



**“Shemaroo Entertainment Limited Q1 FY18
Earnings Conference Call”**

September 13, 2017



**ANALYST: MISS SAGARIKA MUKHERJEE - ELARA
SECURITIES PRIVATE LIMITED**

**MANAGEMENT: MR. HIREN GADA - WHOLE TIME DIRECTOR &
CHIEF FINANCIAL OFFICER - SHEMAROO
ENTERTAINMENT LIMITED
MR. JAI MAROO - DIRECTOR, HEAD – NEW MEDIA
BUSINESS - SHEMAROO ENTERTAINMENT LIMITED.**



Shemaroo Entertainment Limited
September 13, 2017

Moderator: Good day ladies and gentlemen and a very warm welcome to the Shemaroo Entertainment Limited Q1 FY2018 Earnings Conference Call hosted by Elara Securities Limited. As a reminder, all participant lines will be in the listen-only mode, there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Miss Sagarika Mukherjee from Elara Securities Private Limited. Thank you and over to you Sir!

Sagarika Mukherjee: Thank you. Good evening everyone. We at Elara Securities are pleased to host the Q1 FY2018 results conference call of Shemaroo Entertainment. The management is represented by Mr. Hiren Gada, Whole Time Director & Chief Financial Officer, and Mr. Jai Maroo Director, Head – New media business. Now we will begin the call with short commentary from the management post which we will enter into Q&A. Thank you and over to you Mr. Gada.

Hiren Gada: Thank you Sagarika and welcome everyone. Thanks for spending their time and stopping back for the call for Shemaroo for the earnings of Q1 FY2018. I am happy to announce that on a consolidated basis we reported an income of 104.5 Crores which is 8.6% increase on a YOY basis, the EBITDA has grown 12.9% on a YOY basis and EBITDA margin has grown from 31.6% in Q1 FY2017 to 32.8% on a YOY basis. The profit after tax has increased by 12.3% to 15.93 Crores versus 14.18 Crores on a year-on-year basis.

In terms of the revenue breakup between new media and traditional media, which we have always been discussing about so the traditional media revenue has been flat at 73.8 Crores versus 74.96 Crores; it is a marginal 1.5% decline, but more in a flat terrain.

New media business has grown by 41% to 28.53 Crores versus 20.14 Crores and in fact as discussed in the previous quarter in March, which is that the traditional media business post demonetisation impact on the media entertainment center had degrown by 20%, so I am happy that after a few quarters impact the traditional media business has recovered to a near normal levels post demonetisation and in digital we continue to expand our reach and maintain the upward trajectory of growth rates at 41.9% on a year-on-year basis.

In terms of operational highlights there are some highlights on the YouTube front, which is firstly, we are now clocking almost 12 million views on a daily basis as on June end and in terms of other metrics our flagship YouTube channel Shemaroo, Shemaroo ENT has crossed 3 million subscribers, other key channel, Filmigaane has crossed 3 million subscribers. In fact Filmigaane overall has clocked more than 2 billion cumulative views and another channel of ours called Indian Comedy has crossed a milestone of 0.5 million subscribers, which is 500000 subscribers.

Overall on YouTube this quarter we have seen one impact, which the platform has itself witnessed, some brands have pulled out advertising from YouTube since their ads were shown next to certain hateful and offensive content. YouTube has implemented some strict brand safety



Shemaroo Entertainment Limited
September 13, 2017

guidelines and certain videos have stopped monetizing because of that, so overall there has been a certain impact or churn in the YouTube ecosystem in this particular quarter.

Apart from that we continue to expand in terms of the newer digital video services. So we have signed up content deal with FTV and ad films are deployed on FTV now also apart from as we reported earlier platforms like Hotstar or Jio or Hooq. So these are some of the highlights of what I would think has been a recovery quarter for traditional media and continued momentum for the new media.

In terms of where things are headed from here I would think traditional media, if we look at the entire year's projection is expected to grow at an industry level at near double-digit growth rates and we definitely are targeting to and trying to at least be in line or better than that for the full year, so now that at least this quarter things have kind of returned back to normal, so hopefully we should be looking forward to a better momentum in the remaining three quarters of the financial year on traditional media.

New media again industry projections are in the 30%-odd kind of growth CAGR for the next three years. Hopefully we should be doing better than that which we always till now have been doing and there is good momentum overall for all the platforms that are there, so hopefully we should be keeping the momentum at 40% plus. That is what we would be internally targeting to grow.

With that I would like to throw open the floor for questions and discussions.

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 Karan Taurani from Dolat Capital. Please go ahead.

Karan Taurani: Thanks for taking my questions. I had two questions. The first one was pertaining to the MVAS business. So as per the conversation with lot of the players in the ecosystem, MVAS business is something which is clearly testing out of pressure, because of competition from Jio and consumers are now moved down to YouTube and not spending much on the CRBT and the other kind of businesses. So specifically, I believe out of the digital MVAS is a major component so any kind of negative impact seen by you as well on that?

