



“Reliance Broadcast Network Limited Q4FY11 results  
conference call”

**June 1, 2011**



**MODERATORS:**     **MR. TARUN KATIAL – CEO, RBNL**  
                          **MR. ASHEESH CHATTERJEE – CFO, RBNL**  
                          **MR. RABE IYER – HEAD, BIG STREET**  
                          **MR. SOUMEN GHOSH CHOUDHARY – HEAD, BIG 92.7 BIG FM**  
                          **MS. PRAVEEN MALHOTRA – SVP, SALES, RBNL**  
                          **MR. NIKHIL VORA –IDFC**

**Moderator:** Ladies and gentlemen good day and welcome to the Reliance Broadcast Network Limited Q4FY11 results conference call hosted by IDFC Securities Limited. As a reminder for the duration of this conference all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing \* and then 0 on your touch tone telephone. Please note that this conference is being recorded. At this time, I would now like to hand the conference over to Mr. Nikhil Vora. Thank you and over to you sir.

**Nikhil Vora:** Thanks Marina. Welcome you all to this earnings conference call for Q4FY11 for Reliance Broadcast network. We have with us representing the senior management team of the company, Tarun who is the CEO, Asheesh Chatterjee – the CFO and business heads of Radio Television and Big Street, Soumen, Nikhil and Rabe respectively and also Praveen who is the senior Vice President Sales. I'll hand it over to Asheesh to make the opening remarks on the numbers and also to way forward. Then we can open the floor for Q&A with Tarun. Over to you Asheesh.

**Asheesh Chatterjee:** Good afternoon everybody. We are very happy to declare the quarter 4 results which have been pretty solid and excellent across all our business verticals. We clogged the top-line of 71 crores in quarter 4 and a healthy EBITDA margin of around 5.5%. Radio business in fact was even better, 47 crores of top-line and a 9 crore EBITDA. Radio businesses have now remained EBIT positive for 3 consecutive quarters. So, an excellent performance on the radio side. We are clocking EBITDA margins of close to 20% now. In terms of the full year numbers the 251 crore mark was breached this financial year when you look at the 12 month performance and in terms of EBITDA again a 5.5% EBITDA margin of 13 crores for the full 12 month period. So the company remains in a good EBITDA positive territory with radio contributing to a huge growth of 20% margin quarter after quarter.

And in terms of the other verticals, the IP business is something which has come to us in a very good performance. We did 7 properties on the IP side, in his quarter. Big Star IMA Awards which will showcase very shortly on Star. And then there were 7 other regional properties. Marathi Entertainment Awards was one of the key successes. It basically clocked a good TRP, we are of 6 in the Mumbai region and to be broadcast network was the broadcast partner to the number 1 position. So, on the IP side largely we have established our capability and our production, production ability far too much and basically we are clocking 15-20% growth over there. And out of home business is also doing remarkably well. With the Delhi metro line 3 also coming into play. And overall it looks to be a very good quarter. Tarun would you like to add something?

**Tarun Katial:** So really if you look at our **12.6 3:35** numbers we moved from 184 to 250. That's an impressive growth number for us. We have actually put up first benchmark about 250 crores for ourselves in the 12 month period. And coming out of the slowdown we have been able to see a 36% rise in our top-line. While our cost only increased 21% so a fairly good year for us, a very good EBITDA margin on a 12 months' period of about 13 crores. You must realize that some of our businesses are in early stage. And even then are now started to stabilize. So whether it's our big live business, whether it is our Big **Street 4:20** business, all are now television business, in very early life cycle stage doing exceedingly well. So we have been able to scale the company up beyond radio in to different areas.

And giving it that critical mass that is requires. And this 250 is just an indicator of where the organization could go very quickly **I think with 4:40** television, huge amount of **IPN** and event production, and the out of home businesses which will start to now mature up.

**Moderator:** Would you like to move on to the question and answer?

**Asheesh Chatterjee:** I am just apologizing to everyone. Tarun is traveling, so there might be some disturbance during the call.

**Moderator:** We will now begin the question and answer session. Participants who wish to ask a question, may press \* and 1 on their touch tone telephone. If you wish to remove yourself from the question queue, you may press \* and 2. Participants are requested to use handsets only while asking a question. Anyone who has a question, may press \* and 1 at this time. The first question is from the line of Abnish Roy form Edelweiss. Please go ahead.

**Abnish Roy:** My question is how does FY12 look and if you could share some guidance in terms of the different business segment?

**Tarun Katial:** Good numbers, 250 is a good number **we breached 6:15** this year. If you look at our expansion in television, in outdoor as well as in IP business, this is really where the growth will come from. Although one of the significant things we are now doing is that we are actually going to scale up the IP and **content** production business. So we are going to be moving one of our key production businesses in to IPN or Big productions and that added with big live in itself should hopefully get us to about 90 crores top-line. Radio continues to grow at healthy organic rate and we are seeing radio well probably grow above 15-20%. Depends on how the year goes and how inflation is. Radio, the key will be on where the policy goes with Phase-3 and we are closely monitoring that. Television is going to be our first set of launches this year. As happened with CBS and MAGIC. CBS is the English language content 50%, in Prime, Love, and Spark. These channels are doing very well. Now we are seeing advertising this has started to kick in very quickly. The other channels that we have launched are MAGIC, which is Hindi Heartland channel. And already number 1 in heartland doing very well for us. We are now up to 20 GRPs in this region which will give us a very stable revenue growth over the next 9 months of the year through this.

