“Jagran Prakashan Ltd Conference Call”

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MANAGEMENT: **MS. APURVA PUROHIT - CEO - RADIO CITY**
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Moderator: Ladies and gentlemen, good day and welcome to the Conference Call of Jagran Prakashan Ltd. This conference call may contain certain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performances and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal for an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. We have with us today senior management of Jagran Prakashan Ltd., Mr. R.K Agarwal – CFO and Ms. Apurva Purohit – CEO, Radio City. I now hand the conference over to Ms. Apurva Purohit, thank you and over to you.

Apurva Purohit: Thank you very much. This is Apurva Purohit here. Since this call is focused on the radio business of Jagran and the recent event around the radio business which is the auction of Phase-III, I will talk for the next few minutes on the auction and the implications of the auction on Radio City.

So as you are aware, finally after a wait of around 3 to 4 years since the policy had been announced the Phase-III auctions started last month and concluded a few days ago These auctions were Part A of Phase-III which is the balance 130 odd frequencies that were left vacant in the current 90 cities where FM is available in the country. At the beginning of the auction process itself, we had identified a very clear strategy which was a continuation of our strategy of Phase-II which is to focus on the top metros, look at markets which have high advertiser interest and thereby high profitability and bid only for those markets. I am happy to share with you that we planned to expand our footprint from our current set of markets which is 20 Radio City markets plus 8 Radio Mantra markets by 14 new markets, of which we have managed to get around 11 markets. This clearly expands our footprint to 39 markets which are the markets of choice both from an advertiser potential perspective and which fortifies our position amongst significant national players by being present in the big metros and mini metros.

After acquisition of 11 new stations,, we have further deepened our reach in Maharashtra, Tamilnadu,Punjab , UP ,Jharkhand , covered entire Rajasthan and entered into Bihar . As far as the business goes, quarter one results many of you would have seen . We are very much in-line with the expectations and our budget and quarter two has also gone on the same lines.

.After giving the synopsis of post bidding scenario, I am happy to take any questions now.

Moderator: Thank you very much Ms. Purohit. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Lakshmi Narayanan from Catamaran. Please proceed.

Lakshmi Narayanan: My first question is in terms of the geographical spread of 39 stations can you just tell me which states you are planning to be in? And second, of the total radio advertising market what would be a proportion of these 39 locations?

Apurva Purohit: The Radio City strategy continued from Phase-II to Phase-III and this has been to concentrate on the top 40 markets which contribute nearly 70% of the advertising revenue of the industry. So in Phase-II, we were there in around 16 of those markets and with these new cities plus Mantra cities, out of the 40 markets we would be present approximately in around 30 plus markets , Of course, other 9 markets are slightly smaller. Thus, we are as of now in markets contributing around 70% of the advertising revenue of the industry.

Lakshmi Narayanan: So the top are 40 cities which is your priority, of which 30 you are in now?

Apurva Purohit: Yes. Some of the cities there was no frequencies available and didn't come in for auctions at all, for example, Calcutta and Indore and couple of cities we chose not to enter, for example, Cochin which is in a new state with a new language and a completely new geography. **Lakshmi Narayanan:** And the geographical spread which states, I just wanted to know those 30 locations….

Apurva Purohit: If you see our Phase-III we are practically across the country everywhere in the big metros but the deeper presence I would say we have in Maharashtra, in Rajasthan, in UP, in Gujarat, then we have the big cities in Tamil Nadu, in Karnataka, Punjab, and Bihar. As footprint goes ,we are clearly there in most of the states with the key metros and deep presence in Maharashtra, UP, Rajasthan, Gujarat , Jharkhand .

R.K Agarwal: So Lakshmi Narayanan, in fact Radio City has tie-up also with the stations at Calcutta and Gwalior.

Moderator: The next question is from the line of Ankit Kedia from Centrum Broking. Please proceed.

Ankit Kedia: My question is regarding the annual license fee. So in the Phase-II policy it was 10% of the cost of the license or 4% of the revenue. And in the Phase-III auction it is 2.5% of the license fee or 4% of the revenue. So do you think after migration the old stations will also need to pay 2.5% of the cost?

