity-based video shows coming out which again will be hosted on the platform or on YouTube depending on when they are launched. We have a whole slate of new business ideas which include edge tech, which includes B2C, e-commerce, which includes live streaming and which includes a lot of portfolio investments in companies that we are interested in and which operates close to our business of operations. This is where we plan to deploy the Rs. 205 crore of corpus that we have. Since many of the people ask typically about our cash distribution policy and outlook. Let me first tell you that as soon as the situation improves and we are seeing the COVID kind of retract hopefully from the country, our cash generation should begin again. As soon as that happens the board will sit down and take a decision on how to use the cash that the company will have on its hands. This is the narrative I wanted to leave you with. I'm opening the floor up for questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Nagraj Chandrasekar from Laburnum Capital.

Nagraj Chandrasekar: Now that you guys have sort of fructified, of what you plan to do with the platform and the launch date, could you give us a sense of the CAPEX/cash spend on this going forward and number two how exactly it differs from the Gaana app which is again a part of our parent compan s stable?

Prashant Panday: Fundamentally Mirchi is a very different business than Gaana. Gaana is a business which is limited mostly to music streaming and they have a world of their own to compete with. Mirchi as a brand is a brand synonymous with entertainment. Like I mentioned we do entertainment in video format, we do entertainment in the audio format and you may also know that we have got many IPs on ground, we've got television properties that we've created and so on and so forth. Mirchi is a much larger canvas of opportunity and play compared to what Gaana is. We avail of the platform that Gaana is without actually duplicating the work that Gaana does. In a similar way our content today and I'm happy to announce that we've got content, our podcasts from Mirchi have been now offered to Spotify, they're available on Spotify. And therefore, like I mentioned as far as we're concerned, we look at all music OTT players as partners and we will work with all of them in the future.

Coming to the CAPEX question that you asked, the plans are underway. The board hasn't yet finalized. The management hasn't yet presented the final strategy and the budgets to the board. The board is yet to sit on it. I think that should happen by January of the coming year but the digital businesses typically tend to be more operational cost heavy rather than CAPEX heavy and to that extent we are in a better place because remember our digital revenues are actually quite strong in this company. I mentioned to you that it was 12% of our revenues in the last quarter. This quarter come in at 9%. But we expect the year to end at 15% digital revenue. So, we have a strong digital revenues line as well. Therefore, data with the lag effect from government sources which are publicly available as well. Our number calculations are very accurate in terms of the pricing that we get as well as our competitors get. We have grown volume share versus our competitors. We've also increased our pricing premium versus our competitors including the listed one that you're talking about. So factually I'm sorry, I cannot agree with the number that you mentioned.

Moderator: The next question is from the line of Rohit Poti from Marshmallow Capital.

Rohit Poti: I was curious if you could expand more on what you think our right to win is because you mentioned e-commerce, you mentioned audio, you mentioned video also and if I think of each of these segments, globally and in within India there are so many competitors focused on just one segment. So, in e-commerce there are so many players, in audio there is Spotify and so many other players including your Gaana itself and in third party video also we have so many players who are all vying for the same sort of pie who are spending hundreds or thousands of crore. So I don't understand what we think our right to win in this and what we expect to achieve this, what are the expectations of the management from this over the 3-year period?

