"Shemaroo Entertainment Limited
Q4 FY16 Conference Call"

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Moderator: Good morning ladies and gentlemen. Welcome to the Shemaroo Entertainment Limited Q4 FY2016 results conference call hosted by Dolat Capital Market. 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. Karan Taurani. Thank you and over to you Sir!

Karan Taurani: Thank you operator. Good morning everyone. We at Dolat Capital are pleased to host the Q4 FY2016 results conference call of Shemaroo Entertainment. The management of Shemaroo is represented by Mr. Hiren Gada - Whole Time Director & Chief Financial Officer and Mr. Jai Maroo – Director and the New Media Head. We will begin the call with the short commentary from the management post which we will enter the Q&A session. Thank you and over to you Mr. Gada!

Hiren Gada: Good morning everyone. I am Hiren Gada from Shemaroo. First and foremost thank you very much for taking the time and dialing into the call. Happy to announce that we had a satisfying year FY 2016 as well as a satisfying quarter, so in a nutshell the topline for the quarter has increased by 18% on a year-on-year basis to 103 Crores. The profit after tax has increased by 28.8% to 16.45 Crores. On a full year basis FY2016 the topline has increased by 16% on a year-on-year basis to 376 Crores and the profit after tax has increased to 52.15 Crores which is a 27.4% increase. We will also further discuss few internals on the breakup of the revenue stream which we have been reporting the breakup between new media and the traditional media. So for the quarter ended FY2016 the new media has grown to 17.66 Crores which is a 54.3% growth on a year-on-year basis and for the full year FY2016 the new media segment has grown to 63.51 Crores which is a 70.2% YoY growth. Traditional media on the other hand has grown 13% to 85 Crores in Q4 and 313 Crores which is a 9.1% growth for the full year.

Few operational highlights included on YouTube are flagship channel on YouTube which is the Shemaroo Channel has crossed one billion views during this quarter which is a cumulative of one billion from the beginning from the inception which is the day we started this channel. Another encouraging sign for us was our Shemaroo kids YouTube channel which is serving a lot of children's content has crossed 100 million cumulative views during this quarter. One of our regional offering which is Shemaroo Punjabi YouTube channel has crossed 100,000 subscribers just to remind listeners that subscription on YouTube is free. This is more an option to keep you informed and that you like the content, so this is on the YouTube front. Further we signed an additional content deal with Spool which is a regular platform partner where we have been distributing content over the last few years. In addition to that on the DTH front we have launched two services on Tata Sky, one of them being Tata Sky Active Devotion Service which was launched in February 2016 and Tata Sky Comedy Service which was launched on March 9

2016 both these services are powered exclusively by Shemaroo and on the music acquisition side we have actually acquired Bengali audio catalog which is Sagarika Music, which we have acquired perpetually. Last but not the least the YouTube graph that we have been updating the investors about for the last several quarters has again shown steady growth with March 2016 closing 115 million views for all our various channel combined that we are operating on. So that is the operational update. Happy to take questions that investors may have. Thank you very much.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Pritesh Chheda from Lucky Investment Manager. Please go ahead.

Pritesh Chheda: Thank you for the opportunity. Just couple of questions on your balance sheet. While looking at cash generation I was looking at the operating cash flow generation numbers if you could tell us on the standalone operations. Second in the balance sheet I can see that loans and advances have actually gone up. So if you give us some clarification there us to what it is and third this time around when I am looking at the consolidated numbers it seems there are some expenses from subsidiaries which have brought down the consolidate numbers versus the standalone. So if you could give some clarifications there.

Hiren Gada: I will first talk about the loans and advances. So typically loans and advances normally basically quasi stock. So what happens is that when we acquire content there are advances which we paid on timing in various milestones but we recognize it in inventory has few steps prior to that which is the SOP that we follow. Once those steps are in place only then it is recognized as inventory. So till the time it is shown as loans and advances. So what you see there is basically quasi stock.

Pritesh Chheda: So then can you quantify what will be your gross purchases of content this year and what would be your sell?

Hiren Gada: So if I have to just quickly add up over here as you can see on the balance sheet the inventory has grown up by about 100 Crores roughly and short term loans and advances have gone up roughly by about 60 Crores. 160 Crores is what the net investment has gone in.

Pritesh Chheda: Can you give the gross purchase number this year?

Hiren Gada: Gross purchase will be a derivative but I will attempt to give it, I do not have it handy right now. It should be somewhere in the range of around 400 Crores.

Pritesh Chheda: Your operating cash flow for the year?

Hiren Gada: So operating cash flow has two aspects as we have discussed earlier because inventory changes are part of operating cash flow, so it will show as negative.