Apurva Purohit: Actually the calculation hasn't changed, even in Phase-II and Phase-III it was 2.5% of the reserve price or 4% of the revenue whichever is higher, so the same logic has been there in Phase-II and in Phase-III also.

Ankit Kedia: So it's of the reserve price or of the final bid amount…..?

Apurva Purohit: In Phase-II it was reserve price and the highest price and that continues here so its 2.5% of the highest bid price.

Ankit Kedia: So do you think the profitability of smaller stations given that in first two years they might not make significant revenue and given that they have bid for high amounts we might need to pay instead of the 4% revenue the 2.5% share and which could not be feasible in medium-term?

Apurva Purohit: Actually the fact is even at Phase-II, in the beginning till the revenue sort of caught up there were a significant amount of markets where all of us as an industry were paying 2.5% of the reserve price/the highest bid price, so that is a fact. Going forward if you see in Phase-III, I think there will be a few markets where we will be paying 2.5%, but at least in our set of markets after the first year we are reasonably confident that 4% of the revenues, will be higher, so it's only in the first year this will play out in a few markets but , not everywhere else,

Moderator: The next question is from the line of Sonali Salgaonkar from Yes Securities. Please go ahead.

Sonali Salgaonkar: I have one question, in your latest BSE corporate announcements you have informed that there is an upcoming Board Meeting to consider the scheme of arrangement between certain of your companies, so could you throw some light on the proposed scheme of arrangements?

R.K Agarwal: Sonali, while we were making an acquisition of Radio City at that stage also we had clearly communicated that in course of time, promoters company which is having 8 FM stations is going to be de-merged into Radio City, this is what in the scheme is being proposed and once this scheme becomes affective, Radio Mantra which is running 8 stations will be part of Radio City.

Moderator: The next question is from the line of Vikash Mantri from ICICI Securities. Please proceed.

Vikash Mantri: I missed the initial remarks I was late, I don't know if this has been questioned before. We have not added even a single second frequency in any of the markets. Now I was to believe the economics of second frequency are significantly better. And the reason I ask this question is especially the markets of Lucknow and Hyderabad relatively went very cheap for the second frequency, so why did we miss those?

Apurva Purohit: Even when we did the strategy planning for Phase-III we were very clear that we would not go in for a multiple frequency. At that time we had worked on calculations where broadly the second frequency would go at something like 60 crores to 70 crores in cities like Delhi and Bombay and as we all know they have gone much higher. So the economies completely do not support even a 60-70 crores payout for the second frequency. Now let me explain why. So let's talk of the big markets and then let's talk specifically of the markets that you have mentioned.

Vikash Mantri: No Apurva, I agree with Delhi, Mumbai and all of those Ahmedabad and Pune and Bangalore. We know that there was a structural fault in the auctions because of which Lucknow, Hyderabad, and Kanpur were not bid for and, therefore, anybody who bid for got it at the lowest price and therefore they made a very relevant choice.

Apurva Purohit: I don't agree that there was a structural fault and nobody bid for that. I think let us understand that if you look at the market construct even now most of the revenues or most of the advertising potential exists in the top 40 markets. Even within that most of the revenue potential exists in the top 7 to 10 market. Now let's look at markets like Hyderabad, Lucknow and Kanpur, the markets that you are mentioning. In terms of size, amongst the top 20 markets they fall in the second half .. As of now with the current number of frequencies that operate in those markets which is 3 somewhere and 4 somewhere, if you look at the inventory that is available most of the players are operating at around 70% inventory in those markets. So even with just 3 frequencies available there is 30% inventory yet to be filled up. Given that with more frequencies coming in and more inventories being made available in those markets it is very unlikely, whatever be the price of the second frequency, that that second frequency will be able to fill in even 30-40% of their inventory **Vikash Mantri:** So very clearly a Nasik at 15 crores is better than a Lucknow second frequency at 14 crores.