Prashant Panday: Rohit, very good question. Quite obviously before we planned to launch this business, we have the answers worked up in our company. We are not going head-to-head with again any of those video players who are spending hundred or thousand crore rupees. We're not interested in that. We have scanned the market. We know who the players are in various markets. We are not attacking anybody. This is a growth market. There's a huge opportunity of growth left for the whole sector. Therefore, there are lots and lots of niches and I would say bigger than niches there are lots and lots of spaces available for brands to come and occupy. Now the thread that will run through all the businesses that we will operate. I mentioned this in the last quarter as well I will repeat it now, is that this is all going to be relevant to Mirchi as a brand. It will be stuff that a Netflix will not want to do. It will be stuff that a Gaana will not want to do. It will be stuff that an e-commerce company most certainly would not want to do. Our e-commerce will not be like the e-commerce that you're imagining. Our stuff will all be related to music, to entertainment, to the youth, to the vibrant buzzing community of entertainment creators. It's going to be surrounded and around all of these areas and in that space that we have identified there is a big gap available in the market. I'll give you just one example to tell you this. We've been doing the Kareena Kapoor Show for 3 years now. We have done three seasons and we're about to launch a fourth season and you should see the kind of demand that exists for a show of this type. Now there are hundreds of video producers as you said but I don't think that they can replicate what we do with the Kareena Kapoor Show, simply because our approach is not to make video and to launch video but is designed towards creating a solution for a set of clients or advertisers. There are advertising monies that we bring in. There are multiple media vehicles that we bring into play. Our 63-city network of radio is a critical part of this program that we do. This kind of thing creates a big guard rail around us, a wall around us which nobody can then penetrate and enter. We are not even aiming to compete with the names that you're talking about. Our strategy is fluid right now but is well thought out and is clearly driven by the knowledge of the kind of question that you already asked.

N. Subramanian: To add on to what Prashant said Rohit, what we're doing is that when we talked about e-commerce, we're not talking about it in a generic sense. We have over 13 million subscribers on YouTube network subscribers. Once we have our own app, what we can potentially do is we can do more transactions. Today we are 90%-95%-98% of all our revenues are ad revenues. We are looking to have some portion of the transaction play. That's what Prashant meant earlier by e-commerce. So ideally 15%-20% of that if we are able to convert into some sort of a transaction play today because we already are there in some sense through our influencer network, a lot of our RJs are influencers.

Prashant Panday: Just to give an example of what Subbu just said Rohit, remember 2 years back we did the Bryan Adams and the Martin Garrix concerts and of course we learned our lessons over there. But just a data point, we sold tickets and F&B worth almost Rs. 30 crore in those two events. But those were routed to external vendors, external platforms. We had zero database on what happened with those two events. But in future that's the kind of commerce we will do on our platform. We will know our customers; we will gather data about our customers and then we will be able to cater to the needs of these customers through more commerce. So, our commerce like I mentioned to you will be more music, entertainment related. It's not the kind of e-commerce that you're talking about.

Rohit Poti: Just a follow up, so what are the metrics or what are the signposts of whatever we have, like as investors what do you want us to look out for, in terms of if a strategy is succeeding or failing, are there metrics which you will come out with once you launch the app and once you've come out with the proper strategy document that you will share with us or is there something that you c

Prashant Panday: I can give you the margins of our solutions business overall and then I will give you the margins of our digital business.

Sidhant Mattha: So, the margins of the solution business is there in the presentation I needed the breakup because last quarter you gave the breakup of the digital and the core solutions.

Prashant Panday: The margins of the digital business at 37.1% in this quarter.

Sidhant Mattha: So basically, just want you to know digital businesses includes what things? So basically, you ouTube and other things because you do some multimedia projects or some marketing activities for different forms the digital initiatives that does come under the digital or it comes under the core solutions?

Prashant Panday: So digital businesses house many products. Let me tell you about all the different kinds of products that exist in digital. There is content that we make and we place on public platforms like the Kareena Kapoor show etc. There are video shows that we make in which you put on YouTube and we earn revenues from that. There are solutions that we designed for advertisers. Let's say if there's a client in Tamil Nadu who has a specific requirement and my team goes and meets them and they develop a package of a solution which involves multiple packages increasingly now what we're doing is you're putting many digital elements into the package. So, we may put a video in, we may put our influencers in, we may put external influences in and we may put digital marketing components in. So all of these things then embellished the package and work towards delivering better results to the clients. Those underlying digital components is something that we are earning from. So that's part of it.

Then there is a digital solution that we make for our clients. Like on the audio side there are many clients just to give an example a pharma company which wanted to train its medical reps

company when used to train its people. But we made those audio capsules in a way which was providing product knowledge but also providing a certain degree of entertainment, so that there would be stickiness with the product, so those are all audio products that we do. Another example I'll give you is that for many films that we do marketing for, where we produce a creative content using the stars of the film and we place it on our Filmy Mirchi YouTube channel and Filmy Mirchi YouTube channel by the way is the biggest independent Bollywood focused YouTube channel with I think some 6.5 million subscribers it gets some hundreds of millions of views. So, we put our content.