Hiren Gada: There are two things that I would like to comment. First and foremost one thing that we always stated even on previous calls or meetings is that what we are calling is telco business is not just the traditional MVAS of CRBT etc., in fact that is a very, very small component, vanishing component of what we are doing. The bulk of our business is actually consumption of rich media content, which is videos and imagery content through; however, which is being monetized through the telco wallet. This is why we are classifying as the MVA or mobile revenues. So as you yourself just said that actually the bulk of the consumption has been moving away from a traditional CRBT to richer sort of Internet based consumption and richer media consumption, which is a similar trend that we have been seeing which did not contribute to our growth.



Shemaroo Entertainment Limited
September 13, 2017

Specifically with respect to the pressures being felt because of the Jio launch and the impact on the ecosystem something that we had said last quarter continues to play out this quarter, which is on the one hand, we have seen a growth in consumption because of obviously higher availability of data and cheaper data packs and so on. At the same time, there has been a slight counterbalancing course as well, which is that average balances in prepaid wallet, for example has come down or the level has come down, so a combination of the two have seen that the growth has not been spiked in correlation to the spike in overall consumption, but has maintained the steady upward trend which is reflected in the numbers.

Karan Taurani:

Okay, my second question is pertaining to YouTube now as I would have seen last year versus this year your YouTube number of contentions have grown in a big way, but as per the contention again a lot of people they are clearly seeing the YouTube absolute ad spends have not grown in line with the number of contentions growth in fact the absolute ad spend is flattish or largely declined in some of the cases so any commentary on that front?

Hiren Gada:

In fact, I actually said that in the opening remarks that one of the reasons for that has been this whole brand safety issues, so it has impacted both fill rates as well as the ad rates itself, the PPM both have been impacted because of that. Now in terms of when this will revive back will depend on how fast YouTube has been able to convince the advertisers to that the platform is taken up from them to advertise. So that definitely has been a challenge.

Karan Taurani:

So going ahead do you think that the growth in the new media because this is not pertaining to safety part, leave aside the safety part even before this quarter as well there have been talks that YouTube is not the ad spend absolute number is not increasing in terms of YouTube ad spend so any impact on the new media because of that?

Hiren Gada:

That impact last time, we had a detailed discussion on the YouTube part that ultimately the advertisers if media mix has to change significantly or tilt towards digital to an extent for their overall digital spends to grow and therefore YouTube's revenue ultimately will depend on the digital component of any media planners, media mix and that initially was early days for the advertisers initially was early days for the advertisers to shift because the sustainability of those spike in views was probably questioned also how to change the media mix where is this views coming from and therefore what to cut, etc., was the other question that any media planner was kind of grappling with and because of which that spike of views had actually not led to a spike in revenues and in fact last two quarters we have been kind of discussing the same and reporting the same issue. We thought that in the new financial year things should start looking up and from April and this whole brand safety issue has hit YouTube globally and that is something which I guess obviously at a larger level Google and YouTube are also gabbling with.

Karan Taurani:

Correct, we almost at the end of Q2, so has things improved Q-on-Q on this scenario or are they still the same?



Hiren Gada: At this point, I would say that things have not really fully improved. Things have improved in the sense that one is what has happened is that certain amount of inventory have gone out of the system because of the brand safety guideline. So certain content, which earlier was inventory now is no more safe content to advertise, so that inventory, so fill rates probably has stabilized our even looking up to an extent, but CPM still has remained low.

Karan Taurani: Thank you.

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

Neeta Khilnani: Thank you for the opportunity. My first question is on the inventory addition in this quarter. So as I can see the inventory additions have gone up sharply in this quarter that is about Rs.75 Crores of additions compared to what we have done in the last full year is about I believe about Rs.100 Crores or Rs.110 Crores and what are your comments on this because I think we were planning to sort of reduce content spends and also go low an inventory addition. So your comments on this and also what are your full year guidance on the same?

Hiren Gada: The whole point, this is in fact in a way you can carry forward deal from previous quarter, which are kind of coming in and we in fact have earlier always discussed about the fact that we are near the end of our investment phase and really as we are getting into this October to December quarter and given the kind of deal flow that we are seeing currently I think we are fairly confident that this overall investment cycle should be kind of tapering. The way things are currently the full year inventory addition should probably be negligible. So while you have seen certain inventory addition in this quarter, there will likely to be commensurate consumption during the rest of the year.

Neeta Khilnani: Okay, so you are guiding for a negligible inventory addition for the full year?

Hiren Gada: Yes.

Neeta Khilnani: Okay and second question is we are almost end of Q2 and how has traditional media revenues been till date, so can we expect growth this quarter? I know you have guided for a near double digit growth, but how has these two-and-a-half month been?

Hiren Gada: We have not put out any guidance for Q2, but in terms of trend what we are seeing overall at an industry level that the revival in ad spend has been reasonably good in this quarter and which has overall increased the optimism and confidence in the media entertainment ecosystem, so from that point of view, I would say that things are looking fairly bright in terms of the overall industry direction as we said earlier for a near double-digit growth rate.