Apurva Purohit: Absolutely because market potential-wise there is a marginal difference between the two. As a seller when you have both markets, you have an edge , and that is the reason for the success if you look at Radio City …..

Vikash Mantri: So what would be the Nasik market vis-à-vis Lucknow market? And if you can also help Patna market vis-à-vis Hyderabad market….

Apurva Purohit: So a Lucknow market would be approximately 30 crores and Nasik would be around 20 crores so that is the difference. And Hyderabad market originally in Phase-II as a capital city it had expected to do around 60 crores but actually it is around 40 crores right now.

Vikash Mantri: And Patna market?

Apurva Purohit: Patna market would be approximately in the range of 30 crores.

Vikash Mantri: So despite being bigger markets each of them because of higher inventory available or unsold inventory available they still did not make much….

Apurva Purohit: As a second frequency. The first frequency in those markets obviously makes more sense. And the sentence that I was wanting to complete before you asked this question was that when a seller such as ourselves goes and talks to a media buyer then you have a frequency which is doing well in terms of listenership and recall and you have an inventory which you know that you have capped at 12 or 15 minutes per hour, you have a higher ability to be able to raise rates there versus going with 24 minutes per hour in a market which is as it is operating at 60% inventory and try and command any reasonable rates. The way we have operated in 20 markets , we expect to operate in the markets even going forward, we are a value player not a volume player which is why we have been able to deliver the kind of margins, etc., that we have and we have always operated at a price premium over the rest of the market.

Moderator: The next question is from the line of Ram Hegde from Amansa Capital. Please proceed.

Ram Hegde: Just a quick question, could you just run through broadly, what is the economics in a second frequency in some markets like Pune or even if you take Bangalore or any of such markets?

Apurva Purohit: As you are aware, places like Bangalore already have 8 to 9 frequencies operating, Pune has around 3 and in that sense bigger markets Bombay, Delhi, Bangalore are going full largely on inventory so there is an opportunity for somebody to come in with a 10th frequency and still hope to fill more inventory there. In the smaller markets or the mid-size markets which are Pune, Ahmedabad Lucknow, Kanpur, the inventory utilization is going at around 60-70% and therefore for a second frequency to come in those markets makes much lesser sense and the economics that work out we believe is that while you can run the second frequency at half the cost of the main frequency , (I am not talking about the one time entry fee,) you are likely to deliver approximately not more than 30-40% of the revenue of your first frequency. Thus, second frequency will potentially eat into your existing profits..

Ram Hegde: If you leave aside the amortization cost that would be very minimal, I presume it's just the programming and the RJ team which would need to come in, right?

Apurva Purohit: It's just not that, because if you intend to run as a separate frequency and just not as a mirror frequency then there is a people cost which is programming and RJs which is reasonably large, there is a marketing, there is also the studio, etc., cost because all these are live channels right? So you to have a separate studio, you have to have a separate production team that supports the studio,.the only thing that you would possibly share with the main or number one frequency is your sales team.

Ram Hegde: Just to understand the dynamics in the city of Mumbai and Delhi where obviously now there are two players at least with multiple frequencies, how does that impact players like yourself, I mean who would be now with a single frequency?

Apurva Purohit: The fact is that today as we speak there were already existing 7, 8, 9 frequencies in these large cities and there are just 1 or 2 more frequencies coming in. So we have always believed and we will see as this plays out that once 9 stations have been established over a period of 10 years, the 10th frequency coming in is not likely to shake out or rattle any of the current structure that exists, whether it is in terms of the listenership or whether it is in terms of the rates that one is able to command because they are not going to be able to make that much of a difference. Having said that, yes there was an opportunity for some of the players if the right price had been paid for OTF to come up with a niche offering. . However, with the current prices that one has paid, I am doubtful whether a niche or a segmented offering can economically survive, , which really lends me to believe that the 10th frequency which is a second frequency of a player, would come in as a GEC or a mass offering, in which case neither is it going to expand the market nor is it going to give a segmented offering to the advertiser and ultimately it will end up cannibalizing on the mother frequency.

Ram Hegde: But it would also hurt you all assuming that it comes as a contemporary…..