We also overlap about 14 radio stations in the Heartland and Heartland contributes to 30% of Adex of India. So **opening 8:20** the TV business would end up contributing in nearly 70 crores for us. And another 80-90 will come from production in IP. Radio will continue to grow at organically. So if you do the maths, it looks like a very good year coming up.

**Abnish Roy:** My second question is recently Star and Zee have signed a distribution deal. You have been a veteran across different TV Company. How do you see this deal impacting carriage fees and subscription revenues over a medium to longer term and would we also be open to joining in this consolidation? Any impact of this on our numbers over a longer term.

- Tarun Katial:** I think it is good for the industry from the broadcast perspective. The benchmark pricing both for carriage will come down and subscription will go up. I think everybody will benefit from this. The pressure will stay on MSO who are low on digitization even more so. We see this coming out for **us is as**, we now have clear options of either to go with this set of to go with the competing set but you know **both want to grow 9:30** their market and bouquet it and were are in a good place to decide where we want to go.
- Abnish Roy:** Okay thanks Tarun. All the best for this.
- Moderator:** Thank you.
- Nikhil:** Tarun, Nikhil here. Just couple of questions. One is on broadcast business what is the planned Capex as also the revenues you think one can generate over the next couple of years?
- Tarun Katial:** Very little CapEx in this business. It is primarily content related OpEx business. And it rarely depends on content and IP. Hopefully as I said this year could be about close to 70. And next year it could actually be close 120-130 depends on when we launch the RTL channels. If they launch this year itself, then this year would get 100. If we launch it next year, then the next it would get to 120-150.
- Nikhil:** And how much of this will be distribution driven?
- Tarun Katial:** Not very much. I think in the first year or first couple of years, distribution is difficult to come by but because these channels are English and this is a platform essentially requires them. Number could turn very quickly towards distribution from year 3. What also will happen by year 3 is that compulsory rationalization strategy the government or regulation will become closer and closer so 2014 is a sunset year and then **opening the channels 11:20**, this could significantly benefit from that.
- Nikhil:** And you would be profitable in year two?
- Tarun Katial:** On MAGIC, yes.
- Nikhil:** Okay. Second was on the radio business. What is the expectation now on Phase-3?
- Tarun Katial:** I know as much as you do Nikhil. And we are hoping that it will come too quicker than expected. We have all been waiting quarter-on-quarter on this and hopefully this should turn this around very quickly.
- Nikhil:** Are we adequately funded to start to take advantage if any of the Phase-3?
- Tarun Katial:** So we are actually funded. Our strategy is not to actually deprive too much CapEx on it. Our strategy is to network, and so our funding requirements are fairly low compared to that.
- Nikhil:** And lastly on the outdoor business, how much on the outdoor business right now is dependent on the Reliance Network or the ADAG Network itself?

- Tarun Katial:** Currently not so much. The only piece in the pile is Delhi Airport Metro Express. This year we are hoping for two big properties to come away. One is the Bombay Metro by the end of the year, hopefully by December. And the Worli Sea Link hopefully in the next quarter.
- Nikhil:** Okay I'll come back if there's anything else. Thanks.
- Moderator:** Thank you. The next question is from the line of Ram Hegde from Primis Investments. Please go ahead.
- Ram Hegde:** My question was on Radio. Could you just indicate how large the activation business is for you in radio?
- Tarun Katial:** Radio we don't report any activation business.
- Ram Hegde:** And secondly you said there are some benefits that you see from radio...
- Tarun Katial:** And that's why you would see the difference in numbers of us and Mirchi.
- Ram Hegde:** And on the Hindi Heartland overlap with radio, could you just indicate what sort of benefits you see from that?
- Tarun Katial:** There are two sets of benefits one a specific geographic advertisers of Hindi Heartland that are with us on radio and now we get a better share of wallet from there. Secondly, and more specifically it is also a fairly quick way of creating salience for our brand and having a multimedia presence across the board. And thirdly it's the ability to be able to win 360 degree solutions for clients.
- Ram Hegde:** Do you all cross sell the property.
- Tarun Katial:** Yes.
- Ram Hegde:** What percentage would be bundle today?
- Tarun Katial:** The channel is only about 3 weeks old. We'll see as we go along but as a thumb rule about 20-30% comes from network deals and 70 comes independent. This would go 50-50 initially.
- Ram Hegde:** On the radio Phase-3 while we are unsure when the timeline is going to be but at least for the key cities, the top 10 markets, is it fair to assume that cumulatively, the industry would be bidding let us say 20-30% at least higher. I mean whatever is the peak of last time.
- Tarun Katial:** The peak of last time was really peaked. So may not happen that people will go very ballistic. We see some of the key metro players; they haven't done exceedingly well while they all started to get EBITDA breakeven now even fairly long. So I am not sure whether players will go ballistic.