Neeta Khilnani: So we can expect growth this quarter right?



Shemaroo Entertainment Limited
September 13, 2017

- Hiren Gada:** Yes.
- Neeta Khilnani:** Thank you.
- Moderator:** Thank you. The next question is from the line of Pravin Agarwal from Lotus Global Equity. Please go ahead.
- Pravin Agarwal:** Thanks for the opportunity. I would like to know if there is any concrete plan for reducing the debt?
- Hiren Gada:** As we just discussed earlier that we are nearing the end of the investment cycle and therefore the whole idea is that any further growth requirements should be funded from internal accruals and extension of that definitely would be reduction in debt, so we would be targeting lower debt number for this financial year than the March 2017 number.
- Pravin Agarwal:** That means at the end of this year, the debt figure would be lower year-on-year?
- Hiren Gada:** Yes, September could possibly be slightly higher, but that is also because as we said that this is still at the end of the investment phase that is coming through.
- Pravin Agarwal:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Ronak Jain from Vibrant Securities. Please go ahead.
- Ronak Jain:** Can I please have the debt levels in the current quarter?
- Hiren Gada:** We have not given it, but it is near about what March figure was there may be slightly marginally higher by 1% or 2% points.
- Ronak Jain:** What about the receivables and the inventory levels?
- Hiren Gada:** Inventory as was shared earlier has marginally gone up and receivables in terms of number of days are in line more or less at about 150 odd days.
- Ronak Jain:** A colleague of Ronak. I had one question on. We have been reading about Eros the content deal we all know that it is a bit speculative but do you have any comments on things happening in the industry?
- Hiren Gada:** Well how could I comment on another company? All I would say that if you look at really what is happening around is there is tremendous interest in the content space if we kind of see the underlying trend that is really the underlying trend and one of the deals, which got announced the



Shemaroo Entertainment Limited
September 13, 2017

Balaji Reliance deal also, so ultimately there is a content play over there beyond the point. So that is an underlying trend, now individual deal, I am really not in a position to comment on.

Ronak Jain: Okay and in terms of in the pricing of content for digital side, any particular trend, which you want to highlight? Are you seeing the price is going up or still the time for the tangible benefit of all this digitization to become visible?

Hiren Gada: Prices have definitely gone up. If you see the ecosystem and landscape right now there are whole host of players who have launched their own destination whether it is app, OTT, whatever jargon you may call but ultimately it is the destination and all of them need content to feed that respective strategy of customer acquisition and service whatever there may be doing so. To that extent there is a certain need or demand for content and which has led to the certain price increases. At this point, still the underlying growth in the ecosystem, I would say has not still fully caught up. So there is a tremendous usage growth but that to translate into revenue numbers or subscription growth or those kind of things are still probably yet to happen. I guess this is very, very early days for this space, because if you not that there is any comparable, but if you think about the way say television penetrated in the early 90s or mid 90s, revenues probably at that time lagged behind the growth but ultimately you see what kind of industry, what size of industry has gotten created.

Ronak Jain: Thanks.

Moderator: Thank you. The next question is from the line of Pragya Vishwakarma from Edelweiss. Please go ahead.

Pragya Vishwakarma: Good evening Sir. I would like you to comment on competition part like we see Amazon Prime, these people are buying content. Will it eventually lead to a situation where there will not be a second cycle for these content where we participated because if these people keep on mind content?

Hiren Gada: They are not buying perpetual for film content.

Pragya Vishwakarma: You are saying they are not buying perpetual film content, so it is a deal for may be 5 years, 10 years is it right?

Hiren Gada: Correct. In most cases my understanding it could be three to five year kind of a deal.

Pragya Vishwakarma: Okay, so you do not see it is like mid-to-long term it is not threat for Shemaroo?

Hiren Gada: At this point, all of that content, which has been acquired, is none of it on the film sides, so there are two parts to what they are doing. One is the original what they are doing that is all commissioned by them and therefore perpetually owned by them. We are anywhere not in that space because we are not into the creation side of the thing. On the film side, all the deals that we



Shemaroo Entertainment Limited
September 13, 2017

have come across till now in fact and across virtually every platform, I would say that I have not seen perpetual rights deal for films having taken place by any of these platforms.

Pragya Vishwakarma: My second question is to the inventory addition, in first quarter we net addition was around Rs.75 Crores and if I recollect your comment you said for the full year it should be more or less flattish as like last year. So do you mean like in the next three quarters this number should be very low for Shemaroo?

Hiren Gada: Yes.

Pragya Vishwakarma: Any strategic decision by adding being it so lumpy in the first quarter only?