Again, the idea is to develop a creative idea and then to put the product on either our own platforms or external platforms. So, these are all examples and then there are several others but just one last thing, all the stuff that we've done has been with external platforms whether it's YouTube or Gaana or it is some plain old telephone system or whatever. Once we launch a platform then we will actually start owning the customer the database and all the action that happens on the platform. That's the difference that you want to emerge from the end of this financial year.

Sidhant Mattha: Basically, my point is so your SaReGaMa Mirchi music award that's the television IP, so that when it comes with YouTube so the revenues you earn from that advertisement does that come under the core solution business revenues that comes under the digital revenue, whole YouTube revenues and the digital revenues?

Prashant Panday: So, listen that we don't own the music rights for YouTube, so all the contents from the music award that we place on our YouTube channels we don't get any revenues from that because those flow to the owners of the music. We merely place the content. But maybe if we let's say I'll give an example. I think we got a couple of crore rupees from YouTube as advertising that YouTube generates that is called affiliate advertising that they generate on our YouTube channel that is digital revenue. That's a couple of crore rupees as you know YouTube share very little with the content makers and that's been our complaint point. That's one of the reasons why we're creating our own platform. I mean if you've got the same number of user of our own platform you would

right now, so yes but to answer your question there are revenues which come from external platforms which we do consider in our digital revenues.

Sidhant Mattha: My last question is basically so your digital revenues in the solutions business that your digital revenues are doing really well. You're talking about revenue and recovery in radio also the major point international concerts you're not doing for you still do different on ground activations and post this vaccination drives speeding up and all. How have you seen any on-ground activation or some events which you have started to do in the third quarter or have you booked? There is some booking which has been done or can you give some early trend for the core solution business revenues?

N. Subramanian: Well, there is some action which is starting to happen but it is very piecemeal. Now remember the first big action that has happened is the Uttarakhand government which is organized the Char Dham Yatra, which I think is a trend-setter of sorts because there'll be literally despite all that they may control there maybe lakhs and lakhs to people. I think there are states like Gujarat where they announced a limited version of Garba activity on ground and though Mirchi could not organize its own Garba because of restrictions, because they had restrictions of I think 400 people per location. What Mirchi did is that we did a tie up with the several-seve ,
package it together offered it to advertising and did a smaller scale activation featuring on ground Garba. So we made an entry over there. There are some runs which are starting to happen. There is a lot of ambiguity still and people are awaiting clear government directions on the side. I think we need to wait another quarter before on-ground actually begins in a bigger way.

However, limited on ground where there are small numbers of people who come together has already started to happen. Now whether its weddings, whether it is more a B2B like I see a lot of posters up in Mumbai which talk about a wedding exhibition in Marriott or some B2B thing in Worli. So, there's a lot of action which is starting to happen with limited gatherings and remember for many of our television properties, properties that we carry on to television like Mirchi music awards, the Mirchi cover star and all that. The on-ground requirement is really small, so I don't think that that will be a bother for us in the period of time that it comes up. The large activities that we used to do which was the Mumbai marathon, the Delhi marathon our involvement all of those places all of that I think is still continued to remain subdued even in the third and fourth quarter I would imagine.

Sidhant Mattha: So just an additional to this, so basically the 25% revenues like your 3 years that 25% of the revenues is going to come from the digital and 25% from the other core solution business revenue. So, what will be the growth factors for t
other so will these on-ground activation events and some concerts will lead to the growth to the 25% or there is some other thing which is being which will drive the growth?