Apurva Purohit: So the fact is we have been operating with 9 frequencies with 8 other competitors, if 8 other competitors have not been able to impact me adversely I really don't see how the 9th player will make any difference to us. For the last (+200) weeks we have been number one in both Bombay and Bangalore and we are 1 or 2 in most of our markets with 8 frequencies, 7 competitors, 6, 5, 4, whichever number you take.. I really can’t figure out how a 10th frequency will change the game dramatically neither for me nor for any of the other current players.

Ram Hegde: Sorry Apurva, just to dig deeper here, because the second frequency is in the laps of a seemingly strong competitor, I mean it’s not in the hand of some weak player. So don’t you think to that extent you are handicapped?

Apurva Purohit: Let me answer that question again. Of course, it is in the hand of a strong competitor, but we are also strong players, so let’s say there are 2 strong players and there is 1 player who is coming in with a second frequency. Now, the way the market buys anything whether it is a television channel or radio , advertisers typically pick up from a rating perspective, the number 1, 2 and at best if they are large enough client a number 3 player, right? So if with all the might of what you are calling the strong competitor being put in the last 10 years I have still managed to retain my number 1 position, what is the competitive advantage he can come and offer? That’s okay I have got this 1 frequency now you buy my second frequency which for all we know may have a listenership which is number 7, 6 or 5, right? So you are saying buy number 2 and buy number 5 together. What is it going to do? It is going to cannibalize this number 2 because the combination he has to offer has to be in cost per thousand equaled or better than mine. Correct?

Ram Hegde: Yes.

Apurva Purohit: He is the one who is going to have to offer a lower rate so that he is able to sell. And that’s not going to play out with the current rates that we are talking about. I mean if I have a 120-130 crores OTF sitting on my head I am certainly not going to want to be a volume player, right?

Moderator: The next question is from the line of Yogesh Kirve from B&K Securities. Please proceed.

Yogesh Kirve: The 11 new cities that we have got into can you provide a rough estimate what would be the ad revenue market as of now?

Apurva Purohit: I will give you the larger picture; I think the newer markets for the industry are going to add around 20-30% more to the size of the industry. So if you are talking about a 1200-1400 crore industry we are saying that the newer set of frequencies that are coming into play will add on around another 300 crores. From our perspective also broadly that will be more or less the number that we are talking about, so I think around 40% more is getting added on to our topline because of these new markets.

Yogesh Kirve: Can you give us any timeline of when we see all these cities operational at least for the few years what could be the target or the maximum start-up loss that we can expect?

Apurva Purohit: The way the timelines are going to play out as you are aware, we are all dependent on MIB and Prasar Bharati giving us the towers because all of us will be operating on the common infrastructure. So current conversations with Prasar Bharati and **MIB,**indicate that the first lot of towers that will get set up, the first CTR that will be made available to the players will be around February of this financial year, so one can expect that starting March 2016 right up till September 2016 is when across industry all the stations will get set up. So I think by mid of next year is when all these frequencies will be up and running. So that is as far as the timelines go. As far as our business plan goes for the new set of markets we are very clearly seeing that as I said, they will add around 30-40% to our topline..

Moderator: Thank you. The next question is from the line of Urwil Bhatt from IIFL. Please proceed.

Urwil Bhatt: With the Phase-III licenses how do you see the pricing evolve across markets and do you think there is any further room for price hike and are you contemplating any price hike in any of your markets especially considering 35% odd price hike taken by one of your competitors?