Hiren Gada: Two things are there. One is as I have maintained all the time and said is that this is the investment phase towards the end of the investment period. So there are few commitments which are carried forward from last two or three quarters, which sometimes in terms of booking cycle comes in to this quarter so that is one. Secondly also acquisition is sometimes in opportunistic things so if I am in acquisition mode and we get a good opportunity we would definitely go after it and there could be sometime six, eight months when you are sitting quiet and not finding a good enough deal, then sit quiet because of that.

Pragya Vishwakarma: Okay, my last question is about the cash flow, so from next year, is it fair to assume that we will be generating may be Rs.100 Crores type of cash flow because we intend to internally fund our inventory additions. So if we are adding Rs.80 Crores to Rs.100 Crores of inventories that has to come from cash flow right?

Hiren Gada: At this point, I am not in a position to give a forward guidance on that, but definitely two things are there, I cannot give you a more fixed number kind of a thing, but directionally what you are saying is right that we would be targeting to generate more free cash flow than what our investment needed.

Pragya Vishwakarma: That is from my side. Thank you.

Moderator: Thank you. The next question is from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.

Sunil Jain: Thank you very much for this opportunity. Again, on the same point of inventory additions out of this Rs.75 Crores and previous quarter of around Rs.58 Crores addition was there any investment like perpetual inventory or more than five-year inventory, which got added?

Hiren Gada: Yes, there were some.

Sunil Jain: How much that could be approximately?



Shemaroo Entertainment Limited
September 13, 2017

- Hiren Gada:** Value as I cannot give you, so in terms of name might help so we bought perpetually movies like Jab We Met, Golmaal, Golmaal Returns.
- Sunil Jain:** But these were the old.
- Hiren Gada:** Earlier we owned them for a period and we kind of converted that into the perpetual library.
- Sunil Jain:** Cannot you say even the percentage like how much percentage could be for a longer period more than five years?
- Hiren Gada:** Difficult.
- Sunil Jain:** One more question related to the annual report, wherein you disclose aggregate write off around 2600 films, so all these aggregate films what aggregated film what right you have these are all for five year or it may have more than five years?
- Hiren Gada:** It could have more than five years.
- Sunil Jain:** That split whether it is possible to share with how much could be?
- Hiren Gada:** It is very difficult because what happens is a very dynamic thing, which is what we have made it clear, is that one is what we have in perpetual and aggregate is all the rest that is how we have kind of put it and another question was there would be many times number is one thing value is the other thing. So how do you look at it is, so which is in order to avoid those kind of confusion, we looked at it clearly in these two buckets.
- Sunil Jain:** Yes, true but problem for our side is like perpetual, we can say this is what the long-term inventory or investment you have made, but in aggregate it is become very difficult how much is investment in, how much is for running the show like, which we had purchased just to aggregate and sell?
- Hiren Gada:** I understand that but there are certain limitations on how much we can disclose also beyond the point, because some of the information definitely is competitive information.
- Sunil Jain:** Because if even we take this Rs.75 Crores, which you had increased the inventory we do not know how much is the increase on account of investment and how much is just for resale?
- Hiren Gada:** I agree that is a challenge, but unfortunately at this point it is difficult for me to comment more on that.
- Sunil Jain:** Okay Sir. Thank you.



Moderator: Thank you. The next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Good evening Hiren Bhai. Rahul over here, just to understand you mentioned we are somewhere in the end of the investment cycle if you could just try to give something more in details in terms of numbers, should I understand is that for last two to three years, we have been adding on an average more than Rs.100 Crores of investments being done and those are getting added to your inventories, so when you say end of the investment cycle, first I needed to understand are you saying that FY2018 and FY2019 next two years you do not plan to add more or what can be the number like in terms of acquisition?

Hiren Gada: Which is what I just said earlier that the target is that any additional need to add inventory or basically to add any additional investment in content over and above the normal cycle would get funded out of internal accruals and internal accruals basically so put it in different way internal accrual should be more than adequate to fund that and there should be an additional generation over and above that which should help to reduce debt.

Rahul Jain: So you feel that you will be doing it for next two, three years now or you will be going slower on the investment additions or the investment additions will be lesser than internal accruals?

Hiren Gada: If I were to take a step back and give the context of this, around four years back roughly when we looked at this space and we decided that we want to, given the growth drivers that were on the horizon that we should be playing this business from an aggressive investment point of view and make a put together a large enough library to which can kind of reap the benefit of this upcoming growth and for that as you explained if you see inside for the last four or may be five years balance sheet each year we have been gradually adding to the inventory, which has been funded either by internal accruals, borrowings or equity, all the three combination, now we are kind of reaching a strategic point where we are in a position now to say that okay we work together a certain library in terms of quantity, in terms of quality, quality when I am saying it is different thing, genres, age, star cast, various other parameters that you may apply, so it is a formidable and important library that no one can run a meaningful service without some tie up with this library, so that position we have more or less now reached. Now that we are in that position, now we do not need to be in a over drive mode to acquire so if that is not the case then one is we need to harvest and earn back the money invested, while we are doing that there is a continuous need for investment, but not at the pace at which we have been investing earlier, so there would be a certain generation of cash flow, now if we find opportunistically something that we could need or acquire we would take that up, otherwise we would look at retiring the commensurate debt.