Prashant Panday: So, what we've been trying to do since the pandemic began is to substitute the on-ground with equivalent virtual solutions. For instance, we never used to do RNR events, rewards and recognition events, HR events. Now we have developed a module and we're taking it to multiple companies where we're doing online RNR events for our clients. Similarly, they were concerts that were never done online. Now there are concerts that we are doing online as well. There's a lot of sub solution of on-ground with online which has already happened. But remember on-ground is a very critical component for a marketing manager in a company because it allows them touch point and it allows them touch and feel a crowd interaction and all this kind of thing. As soon as the pandemic recedes let's say 12 months later or thereabouts or 6 months later on-ground events will definitely make a comeback. There's no doubt about that and those would also be part of the 25% of the solutions business that I mentioned to you. So yes, there will still be a part of it but they'll be in a smaller quantity compared to what we were envisaging pre pandemic.

Moderator: The next question is from the line of Deepan Shankar from Trustline PMS.

Deepan Shankar: Firstly, wanted to understand in the radio business what is the kind of recovery rate levels in terms of yield as compared to our pre COVID levels and when are we expecting the yields reaching pre COVID levels?

Prashant Panday:

expect the pricing recovery to definitely take 2 or 3 years. It won't be immediately. The reason is that first the volumes will unfold. Remember the numbers that I give you on capacity utilization are on a 13 minutes per hour basis, but that the industry operates even at the double and triple up that number at times. So, there is a fair amount of volume that the industry will first deploy and then the pricing will start to rise. I think that the price recovery will take I would say 2 or 3 years to happen. Specifically, Sanjay you want to get some data points?

Sanjay Ballabh: So, if you compare the numbers for the overall rate perspective then definitely we are still down compared to the pre pandemic level. That number would be I mean we are overall down by almost 37% and we are yet to reach that level of pre pandemic. If we compare ourselves with the last year number and period then we are down by 5.3% to be specific.

Deepan Shankar: And specifically on digital front, so if we compare Q-on-Q we've seen growth but our contribution has come down so overall growth in digital business has been lower than total business so any specific reasons?

Prashant Panday: Yes Deepan, the reason is that it is related to a single activity which was an opportunistic play that we did last year second quarter. That activity did not repeat so there will be quarterly ups and downs but like I mentioned we do expect to end this year at some 15% in digital revenues.

N. Subramanian: You had asked this question about the radio's recovery. If you look at the publishers the print companies and also privately available data in English print, you will notice that they are at about 75% to 80% of pre COVID revenue. If you desegregate the numbers the volume numbers are about 105% of pre COVID and the yield is at about 70-75 depending upon the category. Now in radio case particularly for Mirchi even at these levels of 77% to 80% of pre COVID revenue, we will be comfortably very profitable. Because of the fact that we are readjusted our cost base quite significantly. Obviously all of us would want to full price risk recovery but even if we don't get a full price recovery we are quite okay with our new cost base.

Deepan Shankar: So, if that coming back the profitability levels will be much higher than even pre COVID levels?

Sanjay Ballabh:

Moderator: The next question is from the line of Utkarsh Maheshwari from Reliance General Insurance.

Utkarsh Maheshwari: Could you just throw some more just out of curiosity I would like to understand when you're

and we can access everything just like that or something with an App you can hear the radio?

Prashant Panday: So, let me answer it. If you remember what Subbu said earlier is that the App is a device which is use more to build engagement more loyal customers will come onto your App, download your App, and use your App regularly. But a larger reach is available via the web and as most people will consume content when links are shared between each other either on WhatsApp or various other methods of communication and they have content consumption happens in a bigger way but the App is a tighter community of more loyal users. So, the App is a critical element of our play and the App will contain several things. It'll definitely contain audio stories, different types of podcasts etc. It will contain textual information like a publishing company would do but, on the music, and entertainment domain and will also contain a fair amount of video that the company will produce and again to clarify we are not in the same area of operation as the video TD players. We have no overlap with them at all. We will be creating mostly shorter format video content etc. that we will put on the platform.

Now you ask this question about whether we can stream radio on our platform or not. Well it is a work in progress; currently we are not in a position to play because of restrictions or rather very difficult demands from the music industry on royalties. But there are a couple of solutions that are being worked out. I think in a limited way we will test the waters when we launched the

App by March or April of the coming year. So yes, we will have a few limited radio stations with music playing on our App as well. But as I told you it will be a step-by-step progression in that direction. However, like I mentioned earlier we will launch the App in the US in January or February of the coming year. The US has very settled royalty regimes with respect to streaming services and therefore in that market we will certainly be offering the radio product. Besides we already have an App which is an older generation App in the US, where we are streaming our FM radio and AM radio stations online as well. We will begin with that for sure but whether we are able to make a big play off it or not in India will depend upon how things develop from that point on.