Apurva Purohit: Let me answer the question by talking about two different sets of markets, the first set of markets are all the bigger markets where largely the inventory is going at a reasonably high fill rate for all of us. In those markets and I am not talking about just this year, for the last three years on an average we have been taking a 10% rate hike and that has played out and worked very well for us. We will continue to follow that strategy and year-on-year we will be taking anything between 8-12% rate hike on all the bigger markets which are typically the top four markets and balance 3-4 markets, so there are 8 markets where we will be operating with a continuous rate hike increase of 10% every year. Here I would also like to mention to all of you is that Radio City has always operated at a price premium over the market, so our price premium has been in the range of around 15-20% over the average rate that operates in any market. On that price premium we have been taking a 10% rate hike. On the second set of markets where the inventory fill is around 60-70% we will be adopting a mix strategy where we will be trying to increase rates but equally, our concentration will be to increase our volumes there. So for advertisers who buy single markets from us, there will be a rate hike strategy and advertisers who buy multiple markets from us, there will be an inventory fill strategy that will be operating. On the 3rd Tier of markets which are absolutely the smaller markets and the newer markets, the intent will be to take the volume fill to around 50-60% post which we will start sort of benchmarking rates over the market and then taking hikes.

Moderator: The next question is from the line of Kartik Gada from ValQ Investment Advisory. Please proceed.

Kartik Gada: Just from your previous answer you mentioned that you are at around 15% premium to the peers so what is the differential proposition, which we are offering because of which we are able to command such a premium?

Apurva Purohit: The differential positioning that we are able to offer first of all is our leadership position as I have mentioned earlier both in places like Bombay and Bangalore where the RAM data is available we have been in a leadership position for more than (+200) weeks, I think 220 weeks now so that is one reason. I think the other factor also is that we have a very efficient network to offer to our clients, so neither is it so large that we are entering into very small markets which are not markets of interest to advertisers, neither is it so small that it ends up becoming a niche player only in three or four metros so it is of significant size at the same time in relevant markets. As a result, when an advertiser actually, does a cost per thousand kind of an analysis even with our 15% premium , he ends up getting our entire network with its bias towards the SEC AB Audience, which is the audience of choice for advertisers, at a very attractive and efficient rate and I think the right network coupled with our leadership position is what helps us get that 15% premium over the average rate in the market.

Kartik Gada: So would it be fair to assume that a lot of the buyers of our inventory would be more than single city buyers; I mean they would be buying together for say the metros or the bigger cities?

Apurva Purohit: That is right for not only us but largely for the network players in the industry because even today 65% of the advertising revenue comes from corporate advertisers and 35% comes from retail advertisers which would be the single city advertisers, so 65% of our revenue is coming from advertisers who want multiple cities. And indeed as a sales strategy you have to see how do you convert an advertiser who is buying 5 markets to an advertiser who buys now 7 markets or 12 markets and now finally 39 markets from us.

Moderator: The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please proceed.

Dheeresh Pathak: I want to better understand the cost structure so let us say for a metro station in terms of the fixed cost if you can just give a sense of that excluding marketing cost what would be the fixed cost per year be which would be your production, studio cost and all that?

Apurva Purohit: As a percentage I think the fixed costs really would be of course the personnel cost, the GOE, premises rentals, the rentals that we pay to the government, our license fee, etc.

Dheeresh Pathak: I am looking at in three ways – one is that license fee, and content royalty would be a variable cost which will be percentage of revenue that we have a fairly good understanding of. The second is the marketing cost, which is obviously how much you want to spend on your brand promotion and all, that is also we can vary and that we know. We just want to know the fixed cost which is how many jockeys you need and how much office space you need, if you can put a number to it saying is it 10 crores, 15 crores, 20 crores?

Apurva Purohit: I think it is very difficult, are you asking for it on market by market basis or an overall basis?

Dheeresh Pathak: I am just saying for a metro station if I am just looking at the fixed cost ex of marketing cost and ex of the variable cost which your license fee and content royalty, what is that fixed cost, is it 15 crores, is it 20 crores, a ballpark number?

Apurva Purohit: Again see it varies, if you take a big market, if you take a market like Delhi the personnel cost itself between programming, sales, marketing, production, technical, etc., would be in the range of around 12 to 15 crores.

Dheeresh Pathak: 12 to 15 crores for a market like Delhi?

Apurva Purohit: For a market like Delhi and then, of course, the premises cost would be another 2 to 3 crores depending of course on the size, I am now giving you on the basis of a standalone with 3 studios running it as a GEC, etc.

Dheeresh Pathak: And this does not include content royalty and licensing?