Rahul Jain: Sir I remember I met you about two and a half, three years back first time when we were discussing about this digital new media growth based on the better bandwidth and I know that you mentioned in your initial remarks the new industry new media is growing around 30%, 35% and you target to grow around 40% better than the industry, but do you feel now the bandwidth



Shemaroo Entertainment Limited
September 13, 2017

has really reached a stage where as what we discussed about two-and-a-half, three years back, next two years or three years one of the year the growth can be really 70% plus?

Hiren Gada: Well that would really be very good for all of us and we hope that to be honest I am hoping that next year would be such a year, but I would not want to bet on that today because we do not know when that kind of spike would really come in, so I would not invest something based on that or build a cost based on that, if it comes we will all take it with both our hands and we are very poised to take advantage of that I would say.

Rahul Jain: Fair enough, so with 40% CAGR growth assuming for next three years what kind of margin trajectory we can see for next two, three years? What kind of improvement? New media it will have a lot of operating leverage?

Hiren Gada: So inherently there is an operating leverage in the new media business and with such a fast growth pace. I would at this stage still be hesitant to factor in a margin improvement because you do not know how things may turn out going forward, so again.

Rahul Jain: But Sir with additional growth in revenues where you are not incurring those kind of costs because it is your existing library, which you are trying to monetize through new mediums of revenue, your margins should move up?

Hiren Gada: I agree with what you are saying, but you know if everything was plus, plus, plus suddenly people will build in some fancy expectations, I really do not want to stand the test of those kind of expectations at this point in time; therefore, I am saying that do not maintain a margins improvement story at this point in time.

Rahul Jain: Just smaller question now, so with a lot of content buyers there, today as the situation stands today, so on one side you have Jio and we know how Jio would work and try to get content at a lower cost for themselves, but still I would feel today you have too many buyers who are there for the content, so are you able to sell content at the prices which you would have thought and you would have been comfortable with or has the pressure started?

Hiren Gada: No, at this point, it is fairly I would say sellers market because there are too many people.

Rahul Jain: Last question, if I may be allowed to, with so many buyers being there including Amazon Primes and Apple TVs coming into the market and a lot of other local guys also there in terms of chasing the content, and I know that you have been having this unique strength of buying content on perpetuity and more so in the Bollywood industry, but still how is the movement on the cost of content which you have been buying and based on that cost of content do you still have your IRRs being, if I recollect right you had mentioned that generally you target around 18% IRRs when you buy content, so based on the cost of content is the cost of content moving up, accordingly ours relations are moving up or are you able to maintain how is it going on in terms of maintaining an 18% IRR?



Shemaroo Entertainment Limited
September 13, 2017

Hiren Gada: So 18% IRR is what we have been internally targeting and that is something that we have been kind of fairly maintaining as our cut off in terms of an acquisition deal. There is no doubt as recovery growth the commensurate cost would go up, but what we have been at least managing is that within that IRR of 18% benchmark we have been clearly saying within that 18%, so till now we have not seen any pressure beyond that, so we walked away from deals, which were not yielding that kind of IRR, but there has been a significantly good descent deal flow at 18%, so in that sense we are not too worried.

Rahul Jain: Thank you so much Hiren bhai.

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

Shalini Gupta: Good evening Sir, just two questions, Sir one is like you have yourself mentioned that the pricing of content is going up because of the huge demand and the other thing is you are saying that there is a lot of demand for content, Sir in this situation why is that that your inventory additions are going to be flattish, I would think that inventory additions at such a point should be far higher, if you can just reconcile this?

Hiren Gada: No, both the statements what you said are the same, so there is a demand for content and the prices are going up because there is a demand for content. It is a same thing. For us it is more about our own strategy, so the point is that we have been preparing for this for the last three to five years, so we have therefore managed to put together a library of a certain nature in terms of size, quality, etc., which is well poised to take advantage of all these trends that we just discussed.

Shalini Gupta: No but you have to keep adding to your library?

Hiren Gada: Yes, so I am not saying that we would not add. The question is that the pace of additions till now we have been in a build up phase that build up is kind of now built up, so now it can go into a normalized phase of aggregation and distribution.

Shalini Gupta: Sir my second question is you are saying that most likely your library will be funded largely by internal accruals, now as I look at it the reason why they have not been internal and you have not been able to fund your library through internal accruals, is because the inventory days are very high, so because they are exceeding 365 days, so I mean is that now we are saying that inventory days will come down and therefore we will have internal accruals or what is it?

Hiren Gada: Yes, the reason why our inventory is high because we have been building the library, yes inventory days ultimately reflects on the actual inventory value, so their inventory has been high because there is a build up of the content library. Now going forward just to recap what I said was that basically going forward the additional investment need if any would get funded from internal accruals, so the issue till now has been that we have been buying or investing more than



what we have been monetizing and to fill that gap we needed to borrow. Now that the investment phase kind of tapers of or stabilises whatever is the requirement for investment kind of would get funded out of internal accruals.