Pritesh Chheda: Before inventory.

Hiren Gada: It is a derivative number I can take it offline with you and we can calculate it and give it to you.

Pritesh Chheda: Okay my last question was on that consolidated minus standalone difference in terms of some expenses being built up. So if you could tell, are some subsidiaries open internationally?

Hiren Gada: We have a few subsidiaries as well as we have opened. There is couple of initiative that we have also embarked on that. One of them being an ad related kind of initiative which is formed as a joint venture. That business is in a set up mode, it has got set up in January and some of these initial expenses have been incurred as losses, so till this business fully you can say operationalizes and stabilizes it will be probably be about year more. So FY2017 is the year in which it will get fully stable in terms of operations.

Pritesh Chheda: Can you some idea what is this business and investments?

Hiren Gada: There are two of them; one of them is an ad related platform. We are participating on some of the broadcast network for an ad driven programming kind of thing, which is the content offering supported by an ad revenue stream. So we have kind of taken a slot on couple of regional channels and we have put up some programming over there and this entity which is by the joint venture with partner is programming and scheduling that and taking ads on that basically. So that is one and the other one is more of an extension of distribution that we have which is for airline sector. So we have created a separate entity to distribute the content on airline airborne segment.

Moderator: Thank you. The next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: Thanks for the opportunity and congrats on good sets of number. First question is regarding the trade receivables it has come up significantly somewhat 140 days to about 100 days this year. So is it sort of structural decrease or there is some lumpiness which is playing out?

Hiren Gada: The way I would look at is that it is a combination of both. There is definitely structural decrease but it is not as much as the current closing figure shows. So there is definitely good component of lumpiness improve it so the way I would put it is that while overall receivables are headed downwards is not a as big a win or as permanent winners what is visible in the closing.

Yogesh Kirve: Sir regarding even the investments it has gone by about 160 Crores if you also include short term loans and advances and in past it had gone by 100 Crores. So going forward I mean can we see certain moderation in the inventory increases from FY2017 and FY2018 at least. So I guess we have guided to something like 150 to 200 Crores increase over the next two years, so does that stay?

Hiren Gada: Yes that stays between 150 and 200 Crores because this year we seen some aggressing some acquisitions at some very good rate. I have alluded in the past in fact in the last quarter we discussed about some of the acquisitions that we made. So the way we look at it net addition I think it should moderate to between 150 and 200 Crores for the next two financial years.

Yogesh Kirve: Right Sir and if you look at this short term loans and advances it seems to have gone up especially in the second half of this financial. So is it possible to tell us more about which was there already if you can share anything regarding that?

Hiren Gada: Cannot really share specific content details within that overall one of the libraries which was acquired in this quarter was library of Firoz Nadiadwala which includes movies like Welcome, Phir Hera Pheri, Awara Paagal Deewana etc., that just to give you a little flavor of the kind of content that one of the libraries that was fact that so that have been acquired.

Yogesh Kirve: If you look at the traditional media revenue for the full year it has grown by like 9.1% right now this have been especially good year for the television broadcasters in general and also we have seen a step-up in our investment for the last two or three years, so couldn't traditional revenue growth could have been higher or should the growth would improve in coming quarters.

Hiren Gada: If I actually look internals within this also, television was actually growing faster, in fact if we recall on previous call I have discussed about this that there is still degrowth happening in the physical home video, DVD business and that is actually pulling down the overall average, but if I see the overall television number it is fairly in line with the industry trend.

Yogesh Kirve: But considering the investments that have gone in should we expect this growth rate number should improve in FY 2017, 2018?

Hiren Gada: I would still be with the industry trend because a good amount of investment has also now been directed towards the new media segment so if I look at from incremental point of view there is a fair amount of investment that has gone into the new media business so I think in that sense I think we are looking to balance out the fact that we need to feel the growth so that's really one of the focus of the investment.

Yogesh Kirve: And now we have come to the year-end so it is possible to share the details of the library?

Hiren Gada: So actually the practice we followed is that we publish it in the annual report so we will be putting it out in the annual report.

Moderator: Thank you. The next question is from the line of Dharvesh Gupta from Trivantage Capital. Please go ahead.

Dharvesh Gupta: Sir my first question is a follow-up to what was asked regarding the growth in the traditional media. Now of course you explained that because of the de-growth in the physical media you have seen slower growth, but if I even compare the growth rate of traditional media as we have seen in the past for your company which included the physical format as well in the last two, three years we have been clocking 15 to 20% growth and this year it has come down sharply to 8% and so the factors of physical media were present even in the earlier years and beside that we have seen a pretty sharp decline. So my first question is this, are you expecting a 8% to 10% growth going forward as well or do you think that this growth rate will increase as we have seen in the last two years.