- Ram Hegde:** On your television channel side, how many channels do you think you would add in the next couple of years?
- Tarun Katial:** So two we will add for sure in RTL which we just signed our JV venture with. RTL will have one which is a reality channel and one which is an extreme real channel. The extreme real will be bilingual, so in that manner, it will not be only one channel, it will be may be 2 or 3 channels different language reach for different markets pretty much how Discovery operates.
- Ram Hegde:** Okay thanks. That's it from my side.
- Moderator:** Thank you. The next question is from the line of Parimal Mithani from Credential Investments. Please go ahead.
- Parimal Mithani:** I would like to know what is the total debt on the company's balance sheet as on 31<sup>st</sup> March?
- Asheesh Chatterjee:** It is 119 crores.
- Parimal Mithani:** And the cash on the balance sheet.
- Asheesh Chatterjee:** It is around 7.5 crores.
- Parimal Mithani:** Are there any preference shares issued by the company.
- Asheesh Chatterjee:** No.
- Parimal Mithani:** And can you throw the light on all your four businesses and going forward which will be your main business?
- Tarun Katial:** So currently 70% of our revenue comes from radio. It will continue to be one of our most important businesses. But we were investing behind becoming a multimedia entity. Television is our next big foray. And we just **forecast 16:50** we will have about 6 television channels hopefully by end of this fiscal. Already have four. Big Street is our third business which is the outdoor business and it **continue** to about 40% of **lease** inventory and there will be outdoor media **17.07** and then is our business in live entertainment and IP production which also now significantly starting to contribute. It closed this year nearly a 40-50 crore and we are hoping adding up the production should as mix next year we will do another close to about 80-100 crores.
- Parimal Mithani:** And I would like to know what is the CapEx of television business for this coming year?
- Tarun Katial:** Television business was very low on CapEx because it is not a capital intensive business in that sense. What television is really has is OpEx and content cost to it.
- Parimal Mithani:** And are we trying to be a part of any alliance or how we and.....

- Tarun Katial:** So we are going to take that that position and choice in the coming two quarters.
- Parimal Mithani:** Okay thank you.
- Moderator:** Thank you.
- Nikhil:** Tarun, this is Nikhil here. Just one more question. A model was quite **akin 18:20** to what ENIL model used to be were city centric business model radio, outdoor, live entertainment and so on. And that really did not work for ENIL. Do you see a similar restructuring happening in Reliance Broadcast or you think we are very comfortable in the way it is right now?
- Tarun Katial:** We have actually de-structured out of the activation business already. And we are now only in to IP creation and if you see last year, we played 22 IP properties. We are not doing the local activation, that is a low margins, city centric business which can add to the top-line but does not do much for the bottom-line or long term IP that you can monetize in own. So that part of the business is already out. Big Street is really an independent business and it starts and our inventory is actually moving more national than local. And then our biggest growth area is going to be television which is not in their scheme of things at all. And even on regional television it's not the city centric if regions are specific and you have seen the success of regional television. Even the smallest or the largest player actually does very well there.
- Nikhil:** So how many broadcast network or station do you think will be able to manage over the next 2-3 years?
- Tarun Katial:** In terms of TV?
- Nikhil:** Yes.
- Tarun Katial:** So **it will be going 19:55** to 6 and our attempt is going to be to take that up to 10 by the end of next year.
- Nikhil:** SO there is officially no plan to go mainline.
- Tarun Katial:** No. not until end of next year.
- Nikhil:** Cool this should be okay. Marin is there any other question please?
- Moderator:** Currently there are no questions.
- Nikhil:** Tarun, you want to make any closing remarks?
- Tarun Katial:** So really thank you so much for you time. It's our highest ever total income of over 250 crores. I think we have surprised ourselves and surprised a lot of people across the board. Big FM continues to do exceedingly well. The ICC world cup sponsorship and partnership did even better for us. Big Live

has now 63 big properties to look at the IMA Awards that are going to be telecast on Star in the end of this week or the Big Star Entertainment Award or the Big Television Award or the slew of 19 regional properties with it is building a lot of content for us as well as long term IP. **Big Street is 21:05** now well in trench where it its 3 channels launched and I think we did a very good job in executing them in 6 months flat we launched 3 channels. May be I think it is already ranked number 1 among regional channels and Big Street starts to now capitalize on its Delhi advantage its line 2 extensions as well as line 3. So, robust business and we are hoping that the next year would actually be better because most of our business will go in to its second or third year and start to make bottom-line as well as top-line now.

**Nikhil:** Thanks Tarun, Asheesh and the team there. And also all the participants for being on the call. Thanks.

**Moderator:** Thank you. On behalf of IDFC Securities limited that concludes this conference. Thank you joining us. You may now disconnect your lines.