Utkarsh Maheshwari: Primarily I mean in the near term it is not very clear that I mean the India business the radio part may be available online not that will be like we'll be testing and getting it into that extreme. Because I think because it's not a paid service is out here?

Prashant Panday: Well, it's not a paid service and two there are music royalty issues. Of course, Subbu was pointing out to me that I should mention this too that in the US and any developed market the CPM rates for advertising that happens on audio products is pretty high at $6 which is even imagined odd Rs. 400 CPM which is a very premium offering. So that is something that ideally, we would like to mention and we would like to launch in India as well and in any meaningful relationship that exists between partners, we would be happy to share a lot of the revenues that we generate with the labels. So, like I told you there are negotiations which will go on, there are other procedures by which we are trying to acquire the rights to play the music. Currently we'll have to test the waters as we go ahead.

Utkarsh Maheshwari: I think this last question is for Subbu. You did mention about some odd 80 crore of cost reductions. So would it be fair to say that by this end of quarter we should have a decent profitability also coming phase because I mean it's been a couple of years since the time you've have seen the blacks. I mean at 79% utilization probably we will scale it up as festive season picked up, so putting things in context that way.

N. Subramanian: We have not fully recovered but despite that because of a lower cost base we are already at about 10 crore of EBITDA during the quarter. As and when we see the revenue ramp up because as Prashant mentioned the current quarter July was not a good month at all, the numbers that you see are essentially negative for July and strong positives in August and September. As the recovery progresses fast you would also see that decrease in numbers in our P&L and our solutions business is now coming at a much higher margin. You have the comparative data now for 8 quarters. We'd be given that entire deck so you'll find that is also trending.

Utkarsh Maheshwari: I mean the road to profitability should happen but I mean again we have to see how far is the ramp up? I mean as you mentioned it opening remarks that all the sectors have been firing well, there was no comment on the government side. I mean is that also firing the similar way or is it on the lower side?

Prashant Panday: I think government revenues have grown by 40% compared to last year. Remember the base was already low. The Central Government has grown only by odd 26% but the State Governments have grown far faster. The state governments are playing a bigger role of late. But if the Central Government starts to fire, then that will be a big boost.

Utkarsh Maheshwari: I think the price you have already said it will take 2 to 3 years, but have we seen any kind of stiff from the industry increase the yield and all, as now things are improving or still people are only pushing hard over the walls?

Prashant Panday: I think there's been a change in mindset in the industry. I don't think that the industry is overly focused on pricing as the variable now; I think the industry is looking at a combination of pricing and volumes and looking at revenue basically in short and today the products that on the radio side that are offered in the market vary quite a lot. There are products is target high paying capacity categories and there we get a higher price realization. Then there are categories of clients which we call hit-and-run clients where basically come in for a short period of time, burn a lot of inventory and then they just vanish for the rest of the year. Typically, they come with lower pricing but today the industry has found a good operating model where it is able to accommodate both higher pricing and lower pricing clients. The focus is not so much on pricing as it is on overall revenue generation market share.

Utkarsh Maheshwari: So basically, the focus is on more towards the wallet share from the client so that you can use for different markets?

Prashant Panday: That's right. Also remember that for companies like Mirchi the solution business is very big. When I combined my radio business with when I combined my radio inventory along with digital and along with some on-ground or along with some Gaana inventory and Google inventory then pricing becomes a concept which is a little kind of irrelevant. It's not really an apples and apples comparison with the past.

Moderator: The next question is from the line of Pavneet Singh Kheer from Skyline Equity.