Hiren Gada: The physical media actually this year has really been a year of sharper decline for physical media compared to any other previous years and that has actually pulled down the overall growth trend, but as I said the television segment, the television component has been in fact growing at more or less industry kind of growth.

Dharvesh Gupta: So sir what will be your guidance for growth in traditional media?

Hiren Gada: Television segment definitely we look at overall in line with the industry or even slightly higher than industry I think the impact of degrowth of physical media may probably continue for one more year. So if I kind of combine the two it may have a 100 to 200 basis points impact on the overall growth picture for the traditional media which maybe for probably this financial year.

Dharvesh Gupta: So a similar growth rate on the traditional media itself.

Hiren Gada: Hopefully we will target definitely more than double digit that I think is definitely what my internal target would be.

Dharvesh Gupta: And sir on the, if I see your P&L now in 4Q your gross profit as a percentage of sales has increased sharply from 36% in 3Q to 48% in 4% which has actually increased your gross profit for the entire year by more than 300 basis points, so FY16 is now at 40.5% compared to 37.3%. So has there been a change in the accounting policy or what is the reason behind such a sharp increase in your gross profit?

Hiren Gada: Basically if I see year-on-year basis the EBITDA margin has gone up by about roughly 4.5 to 5%.

Dharvesh Gupta: I am talking about gross margins only right now.

Hiren Gada: First and foremost there has not been any change in the accounting policy and to me the bigger comparison is at EBITDA level because that is the overall that is a more important way to look at the whole thing and where the margin has gone up by about 400 basis points on a YoY basis and if I have to look at probably regions attributable to the growth two or three regions I can put, one is new media segment definitely has contributed to operating leverage available in terms of the growth, second is definitely we have got better realization so some of the other way to look at this top-line growth is in fact in the past have even said that, have model is not, our model is basically IRR based and there are two parts to IRR base margin and the turnover. So on a lower turnover but a higher margin so we worked on actually a better realization kind of thing versus our higher turnover which in the past in fact some of the calls I have even discussed that we would have probably in some cases worked on a lower margin higher turnover kind of basis so this quarter definitely has been one where some the deals in terms of realizations we have faced a better realization.

Dharvesh Gupta: So sir this kind of a gross profit margin of 48% what is the sustainable margin that we should think about for the coming years because FY15 it was 37% now it is 41% and in 4Q we have done 48% so how should we look at your gross margins going forward.

Hiren Gada: Definitely the trajectory on the margin is upward, there is one more factor which is some of the perpetual content that we own and which is now getting into a kind of a fully casted out even so any contribution from that is again a good contribution direct to EBITDA level. So overall trajectory is definitely upward even we were positively surprised by the margin growth so we are our effort will be to at least drawing sustain this margin level and drawing see the overall trajectory has been pushed upwards.

Dharvesh Gupta: And given that your ratio of new media given that we are and we have guiding for a low growth on traditional media and probably we will be able to sustain high growth rates in new media, which is going to queue your new media to traditional media ratio even further, should we expect an increase in the EBITDA margin from the 29% that we have seen in FY16.

Hiren Gada: Like I said, even we were positively surprised by the margin that we have achieved and the target at least for us internally would be that can we sustain this margin and I would even taken right now growth in the margin picture.

Moderator: Thank you. We will take the next question from the line of Nimesh Desai from Kitara Capital. Please go ahead.

Nimesh Desai: My question is on new media, basically can you provide me the breakup in new media between M-west and other categories and also another categories breakup of YouTube is possible?

Hiren Gada: We have not been giving the exact breakup but it is in line with what you have been saying on earlier calls in prior quarters, overall are roughly our split between the operator led revenues and the internet led revenues is still roughly 55, 45 in that range, it vary slightly but it always in that still in line with that and YouTube continues to be the larger segment of our internet segment.

Nimesh Desai: So what do we assume for the next year for new media growth, will it be in line with this year or maybe in three digits?

Hiren Gada: Given that the overall industry growth rates are still about the sort of 30%, 35% range our last few years actually we have managed to maintain, if you look at our last four years trajectory we have got a CAGR of more than 50% and we would endeavor to continue to maintain that. At this point I would not want to comment on whether it can go faster than that, of course there are a lot of tailwinds in our favor but a lot of those are yet to play out fully, we have seen what the situation is for example with bandwidth rollouts et cetera it has been very, very difficult to predict a time when those rollouts will happen and when their impact will fully come in, so the exact timing of any acceleration is difficult to predict, so at this point I will really say that we look to maintain this trajectory.

Nimesh Desai: Jai I don't know whether you will be able to let us know or no but can you give me some idea on your two tie-ups or maybe in process with Netflix and Geo anything in advance state or anything which we should know?