Apurva Purohit: Which is as you said you already are aware of, if you just look at the music cost it's around 2.5% of your revenues and license fee will be 4-5%.

Dheeresh Pathak: The other question is on these online streaming music Apps what is their content cost?

Apurva Purohit: The biggest cost on online streaming is that they pay a fixed price for music , which from what I understand, is approximately 20 to 30 crores at the base level paid out to the music labels per year. In comparison our music cost is 2% of revenues approx**Dheeresh Pathak:** When you say 2 to 3 crores of premises that…

Apurva Purohit: That is only the studios and office space l.

Dheeresh Pathak: So what you pay to Prasar Bharati in the contract is it a fixed amount with escalation?

Apurva Purohit: Yes, it is fixed amount with escalation.

Dheeresh Pathak: It will be the same irrespective it is metro or other city or it changes with the…?

Apurva Purohit: No it changes from city to city depending on the rentals where they put up the towers, etc.

Dheeresh Pathak: Do they give you tower-sharing economics, for example in the same tower if there are like 10 people like in a telecom tower company the more the tenancies on the tower the lower the rental, is it like that?

Apurva Purohit: Ideally it should be like that but they do not do that, they have just measured the space of the rooms that they give us and then they just multiply it by a figure and that's what we pay. It's not that the same space is getting occupied by 10 people but that they have so much place and then they sort of parcel out a piece of land to you, like that.

Dheeresh Pathak: That you are saying is about 4% of revenues?

Apurva Purohit The biggest cost on online streaming, they pay a fixed price, which from what I understand, is approximately 20 to 30 crores at the base level paid out to the music labels per year.

Dheeresh Pathak: So irrespective of how many times……..

Apurva Purohit: Yes it is a fixed cost. I think the other big cost for them is the acquisition of downloads or apps or listeners or sticky listeners which I believe is significantly high.

Dheeresh Pathak: Obviously on a lower user base they would have a higher fixed content outgo but assuming they have similar listenership share as a decent market share FM radio would have at that scale would the content cost as a percentage of revenue would be favoring the online streaming guys or would they favor you?

Apurva Purohit: How would it be possible ? , , if I pay 2% of my revenues and obviously revenues is linked to how many listeners I am able to get, so that's 2%. Now if somebody is paying 20-30 crores that means they have to do revenues of nearly…..

R.K Agarwal: Yes that's right, 1500 crores.

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Dheeresh Pathak: The other thing is in the other developed markets, what has been the sort of impact that you think can also be worth highlighting for the Indian market, may be not near term but slightly medium and longer-term that these changes in usage are happening with people listening more on online streaming?

Apurva Purohit: Actually we were just looking at some international figures, obviously there is no getting away from the fact that digital is very big and not only in music and entertainment, in news, in retail, in life, Digital is such a big piece of our life. Having said that, I think if you look at how all these genres will co-exist, I think terrestrial radio has its own space, streaming has its own space, iPod have their own space, so when iPods first came in everybody said that terrestrial radio will die but actually terrestrial radio only blossomed and grew. And I will tell you why specifically all these offerings have their own special niche is because terrestrial radio has something unique which an iPod or streaming can't offer and that's really curated music or music that an RJ indeed is playing for you coupled with the RJ himself, and it is also telling us that apart from music the listeners specifically also want local city happenings and city news, etc. And the biggest reason they listen to radio is the randomness of the music that radio plays to you. This is not true in an app or an iPod. There people really go because they want to listen to a playlist of their choice. But I think there is space, so if someone is consuming entertainment and music for let's say 2 hours a day, I think there is enough space for streaming also to be part of your life, for new songs to be part of your life, for discovery of music to be part of your life and for curated music to be part of your life.

Moderator: Thank you. The next question is from the line of Ankit Kedia from Centrum Broking. Please proceed.

Ankit Kedia: Agarwalji could you share some financials for Radio Mantra and how merger with Radio City would actually help in cost benefits and how would the profitability of Radio Mantra improve?