Pavneet Singh: I would like to congratulate you not for the number exactly but your oratory skills I had been a part of your conference calls past almost more than 5 years now. I'd like to congratulate you that you whatever the scenario be that doomsday scenario, painted out in COVID, you had always made a seal that exchange and all is well like the dialogue of the 3 Idiots movie. Now coming back to the point is that we have a beautiful vision of being a very good entertainment platform in times to come. But on the executio
know whether we'll be able to convince the advertisers what kind of currency we have that we are execute to project that these kinds of people are listening to the radio for entertainment. These kinds of people are listening the radio for while they are in their journey? And these kinds of people are so sticky that unless they get set of programs every day they are not like going to sleep. So, on that front, how are we able to convince the advertise
listening that the advertisers will be happy to join the radio stream as your primary stream to broadcast the advertisements.

Prashant Panday: That was a very interesting of you to say that. I know that you're basically saying I speak to my child I understand that but I let it pass. Coming to your question first and foremost we have never in 20 years said that radio is the primary medium, in fact radio is usually not a primary medium radio is always a supported medium. It supports either print or support television or support online activations traditionally. Nowadays radio supports a lot of digital work as well. Radio doesn't have any qualms about it. They are not a primary region but we are a very critical support medium, without us the main medium doesn't work as efficiently.

The second thing I said is about radio whether people will consume it come back to it whether it's for driving audiences, let me tell you some numbers which come up. Radio is exceedingly stickiness listenership exceeding sticky in fact I don't think in the television business you'll find various standards going up and down in the pecking order. I was just noticing the other day that a channel which used to be a top number one channel a few years back as gone down now to the

Pavneet Singh: My question is not about exactly about the stickiness of the product. My question is exactly about why is the advertiser ignoring it to certain extent that he is not able to build in confidence with specialists like Prashant on the table and trying to convince them for past 5 years do the

rth to

spend hundreds and thousands of crore on print or TV or OTT but they're probably not interested in radio at all?

or Phase 2 or not even on mature radio stations? We have not seen anything?

Prashant Panday:

demonetization has happened since that time whether it is print, whether it is out of home, whether it is radio many of these sectors have actually suffered or decline in the revenue CAGRs and all. There are factors like that which have come into play but the stickiness of advertisers wheth

radio. That is why you see that this as soon as the pandemic started to lift the volume climb back to beyond pre pandemic levels.

Secondly, I want to just tell you that going forward for me please imagine Mirchi not a Radio Mirchi but as entertainment brand called Mirchi which has a strong presence the number one radio brand under its fold but which also has a very fast-growing digital footprint across the network and think of us not as a radio company but really as a platform company on the digital side.

Pavneet Singh: What sort of cash generation should I foresee over the next 3 to 4 years period? How much should we be able to add to the kitty of 208-210 crore we have?

Prashant Panday: History shows you that in a normal pre pandemic year we were generating approximately Rs. 100 crore a year in cash and like I mentioned at the beginning of this call that once the conditions improve, we should get back to that level of cash generation.

Pavneet Singh: I would like to conclude by saying one thing I have a couple of ideas with me and I have a history of working in PR. So, what I would do is I would mail you and if I'm in Delhi I like to meet you, if you too are in Delhi sometimes?

Prashant Panday: Yes of course, Delhi is the number one market for us but let's not wait for that why just send that email? There's an email ID mentioned and then I'll get it.

Pavneet Singh: I think sitting across the table you and we can discuss that strategy going forward.

Prashant Panday: Most certainly, we will definitely connect up.

Moderator: The next question is from the line of Jinesh Joshi from Prabhudas Lilladher.

Jinesh Joshi: I have a question on this platform business of ours, how do we plan to monetize the content? Will it be an e-ward model or a s-ward model or a mix of both and typically when it comes to video content there are a lot of OTT players who are not making money. So, what are our thoughts on that? I know that we are not planning to create a long form content and there will be shorter video format but traditionally the operating cost in the video content is very high. How do you plan to be profitable in that? And secondly how should we expect a breakeven and what kinds of investments will be needed in the backend infra, if you can just share some thoughts on that?