Jai Maroo: Unfortunately there are certain confidentiality provisions that bind me, all I can say is that we are actively engaging with all the platforms that are entering the market and trying to see how best we can partner with them and leverage them, so definitely there are conversations on with most of the platforms that are entering the market.

Nimesh Desai: And my last question would be on your tie-up with Tata Sky and a very few channels, what kind of uptake or what kind of a growth you are seeing in terms of subscription of people coming and paying and watching those channels can you throw some light on that?

Hiren Gada: It is still very, very early days because these services are like probably less than, something is less than two months old and something is probably just about 2.5 months old, so I think as even in last call we discussed about that the Miniplex service also the whole idea is that this year is going to be a year of consolidation and expansion for these services at least to be available to as large a user base as possible so that we are able to garner a certain base number of subscription, but having said that I would say that the initial feedback from the consumers has been extremely encouraging on both the services and we are definitely working towards taking the services across beyond the current platform.

Moderator: Thank you. The next question is from the line of Mayur Gathani from Om Portfolio. Please go ahead.

Mayur Gathani: A couple of questions on the traditional media can you give me the segment breakup as to how much this home and DVD contributes and how this broadcast contribute?

Hiren Gada: Mayur unfortunately we are not giving that breakup but all I can say is that increasingly now the physical DVD business is actually kind of migrating more and more towards the digital business and to that extent it is kind of dwindling down at a fairly rapid pace.

Mayur Gathani: No it still would mean new media?

Hiren Gada: Yes new media.

Mayur Gathani: But, as a broad segment wise the home video on DVD continues to degrow that has been the norm since quite a long time now and the broadcasters continue to grow in that case, so any percentage breakup you would be able to give or are there any other segments also that we are missing on.

Hiren Gada: So there are three four different segments. TV in terms is getting a large breakup. One is movie channels and then you have music and news channels and you have cable channels, you have Doordarshan, you have international platform, so there is a large breakup within television itself then there is things like which I earlier mentioned airlines and smaller there are many more revenue streams like licensing, et cetera.

Mayur Gathani: Tata Sky, would they come under this segment right traditional media.

Hiren Gada: At this point yes.

Mayur Gathani: Sir you mentioned you acquired some people Sagarika as a Bengali Catalog so is a onetime payment that you made to them or is it an over a period of time that you do.

Hiren Gada: One time payment.

Mayur Gathani: And this being audio YouTube is not very prominent here it is primary to the Telcos that you would be use it?

Hiren Gada: Definitely a significant portion of the motorization is on the mobiles front but also a lot of now the emerging services are the various internet led services whether it be a streaming service like Saavn or whether it be download services like iTunes and also gradually even on YouTube there are certain ways in which we can use the content both in terms of if other people have used the content the audio content that can be claimed and we do a lot of packaging, repackaging of content as well and there is a constant churning of our catalog in multiple ways and so having access to the audio is something that definitely makes use to us going forward.

Moderator: Thank you. The next question is from the line of Shalini Gupta. Ms. Gupta you may please proceed with your question. As there is no response in the current participant we will move onto the next participant that is from the line of Dhruv Bhatia from AUM Advisors.

Dhruv Bhatia: Sir firstly I just wanted a follow up on the earlier question regarding the loans and advances I did not get your point of what is the reason of the increase from 17 Crores to 77 Crores?

Hiren Gada: As I mentioned it is part of quasi inventory, basically you have to kind of combine it with the overall inventory picture. Normally what happens as I said to repeat when we acquire we put up a signing amount and then there is a process which we follow before it is recognized as inventory before it is recognized as a purchase, so any advances paid prior to that is recognized under short-term loans and advances.

Dhruv Bhatia: So this is actually inventory only but it will get reflected probably over a period of time. We have already made the payment for this and it will get reflected over.

Hiren Gada: What happens is supposing I have a deal worth 100 and I may have given a signing amount of 10, then on delivery I may have given say a 20 then there is a legal due diligence. Now I may have paid say 30, 35 out of 100 but as far as my internal processes are concerned SOP does not allow me to book it as a purchase and therefore put it in inventory so that payment made till that time is reflected here, 38 could be 50 or it could be just 10, once it is put in inventory it will move, the value is moved and the remaining payable will move in to the current liability.

Dhruv Bhatia: Sir and the second question was on the purchase, you mentioned for this year you have done some gross purchase of almost 400 Crores, for FY17 any guidance or any number that you were looking at for the full year?

Hiren Gada: As I mentioned earlier, I think when Yogesh was asking of B&K for that next two financial year we think FY17 and FY18 the net addition target is in the range of between 150 to 200 Crores overall two year period basically.