Shalini Gupta: Thank you.

Moderator: Thank you. The next question is from the line of Dhiraj Dave from Samved Financial. Please go ahead.

Dhiraj Dave: Good afternoon Sir. First thing I understand from your initial comment that you said that you have given some kind of concern about the advertisement in an adverse content now I understand YouTube is reasonably large share in our revenue for new media business, so assuming that YouTube continue with this guidelines would we be looking at some kind of at least YouTube related whatever right do we do any kind of inventory write down because of that kind of it, some scenario comes up, let us say they continue with same guideline for 12 months would we say some amount of content become obsolete at least to the extent of what we were envisage in to encash on YouTube and would we take any write down and have we identify any kind of impact of this?

Hiren Gada: So if you recall our policy basically it is independent of platform, so new media basically the new media rights that we have, we take a monthly charge on the number of months that we own the rights, so if that is irrespective of what we earn out of it, so whether it is more or less it really does not matter, if we take a uniform charge. At this point I do not...

Dhiraj Dave: In that case what is – assumption is that is for 60 months, we will be amortizing that because every month we will be consuming, but here what we are seeing is that let us say for 12 months YouTube does not publish, or in a conservative way we may say that okay it is no more can be utilized on YouTube, I am not saying that it cannot be utilized in others, but would we be looking at that, so yes your point is valid that it would be written of whatever period of or number of months which you do, but is not it one time kind of adverse event and you should take write down, call is yours?

Hiren Gada: No, for that, so two things need to happen, if at all we have to even think of such thing, firstly we are not thinking on those lines and I will tell you the reason also, firstly the revenue has to become zero, so we have not seen that kind of an impact happening, now our revenue if it was 100 two years back today it is 200 or prior to this Brad guideline it was 200 and now it may be 180, 190 or 210 or 220, somewhere in that range, so we have not seen any degrowth?

Dhiraj Dave: Yes, so there is no degrowth, sorry.

Hiren Gada: No, not at all, so in that sense there is no reason to take that kind of view on this.

Dhiraj Dave: I understood that there is no content display on that YouTube on those things?



Shemaroo Entertainment Limited
September 13, 2017

- Hiren Gada:** Today we are doing as I said in the opening remarks also that we are now doing near about 12 million views on a daily basis, so There is a fair amount of this and rather given the fact that there are so much of video consumption, which has just gone up multifold. There are so many other platforms, which have come up, so actually the revenues have gone up, which is reflected in the overall media business going up.
- Dhiraj Dave:** Small clarification when you said the perpetual right it also may digital right also. When we say that like you are saying that the perpetual procurement of Golmaal one, two and Jab We Met, so that could also include when you have perpetual right also have digital right in all kind of rights?
- Hiren Gada:** Perpetual right is basically when we step into the shoes of the producer, so we are the owner ultimate on final owner of the entire underlying copyright or the underlying work.
- Dhiraj Dave:** Let us say that Jab We Met was in 2004 or 2005 whatever?
- Hiren Gada:** 2007.
- Dhiraj Dave:** So 10 years have been passed, we have still 50 years life of copyright.
- Hiren Gada:** Yes.
- Dhiraj Dave:** And last one it would involve songs?
- Hiren Gada:** No, music rights are a separate line item in the industry. It is separately dealt with. There are music companies, so we are not a music label like T-Series or Saregama, TIPS or Sony Music, Venus kind.
- Dhiraj Dave:** Jab We Met songs would also be marketed by somebody among all these audio right owner, but they can just do audio rights, they cannot do video?
- Hiren Gada:** So the video of the song is one – so the music video the trade fact is was that till the year 2000 the producers retained the song video rights post 2000 the music labels are retaining the song video right. Our channel Filmigaane for example contents songs which are mostly pre 2000, so it is a retro Bollywood song destination and something like Jab We Met we would not own the song video right. So anything related to the songs on Jab We Met we would not have any monetization on that, but the entire film or the film in parts to see in clips etc., we would be able to monetize.
- Dhiraj Dave:** Last one in fact some members also asked couple of years back what was average acquisition, what has been inflation in the content acquisition price particularly on digital area? Any color you can give us not specifically for Shemaroo but whatever is understanding, it was 100, has it become 200, 150, 400, two years make if I see and generally the industry trend?