Prashant Panday: We'll just take your first question first. Typically, as a group Times of India group as a company they're all strong in advertising generation, we have strong relationship with advertisers. Also, as you know a subscription business in India is still small and ascent and hopefully, we'll grow but we don't know about that. Also remember that our content is more of the fast consumption kind of content. I would imagine at this stage that it will be more advertising funded. Advertising will be the base source of our revenue generation. But again, like Subbu has said a couple of times in this call, that there are various revenue models that emerge on a digital platform. One of them being transactions, now you can call it e-commerce, you can call it D2C commerce, there are various different names given to it but transactions is an important part of the revenues generation as well.

There are many other revenue generation models; I don't want to get into it right now. But there are many other generation models. Now you talked about infrastructure and all Subbu again mentioned that in Phase 1 of this project we may invest up to Rs. 20 crore, mostly to build the app and build the infrastructure around the app. Phase I that we refer to is largely about the international part of the app which we should launch by January-February of next year and that will contain music and radio stations as well.

Jinesh Joshi: Breakeven timeline? Any thoughts on that?

Prashant Panday: On the breakeven of the digital business?

Jinesh Joshi: Yes.

Prashant Panday: It's still not worked out; it's not been developed fully. to be discussed with the board as well. We will share with you as soon as we are ready. It will take us maybe one more quarter or slightly longer than that.

Jinesh Joshi: But typically, how long does it take? I mean our timelines could be different but in the business which we are planning to enter into, typically how long does it take to breakeven. We could be a few quarters away here and there but generally how long does it take?

Prashant Panday: It depends on what kind of ambitions you have. You know that there are players who don't make profits for 10 years. I think Spotify has just started making profits or something. And then there are players who tailor their strategy to a faster recovery because they plan to do activities around their core rather than a kind of a in a much bigger umbrella manner. I will give you an example of what I mean to say. There are companies like Amazon and Flipkart which will bleed for decades because their ambition is global and cover one and all in India and abroad. But there are many examples of department stores or high street stores which also have digital shops available but their ambition is to basically cater to their consumer franchise and offer them another channel of purchase. Now these players are profitable from the data launch actually right because they have looked at digital as a distribution channel for their merchandise. Now we will be somewhere in between. We certainly don't have plans to bleed forever but we will always invest in any new product that we launch. Even in our radio business, we used to say that it takes 2 years to break even at an EBITDA level because we invest heavily in brand building and marketing and we did that in the first 10 years of our life. I think in the platform business also it will be somewhere in between, not immediately but definitely not very far away.

Sanjay Ballabh: Jinesh from the USPs, we are just looking at. While we will give you more specific numbers in a quarter or two,

Moderator: We take the last question from the line of from Nagraj Chandrasekar from Laburnum Capital.

Nagraj Chandrasekar: One I am just going to take a step back and look at the big picture here, right. You have an excellent business that is very well run and throw off a certain amount of cash flow which it will likely throw off for several years and beyond the point we don't know what technology as to radio, how you compete in a world where voice is carried via a different medium. I think if I put together what you said on this con-call and what you said in previous con-calls, it's pretty fair to say that we shouldn't be expecting much cash flow back at shareholders. Is it fair to say that the mandate to you as a CEO from Bennett Coleman is look, you are generating this much cash, figure out a way to reinvent yourself for the future, feel free to spend the cash you have and spend it intelligently or is there some sort of mandate to say look if we can't recycle cash into the business maybe we should just be dividend need out so that we can spend it elsewhere? Some sense of how you look at this at a high level because as a CEO that's the main challenge you have. You have a certain amount of cash flow, you have in necessary re-invention because of technology. Is it fair to assume that somehow or the other you do the best job you can over the next 3-5-10 years to spend this in reinventing yourselves as your shareholders we are basically coming along with you for the ride and hoping you can reinvent in a shareholder value a creative way? That was my first question. My second question is you have talked a bit about the solutions business and on previous calls you have also said that look, the fact that we have an Entertainment DNA as opposed to the News DNA of other parts of Bennett Coleman means there may be certain types of campaigns that we may be better positioned to run than other parts of a group because news organizations have to sta

etc. I just wanted to understand, is it the case that every part of Bennett basically tries to sell their own ad inventory and then on top of that also tries to unroll. So, ET may do this, Times Now may do this, you may do this, Gaana may do this. On top of that to the extent there is some multimedia campaign and many campaigns now increasingly multimedia you earn an extra fee for being the person that puts a composite solution together. In doing this, are you basically also competing with other parts of Bennett where your right to win is strong. If 30% to 50% of the spend is radio which means radio is the anchor medium and everything else you kind of curate and bundle in whether it's Bennett inventory or other people's inventory. Other parts of the group will try to do the same where their inventory ends up being the anchor inventory. Do we expect to see you competing both within the group and outside the group within the solutions business?