Dhruv Bhatia: Sir and how would you have been planning to fungus because if you see on the cash balance you hardly that is as good as negligible cash so would you be looking to raise further funds or…

Hiren Gada: No it will be a combination of internal accruals and debt. Because if you see the profitability and generation if I take there is a 50 Crores PAT in this year and what we will generate over the next two years, should fund a good amount of that plus we will borrow and we are at roughly 0.6 debt equity ratio we do not mind going even up to 0.9 or 1:1.

Dhruv Bhatia: Sir and should you also see with new media growing at the pace at which it is your receivable days to further reduce from the current level?

Hiren Gada: Yes, as I was saying earlier that the combination of some partly better negotiations on receivables in the traditional media as well as overall new media share going up which has a lower receivable cycle that has been helping the days outstanding trend downwards but what we are saying in this financial year is much sharper I would not take that as a permanent win.

Dhruv Bhatia: And also on the inventory we are believe probably the year end inventory was a probably because of you must have done acquisition may be in the second half of the year but the number has gone up significantly so is it something which is again because of the…

Hiren Gada: Actually if you compare it with the six month it has not gone up so significantly, the half yearly balance sheet to now the numbers have gone up of course because we continue to be in an investment mode but not so significantly as what is apparently visible between the two financial years.

Dhruv Bhatia: But, should we have been because of the two years investments that you are replying to do up 200 odd Crores so should we continue to see it to be at similar level?

Hiren Gada: No, so inventory will go up actually.

Dhruv Bhatia: Yes it will go up from here.

Moderator: Thank you. We will take the next question from the line of Karan Taurani from Dolat Capital Market. Please go ahead.

Karan Taurani: Sir you pointed out about the investments and capex guidance of 200 Crores for the next two years, I just wanted to know have you also shelled out some money for short form content or this is based on movies like how you have done historically?

Hiren Gada: Bulk of the investments continues to be in movies. As far as short form content is concerned there are two parts one is repurposing movies itself so there is a lot of repurposing of movies which has happened, the movie derivatives basically which is just sweating out the current asset more that is one aspect. Other is for our Tata Sky comedy service as well as for the devotional service we have created some amount of short form content but those investments at this point are very, very negligible.

Karan Taurani: But when do you want to move towards those TV shows kind of concept because it is likely India today is basically creative hungry given the number of platforms which exist today?

Hiren Gada: That is quite true but I think we are seeing that for us monetization and viability is equally important when we are looking at all of this which is why now that we have some additional platform support through some of these DTH kind of services that we can fund part of the cost through those services that kind of encourages us to see have a look at some of the creative concepts and see that how we can make a viable business case on the creation part of that, but still I would say films are out mainstay, this is really very small and at this point it is not really the key focus area.

Karan Taurani: And this also does not include any movie production plans right?

Hiren Gada: The last film we released was in FY 2015; FY 2016 there was no film release. At this point there is no film on the floor. I do not envisage at least in the first half nothing. There is no proposal also internally to be earnest at this point. As we have discussed earlier it is really not on the front burner, in fact it is not a focus area.

Moderator: Thank you. We will take the next question from the line of Dixit Doshi from White Stone Financial. Please go ahead.

Dixit Doshi: A couple of basic questions about the business, I am just referring to one of your older presentation about the rights accounting policy, in that it is mentioned that for more than 10 years write you basically amortize 65% in the first five year and then 35% in the next five years so I assume you typically buy a right after the movie is may be four, five years old so when you sell to any broadcasters like Sony or Star you do a contract of three four year with them so in the revenue also you take in equalling five years.

Hiren Gada: No, in fact as per the trade practice the normal term or period for most of the rights deals that happen either on the purchase side also or on the sales side are typically five year deal so when we sell to the broadcaster also typically we sell five years so in many cases so if you refer back to the same slide which from the presentation the base case that we are saying is the five year when we bought five year and when we sold five year typically, in that case normally what we do is I am specifically right now referring to the television broadcast rights so normally when we sell it to the broadcaster we invoice 100% and therefore recognize 100% at that point to the broadcaster when we sold it to the broadcaster so we recognize 100% in our income and simultaneously or correspondingly we recognize 100% of that cost into the P&L at that stage itself.

Dixit Doshi: And you do not amortize over five years.

Hiren Gada: No. What is charged over a period of five years on a monthly basis is the new media part of the inventory because there the income is on a monthly basis so Airtel or YouTube or Vodafone et cetera they all pay us on a monthly basis so that is charged to the P&L on a monthly basis.