R.K Agarwal: How would it improve the profitability of Radio Mantra, Apurva will only be able to explain. Clearly you know, it is going to be not sum total of the current operating profit of Radio Mantra plus Radio City, it is going to be higher, that much we are pretty sure. She has already worked on the synergies and she has already made a joint plan also so she would throw light on that. What was the other question Ankit?

Ankit Kedia: Current financials of Radio Mantra?

R.K Agarwal: Current financials last year, that is 2014-15, they had a revenue of about 21 crores with an operating profit of about I think 6.75 crores.

Ankit Kedia: Any debt on the books?

R.K Agarwal: No there is no debt. On profitability part Apurva can explain you.

Apurva Purohit: Ankit, we have already started working on an integrated model and looking at both from a revenue perspective and the cost perspective and see additively how much more we can get out of the synergies and clearly there are synergies. I think the two big synergies that are playing out even as we speak, is that we are able to access for Mantra a lot of corporate clients which the Mantra sales team was not able to because they were not moving in the geographies where we have both stations as well as deep connects with advertisers. So that is clearly one part that we are seeing a growth .. That's from the revenue perspective. From the cost synergy obviously there is a merged sales team that is going to operate which itself significantly helps in cost saving, so broadly I would say that both put together, I think the margin improvement that Mantra itself will show will be close to around from a 28-29% margin to around 35-36% margin, so that itself is the increase that's going to straightaway come to Mantra.

Ankit Kedia: And we will maintain the Mantra brand or we will convert it to Radio City brand?

Apurva Purohit: We are having conversations around that piece right now and we will play it as it comes but there are pros and cons to both, Mantra itself has established a nice brand recall in the markets that it's been operating in, but we believe that over a long term it will definitely make sense to have a single brand.

Moderator: Thank you. The next question is from the line of Amit Kumar from Investec Capital. Please proceed.

Amit Kumar: The Radio Mantra acquisition will this be a cash acquisition or will Jagran's equity in Radio City be diluted a bit on this?

R.K Agarwal: No Amit, it is not going to be cash acquisition. The valuer is already working out swap ratio. So it is going to be through the process of demerger so that Radio City can take the tax benefit.

Amit Kumar: Sorry, this last piece I didn't understand. The process of demerger any which ways, I mean whether you pay cash or whether you do an equity swap, how does that sort of matter for the demerger process and for the tax credits?

R.K Agarwal: You see in case of demerger you cannot give cash. You have to give the stake of Radio City only.

Amit Kumar: And the equity dilutions to that effect, that's still to be decided?

R.K Agarwal: Yes. E&Y is doing the valuation and SBI Cap is doing the fairness opinion. They will submit the report direct to the Board .

Amit Kumar: When will we have some sort of clarity on this, in what kind of timeframe?

R.K Agarwal: On 9th October.

Moderator: Thank you. The next question is a follow-up question from the line of Yogesh Kirve from B&K Securities. Please proceed.

Yogesh Kirve: Mr. Agarwal, with respect to my previous question you said that the new 11 stations would add to EBITDA in absolute terms. So just wanted a clarification do we expect any losses for first few years before we reach that stage or we expect the operation to be profitable?

R.K Agarwal: It was a conclusion which was drawn from what Apurva explained you. If there is going to be a significant increase in topline even though you drop margin by couple of percentage in absolute terms your EBITDA will go up only.

Yogesh Kirve: So what that implies is on incremental basis we expect the new stations to be profitable virtually from first or second year itself, so is that a fair comment?

Apurva Purohit: Yes, that's a fair comment. I think from the second year itself its completely profitable and even the first year the losses are very insignificant, practically negligible.

Yogesh Kirve: The general comment that we get when we speak to radio companies that we talk about breakeven period of two years or three years or four years, so…..

R.K Agarwal: It does not apply to Radio City, because it is an existing network and they are expanding their existing network.

Moderator: Thank you. As there are no further questions I now hand the conference over to Ms. Purohit for closing remarks, over to you.

Apurva Purohit: Everything has been asked and answered, so I don't really have anything else to say. Thank you so much.

R.K Agarwal: Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Jagran Prakashan Ltd. that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.