Prashant Panday: First, your first question, it's actually the board which directs management in whichever way the company is in a position to grow fast. Growth is a mandate and the good thing for us is that over the last 20 years we have built a brand which allows us to grow into new areas rapidly. Yes, the board will push us on growth and using the brand as the leverage. It is not growth for the sake of growth, growth into areas which are not strength areas for the company but it is growth within the company's areas of strength using the brand as the totem pole on which the growth areas are

opportunities left, then certainly one of the things that if you will look at is using the cash differently. Shareholder value generation is always top most in the board's mind and therefore they discuss this every quarter. Your second question is also interestingly worded, that do all group companies work together or do they compete with each other? Well, they do compete with each other whenever it comes to it but remember the different products of the company cater to different market opportunities like honestly Mirchi and the whole calibration network hardly compete. Mirchi, like I mentioned to you doesn't compete with newspapers, Mirchi I told somebody a few minutes ago is not the primary medium. Radio has to always support either print or television. Actually, radio works very well with The Times of India group public print publications. Radio Mir

marketplace, there may be times when we compete as well. It's not that we don't compete ever but we work, we collaborate more often than we compete and in Mirchi s solutions business when we add on other multimedia products, there are again no mandate that they have to Bennett products. In fact, Bennett products are also limited in their offerings. So, we are a hyper local brand and if we were to do for instance a solution for a client in Rajkot, maybe Bennett doesn't have a suitable property in Rajkot at all. We may then pair up with a local newspaper there or we may pair up with a local outdoor supplier over there. There is no mandate to do that but I think as a group we work very well. Synergistically all companies review their scope to work together. Even on the content side, we have a very strong brand in Bombay Times, we have a very strong brand in Filmfare and we leverage these relationships whenever it suits us to access celebrities either for our own IPs or even for our radio content. So, we work synergistically is what I would like to tell you.

Nagraj Chandrasekar: No, I think the question was specific to the solutions business which is let's say the Delhi government I am picking up a random example. Let's say that Delhi government puts out an RFP saying we want a campaign to tell people not to burst crackers on Diwali. Then Mirchi could go to them saying look guys, we will do a campaign for you with our solutions business. We will put in some radio, we will curate our Bennett, non-Bennet bouquet of media properties and will get the message out. Simultaneously, The Times of India could go to them and say look we will give you a solution where we will throw in some The Times of India, we will curate a combination of Bennett, non-Bennett other properties, come with us. Would you then see a Mirchi team, a Times of India team alongside other teams from other organizations all competing for that same solutions business? I am talking about the integrated solutions business not the pure-play ad business.

Prashant Panday: I get what you are saying Nagraj. Typically, in big clients of this nature we would co-ordinate our steps so that we don't trample on each other. We would move synergistically and there are clients who clearly give that indication that they would like to see us as a group rather than as independent companies fighting each other. There are cases like this and we co-ordinate with each other and we meet the client jointly, that happens all the time. In fact, in many clients Bennet is leading the way and they package radio in and then there are clients the radio is leading the way and we have better relationships and we try and see if we can get some Bennett properties in or some internet properties in. So, it works both. It works in a coordinated manner.

Moderator: Thank you very much. Mr. Panday, you can please go ahead and give your closing remarks.

Prashant Panday: Thank you very much dear investors and there is an email mentioned in the presentation. Please do reach us for any more clarifications or questions that you may have. Thank you very much.

Moderator: Thank you. On behalf of Entertainment Network India Limited, we conclude today's conference. Thank you for joining. You may now disconnect your lines.