Dixit Doshi: And just one more question since the new media is growing at such rapid pace are you seeing trend where may be the production houses do the agreement where they only sell the rights for the traditional media and keep the new media rights with themselves?

Hiren Gada: Not really. For example most of the libraries we have acquired in the last three to four years I would say are with the new media rights.

Moderator: Thank you. The next question is from the line of Prasad Padala from Investec. Please go ahead.

Prasad Padala: Sir may I know what are the regional channels that you have tied-up for the distribution?

Hiren Gada: Internal content sale we work with Colors Network, with the Star Network all the non-south network we do not have much of south contents as far as broadcast television is concerned.

Prasad Padala: How does the ad revenue work?

Hiren Gada: You are talking about that, so that is a different segment, over there it is a tie-up with Colors and Zee and it is a slot kind of a thing that we have acquired and there is a programming happening on that slot.

Prasad Padala: How does ad revenue sharing work over there?

Hiren Gada: We pay off the fees for the slot and we earn whatever we earn on ad sales we retain.

Moderator: Thank you. The next question is from the line of Ashutosh Garud from Reliance Wealth Portfolio Management. Please go ahead.

Ashutosh Garud: Most of the questions have been answered, I just wanted to check on the new media, if you see last couple of quarters if you see Q-on-Q growth has been around 15% to 18% earlier but if you see last couple of quarters we have grown at around 4% to 5% Q-on-Q, Q3 and Q4 of FY16 so any specific reason for that?

Jai Maroo: Actually quarter-to-quarter is not a good way to look at new media because there is a good amount of seasonality. To just give you one example on YouTube for example the December quarter has the highest amount of ad spent so for the same views the monetization is far higher and from December to January actually there is a good amount of drop in revenues for the same number of views because the ad spend has gone up, so on and so forth QoQ actually is not really the way to look at this so we normally refer to it on a YoY basis.

Ashutosh Garud: So in that case on the YoY basis on the yearly level we have grown at around 70%, 72% and the Q4 if you see we have grown at around 50%. Any specific reason because Q4 to Q4 comparison would not have those seasonality aspect.

Jai Maroo: To be honest we are on a fast trajectory growth and I think some amount of quarter-to-quarter variation is bound to happen at that trajectory and in fact at the beginning of the year or in fact even on the last call I had mentioned that I would still take in between 50% and 60% for the full year. We actually are at 70% for the full year, partly it may also happen sometimes you may have some kind of deal based revenue which got booked in a particular quarter versus we did not have that in the next quarter those kind of small variations are possible.

Moderator: Thank you. The next question is from the line of Divyesh Mehta from Dinero Wealth. Please go ahead.

Divyesh Mehta: Just a small clarification about new media business. Since last two to three years whatever growth it has witnessed it has been on the base of small base which I consider for this business so just wanted to know that where do you think this business should settle down going forward in next three to four years in terms of the revenue mix also and in terms of the growth also.

Hiren Gada: Like I was saying on in this once one of the earlier queries as well we have been growing at a 50% plus CAGR and we would look to maintain that much even on the larger base that we are currently on and at some point that will accelerate when the full effect plays out of increasing broadband penetration lowering data cost and increase smart phone penetration, but the exact timing of that at this point is difficult to really predict for anyone, overall if we were to take a three to five year horizon we have said even earlier that if we take a five year horizon I would expect that new media already has grown to this year being about 16%, 17% of the total top-line we easily see that being in the range of 40%, 50% of the total top-line if we were to take a five year horizon.

Moderator: Thank you. The next question is from the line of Dhiresh Pathak from Goldman Sachs. Please go ahead.

Dhiresh Pathak: My question is you mentioned about gross purchases of 400 Crores, what would have been your estimate of budget IRR when you made this purchase for the year?

Hiren Gada: We work with a threshold of 18% so our blended threshold cutoff for this we would have purchased would be at 18%.

Dhiresh Pathak: Is this equity IRR or is this project IRR?

Hiren Gada: Project IRR.

Dhiresh Pathak: Post tax right.

Hiren Gada: No pre tax.

Dhiresh Pathak: Can you just give me the, the last time also I had asked and you did not have it that time the weighted average life of the inventory which is about 460 Crores right now including advances what could be the weighted average life of that inventory?

Hiren Gada: You mean to say residual right.

Dhiresh Pathak: Yes.

Hiren Gada: So actually it is quite a complicated thing honestly we will have to come back to you. I will note it down, I guess it has got missed out last time, I will note it down and we will have to come back to you but one is that it is quite variable it varies a lot between quarter-to-quarter or even half year to half year because we acquire and sell, secondly given the number of assets it is quite a complicated calculation, we ourselves have actually not done that kind of a calculation if I have to just take the table.