- Hiren Gada:** In the new film the inflation has been very high, new release first cycle or whatever you may call premier cycle the inflation has probably been more than 3x probably in the range of 3x to even 5x.
- Dhiraj Dave:** This is in period of three year, two years?
- Hiren Gada:** In three years roughly and if I were to say for the reissue of films, or second, third cycle where we enterprise, I would think that in a three-year period probably would have about doubled.
- Dhiraj Dave:** Thanks a lot. Wish you all the best.
- Moderator:** Thank you. The next question is from the line of Ronak Jain from Vibrant Securities. Please go ahead.
- Ronak Jain:** I have one question with respect to the industry, whenever we have a remake of a movie, which we already own the rights is there any economic upset to us?
- Hiren Gada:** If we own the perpetual rights then yes.
- Ronak Jain:** For example, Judwaa we do have the rights
- Hiren Gada:** Yes, but not the perpetual right.
- Ronak Jain:** So if w have perpetual right then how does what exactly is it?
- Hiren Gada:** Basically as I said in the earlier discussion also that if you own the perpetual rights then we step into the step into the shoes of the producer. So as per according to the copyright act, producer is the author of the film, if someone wants to remake that film, he needs to acquire the remake rights from the producer.
- Ronak Jain:** That is a private negotiation between you and the guy who is remaking?
- Hiren Gada:** New maker.
- Ronak Jain:** Okay, have you ever done any such thing in our lifetime?
- Hiren Gada:** Yes, we have done one or two deals, although those since I have not seen the light of the day, but I understand one thing that this remake trend is fairly recent trend and at this point I would still call it as a nascent trend because results have been a little mixed. For example, you may be aware that movies that Sholay and all people right to remake with some disastrous results. On the other hand some other movies might have had better results, so till now this whole trend of remaking has not yet become a full-fledged genre.



Shemaroo Entertainment Limited
September 13, 2017

- Ronak Jain:** Last question in terms of the number of people who own all these catalogues right to movies I believe there are handful of players to control most of the right like Ultra or may be Eagle or you guys so do you see any opportunity going forward where you might actually buyout the portfolio of these other aggregators, is the possibility of that happening or is there are form business plan for those guys also or that is your thoughts on that?
- Hiren Gada:** We are always on the look out for opportunities. Having said that there is no deal on the table at this point in time, but we would not be averse to any such opportunity. I would not know respective these companies whichever in question what would their respective business plans or future strategies would be very difficult for me to comment on.
- Ronak Jain:** Thanks.
- Moderator:** Thank you. The next question is from the line of Kashyap Jhaveri an individual investor. Please go ahead.
- Kashyap Jhaveri:** Thank you for the opportunity. I have got two questions. One if I look at your processing charges as a percentage of your revenue that has been steadily moving up in absolute terms, so what is driving that. So if I look at FY2017 that number was about 45 Crores versus you know probably it was about 7 to 8 Crores if I look at for FY2014 or FY2015. So what is driving that?
- Hiren Gada:** Your voice cracked in between so.
- Kashyap Jhaveri:** I am driving now. Am I audible now?
- Hiren Gada:** Which line item are you referring to?
- Kashyap Jhaveri:** Processing charges in the annual report about 45 Crores?
- Hiren Gada:** What charges?
- Kashyap Jhaveri:** Processing charges?
- Hiren Gada:** Processing charges.
- Kashyap Jhaveri:** That used to be about 8 to 9 Crores about two to three years back and that number now is almost about 45 Crores so what is driving that. In the meanwhile can I also go on with the second question and then you can reply both of them together?
- Hiren Gada:** Okay.



Shemaroo Entertainment Limited
September 13, 2017

Kashyap Jhaveri: My second question is in terms of content besides movies or let us say Bollywood at regional movies, do we have any plan in place to cater to different age genres or let us say in terms of let us say some series or something like that besides movies?

Hiren Gada: I did not understand your question actually.

Kashyap Jhaveri: Let us say you know may be besides movies, if you are looking at any so we had some children content channel also so any update on that and besides that any let us say something like may be what we see on Netflix Narcos or may be something like Jio TV that kind of content?

Hiren Gada: Okay, I will answer second question first. The first one I will have to take it offline because we could not understand the figure that you were referring to, but we could probably ask our investor relations team to get in touch with you and we could just clarify what that exact query is. The second question I will just quickly answer.

Basically if you see our content table also that we have been putting out there is a category there which was called special interest, which is beyond films, so there is Hindi films, regional films and special interest. Now special interest category has about actually four sub-categories within it. One is the kids category, one is devotional category, one is health and fitness and fourth is television content, so we have aggregated some yester year classic Sitcoms from television like Yeh Jo Hai Zindagi, Zabaan Sambhalke and Nukkad, etc., and one of the category where we have put in a reasonable amount of work and we have a fairly good presence now is the devotional category which also comes in through our investment which we made in our in Star Digital Media and all of that is something which gives us a good edge in the overall devotional space and that is being monetized across digital media as well as traditional media. So that is something that we have opened.

Now coming to specific question on something like Narcos. So as I said right at the beginning actually or somewhere in the beginning that is much into the creation side of the business so we are not in the shoes of any of the creative houses who would kind of do that. Second what we are seeing with a lot of this creation kind of a thing there is this commissioning model, so end of the day we do not end up owning any longer-term rights to that. So we kind of prefer to have a much long tail kind of a business and that is one of the reasons why we have not really done too much work in that area.