Dhiresh Pathak: No it should be very simple, you will have whatever assets you have included in the inventory see what the life is and then you just do a weighted average.

Hiren Gada: Correct, but that is also a perpetual component over there so that kind of skews the whole.

Dhiresh Pathak: At the time of IPO you had mentioned that most of perpetuals you would have written off right.

Hiren Gada: No have not said that, what we said is, because it is a 10-year cycle, what we acquired 10 years back is written off, but that last 10 years there has been acquisitions happenings and even in the current financial year or the FY 2016 also there has been few acquisitions right.

Dhiresh Pathak: What you can do is you can just take out from the total inventory and advances, you can just take out the perpetual assets and then on the non-perpetual assets you can just calculate whatever the weighted average life is?

Hiren Gada: We will have to come back to you on this because it requires some work.

Dhiresh Pathak: For movies on demand, I do not know in YouTube if it is just ad based but let's say on Netflix or some other platform where you might be available as the video on demand how much share would the platform owner keep for that movie purchase and how much would you get to keep?

Hiren Gada: The exact commercials of any specific platform of course I am not in a liberty to say, in general for most international platforms and typically for most larger movie based services typically about 50% or more is in favor of the content owner, then it depends deal to deal because in many cases we may have a minimum guarantee that has to be recouped or it is not always a pure revenue share deal, so the specifics vary obviously from deal to deal in terms of how that recoupment happens.

Dhiresh Pathak: And then typically on YouTube how much ad revenue to per 1000 views or per 100 whatever is the metric is what is that revenue numbers?

Hiren Gada: The ad rates actually have a very wide variance based on which country the view is coming from and how the ad campaign has been taken in terms of how targeted it is so globally the range goes anywhere from $10 to $40 CPMs is what we see. In India it is lower we typically see anywhere between $2 to $10 CPMs. I am just giving you a blended sort of range that we see across top partners, the actual range would be far wider but typically the top partners in the Indian ecosystems see CPMs in the range of $2 to $10.

Moderator: Thank you. The next question is from the line of Kunal Sanghvi from Centrum Broking. Please go ahead.

Kunal Sanghvi: Sir one of the component in the EBTIDA margin improvement you mentioned was the wholly costed out perpetual content, what would be the percentage of total perpetual titles out of the total liability that we have?

Hiren Gada: Perpetual overall we have about 800 titles out of that Hindi will be 356 so that roughly you can say 25%, 27% of the total liability.

Kunal Sanghvi: So have they been costed out.

Hiren Gada: Not all.

Kunal Sanghvi: I wanted that component.

Hiren Gada: I will have to come back to you because the numbers keep changing but roughly what last we had seen is that around 25% to 30% of the perpetual liability would be fully costed out roughly I will have to come back on that.

Kunal Sanghvi: So the way it will improve it will improve our EBITDA margin right.

Hiren Gada: Yes.

Moderator: Thank you. The next question is from the line of Shalini Gupta from Quantum Securities. Please go ahead.

Moderator: We will take the next question from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Just from the previous answers you gave on new media and mix there is an indicative number of 40% of revenue contribution from new media is it possible to give a out in a blue sky thought as to what can be the margins in the business at that point in time, and today when we have to segregate try to understand what is the margins in traditional media and what is the margins in new media if you could give that as well.

Jai Maroo: At this point the way and this we have discussed earlier also is that the new media EBITDA contribution right now is higher than the company average and traditional media is lower than the company average. So that is one and if I have to take a blue-sky potshot at what is possible there is in no way any forward looking statement or anything but I think new Media can this time probably at a scale contribute around 40%.

Pritesh Chheda: So new media in a blue-sky can contribute 40% EBTIDA margin.

Hiren Gada: Yes.

Moderator: Thank you. The next question is from the line of Dharvesh Gupta from Trivantage Capital. Please go ahead.

Dharvesh Gupta: Sir this is regarding an industry question on the new digital media. Now there are two things which we see these days, there is a lot of exclusive digital content which is being created for a digital consumption only. So my first question is how since that affect the competitive pictures for old movies with Shemaroo has and secondly we also see that some of the old music channels kind of getting a lot of subscriber based so if you consider music versus movie or and some of the other formats in the digital space how do you see that competitive space playing out, is movie going to have the dominance which it have on the traditional media on the medias as well so these are two of my industry questions. Thank you.