Kashyap Jhaveri: Thank you very much. I will take the other question, the first question offline.

Hiren Gada: Yes, please.

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



Shemaroo Entertainment Limited
September 13, 2017

Neeta Khilnani: Just a small follow up on the inventory addition. So you spoke about the way in the build up space and I can see from the quarterly trends that your inventory additions were about 100 Crores on an annual basis, so now that you are in a consolidation phase, what sort of inventory additions would you need to just keep the show running?

Hiren Gada: At this point, net additions, if I have to say this financial year, we would actually be looking at 0 to negative net additions for this financial year.

Neeta Khilnani: Going forward Sir?

Hiren Gada: Going forward at this point it is difficult for me to comment on next years' VOP but I would think that if at all there is anything it would be marginal.

Neeta Khilnani: Sir, my second question was on the DTH tie ups that we have been doing. Sir how are the base structured and what is the long-term potential of this stream? Do you see this to be a healthy revenue-generating stream in the long run?

Hiren Gada: So one of the thought process has been for this is that while there is a whole big ad supported business on television that is going on and flourishing and growing very strongly. Is there a potential of an ad free or a paid ecosystem to kind of be nurtured and developed and that was the thought process with which we launched some of the services, which are white labeled with the various platforms. The response till now say it has been fairly satisfactory and while you know that India being a fairly price and cost conscious for value conscious market you are not going to suddenly get some big numbers, but what we have seen is that on most of our surveys and if I have to put everything together the numbers are more or less fairly in line or in fact in some cases ahead of what we would have budgeted or projected for initially. So in that sense and it gives us a very good direct consumer connect.

Neeta Khilnani: Sir, basically you would get a share of the subscription revenue?

Hiren Gada: Yes, so the deal structure basically there is a consumer pays anywhere between Rs.30 and Rs.60 for the various premium value added services which are ad free. Out of that it is a three-way split. The government in the form of taxes and license share along that takes away certain percentage, which in effect is the largest share of the pie, and whatever remains is split between the platform and ours so we get anywhere between 40 and 50% of what remains after government share.

Neeta Khilnani: And you classify this is traditional media revenue?

Hiren Gada: Yes.

Neeta Khilnani: Just a last question if you can just give some more names of the titles that you have added as perpetual rights? We spoke of Jab We Met and Golmaal Return, if you can just give us some more names?



Shemaroo Entertainment Limited
September 13, 2017

- Hiren Gada:** I can give you a few more. You take some more names so there is Jab We Met, Golmaal, Golmaal Returns, Bhagam Bhag, then Khatta Meetha, Blue, these are basically a lot of these are essentially from the Ashtavinayak Library.
- Neeta Khilnani:** Thank you.
- Moderator:** Thank you. The next question is from the line of Pragma Vishwakarma from Edelweiss. Please go ahead.
- Pragma Vishwakarma:** Sir just a follow up question on inventory, I know to the previous caller, you have already mentioned it, but from a different angle is it safe to assume from now onwards like the inventory addition will be to the tune of may be 50 to 60 Crores year-on-year basis. When you say it has to be flat?
- Hiren Gada:** Like I said, this year definitely we would look at a flat ending or in fact if everything goes well, it should be definitely lower. Next year VOP is still not in place, but my sense would be that like I have said even earlier that directionally it would be less than the internal accruals now what it is right now it is early days for me to actually comment for next year.
- Pragma Vishwakarma:** When you say net additions you are accounting for the write offs as well?
- Hiren Gada:** Yes. There is consumption and acquisition. So acquisition will never stop. The question is that I am consuming and I am acquiring net of all of that if my inventory is growing or remaining flat or reducing.
- Pragma Vishwakarma:** Okay, so just picking up the addition part of it, can you give some ballpark number how much you will be adding inventory, the net inventory, how much will you be adding inventory on year-on-year basis?
- Hiren Gada:** I will have to work out the maths and give it to you offline probably because right now I am not having all the workings with me.
- Pragma Vishwakarma:** No issues. One last point from my side so like this year it should be around 580 to 590 Crores, if I am not wrong?
- Hiren Gada:** What?
- Pragma Vishwakarma:** Inventory for the entire year?
- Hiren Gada:** Closing number, no. It should be lower. So my March 2017 was at 500 Crores.
- Pragma Vishwakarma:** Because you have added 75 Crores in the first quarter.



Shemaroo Entertainment Limited
September 13, 2017

Hiren Gada: Yes, but that is what I have said that net of that the target for March 2018 should be that we should be near March 2017 or even lower.

Pragya Vishwakarma: Thank you. That is it from my side.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for their closing comments.

Hiren Gada: Thank you everyone for participating and listening patiently and actively engaging with us on the clarifications and questions. Hopefully we are looking forward to with this quarter with bit impressed. Thank you very much.

Moderator: Thank you ladies and gentlemen. On behalf of Elara Securities India Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.