Hiren Gada: Let's take them one by one, as far as content which is being created only for digital medium is concerned two or three points I would make about that one is that what we are seeing is just a beginning of that and the percentage of content that is being created for digital media versus the overall volume of content that we see exploited is really very small and even in more developed markets actually at this point there is a similar trend so professionally produced content which goes across multiple platforms will always have a larger and more dominant share and in fact to some extent there are even opportunities because while content may have been created for one particular platform or service at some point to improve its returns there will be opportunities to take that onto other services which in some cases we are in a position to do or explore. So I do not think that it has a huge impact, definitely at this point rather anything which increases consumption of content on digital service is actually a good thing because increasing consumption as a whole has a benefit to the overall ecosystem which we are a part of and we will benefit from as well. The second question I did not fully understand but if I can just briefly touch upon…

Dharvesh Gupta: Sir my second question was that basically if you just see for example the subscriber base of a T-Series over a Shemaroo, you see the music companies are far ahead, so my question was that there are various formats of content consumption on the digital media, music, movies, small and short duration content and new content which is being created, so amongst these how is movies particularly the old movies placed vis-à-vis how it is placed in the traditional segment so the market share of let us say movies which are five year old how is that going to pan out in the digital space because in the traditional space it does have a lot of market share.

Hiren Gada: I understood what you said. There are two aspects to that. Overall, if we see in India music segment overall is sub 10% of the ecosystem in value terms. We do not think that when the full broadband and digital media system becomes a full blown ecosystem I do not think it will be substantially different. Today music is a natural consumption on the new media because it is a short format and it has a smaller file size and therefore given the bandwidth constraint, data plan issues, battery life issues and all of that and shorter format overall it is not only music shorter format overall has a higher trend of consumption so once you have couple of these issues being sorted out, longer format in general will have much higher consumption and that is really the driver of the business, even internationally, so that is one. The question of new versus old which was your second sub question what we are seeing in fact today if you see what we did in March we did about 115 million views in March bulk of which is based on our existing library, today's digital audience which is consuming and doing clocking that kind of views and consumption on this exact content, so there is no doubt that a new content will have the spurt value, there is no doubt and it will have that kind of traction. Question for us is (a) what is the level of consumption for library content and (b) what is the economics which is more important in all of this because can I create a IRR or a fair return based revenue or commercial or a business model around that content, I think that to me is the real question, so for us what we are seeing in fact if you see our YouTube graph it has been going steadily upwards and a large part of it is driven by the content that we have which is largely a library content, so that is an indicator that how much the content is connecting with today's online audience.

Moderator: Thank you. Next question is from the line of Sandip Patel from HornBill Capital. Please go ahead.

Sandip Patel: I just wanted to ask you couple of basic numbers, the presentation have inventories for FY16 at about 384 Crores so almost doubled from FY14 I just wanted to understand how the inventories are valued and would this largely be content rights that we have acquired.

Hiren Gada: Yes, bulk of the inventory is essentially the film content IPR, film content rights that we have, that is where the main driver of the business rests and in terms of the valuing it obviously it is valued at cost minus the portion that is charged off, the whole policy is there on our investor presentation, you can download the investor presentation from the website, it is there on slide #28 on that presentation and I think in the interest of time we can have an offline update on that or in case you have any further query on that.

Sandip Patel: No problem. The other thing was on pricing, you mentioned that YouTube views are going up very dramatically, would YouTube give you differential pricing for some volume, are there pricing slabs, how do you account, number of views translated to revenue per view, how do we look at that?

Hiren Gada: There is no slab in terms of the revenue share as such, obviously in terms of how the ad sales actually happen typically more eyeballs or more consistent eyeballs do tend to lead to slightly better monetization but end of the day how the ad sales happen is purely dependent on the campaigns that people are trying to do what targeting they are looking at cetera, et cetera, it is not strictly based on volume but like I said there is a broad range of CPM which is roughly about $2 to $10 is the range typically we see among the top Indian partners there is a certain seasonality to it et cetera and you can infer a range from that in terms of what the revenues could be.

Sandip Patel: Just trying to ask whether the company has any discretion in the ad campaigns that are run off your channels or around your content?

Hiren Gada: There are some general choices in terms of competitor ads or certain category of ads that we may or may not want to allow but beyond that specific what ad gets is entirely at the discretion of Google.

Moderator: Thank you. Ladies and gentlemen that was the last question I would now like to hand the floor over to Mr. Karan Taurani for his closing comments.

Karan Taurani: I would like to thank all of you for joining us today and I would like to thank the management of Shemaroo Entertainment for giving us this opportunity. Over to you Mr. Hiren.

Hiren Gada: Thanks Karan and thank you everyone for having joined and spending the time to understand our numbers and understand about the company more. With everyone’s good wishes and blessing with give a share of this financial year 2016-2017. Thank you very much.

Moderator: Thank you members of the management. Ladies and Gentlemen, on behalf of Dolat Capital Markets that concludes this conference. Thank you for joining us and you may now disconnect your lines.