



“Shemaroo Entertainment Limited
Q1 FY2022
Earnings Conference Call”

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Moderator: Ladies and gentlemen, Good Day and Welcome to the Q1 FY22 Conference Call of Shemaroo Entertainment Ltd hosted by Valorem Advisors. 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 touch-tone phone. I now hand the conference over to Mr. Anuj Sonpal – CEO at Valorem Advisors. Thank you and over to you Mr. Sonpal.

Anuj Sonpal: Thank you. Good afternoon everyone and a warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of Shemaroo Entertainment Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings conference call for the first quarter of financial year 2022. Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's earnings conference call maybe forward looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now let me introduce you to the management participating with us in today's earnings call. We have with us Mr. Hiren Gada – Chief Executive Officer and Chief Financial Officer and Mrs. Kranti Gada – Chief Operating Officer. Now without any further delay, let me ask Mr. Hiren Gada to give his opening remarks. Thank you and over to you, sir.

Hiren Gada: Thank you Anuj. Good afternoon everybody. It is indeed a pleasure to welcome all of you to the earnings conference call for the first quarter of the financial year FY22. I hope that everyone is keeping safe and well. Let me start by giving you the key financial highlights first. For the first quarter of the financial year 2022, the operational income stood at Rs. 75 crores. EBITDA for the quarter stood at Rs. 7 crores, EBITDA margins stood at 9.56%, net loss after tax reported was Rs. 1.4 crores. For Q1 FY22 expenses on the new initiatives net of revenues were at Rs. 16.6 crores. If you were to adjust for these investments in new initiatives, the adjusted EBITDA from the existing operations would have been approximately Rs. 24 crores for Q1 FY22, representing a margin of 32%. Digital media revenue stood at around Rs. 40 crores, which were up 19% year-on-year. Traditional media revenues stood at Rs. 34 crores, which were down 34% year-on-year. Due to the advent of the second wave of COVID-19 and the resultant lockdown, advertising subscription and syndication revenues continue to remain under pressure for this quarter, and this impact was felt more in traditional media than in the digital media. However, we believe that with states unlocking and vaccination drive

underway, consumer and business sentiment across sectors will improve in the coming months, thereby driving the economic recovery for the media and entertainment sector. We continue to take adequate steps to improve operations and rationalize those businesses that have been severely impacted due to COVID-19.

Further, on the digital media front, I am happy to report that the digital media revenues are back on the growth track, despite the impact of the loss of revenue from the Telco business over the last few quarters. This has been driven by the strength of our content library, newer revenue streams that we have been able to build, and of course the sector's underlying growth. Further, we crossed 53 million subscribers on our YouTube channel FilmiGaane, and the channel continues to be the 21st most subscribed channel in the world. Furthermore, Shemaroo was also the distribution partner for a docuseries titled Alma Matters: Inside the IIT Dream released on Netflix. We also rolled out Shemaroo meets B2C strategy this quarter on the back of ShemarooMe Gujarati with an impressive line up of direct to digital movie releases and original web series with leading star cast. This was aided by an extensive marketing campaign, both on television and digital media. Through this we intend to make ShemarooMe the most prominent OTT video destination for the Gujarati audience. ShemarooMe also partnered with Zain STC and Mobily in Saudi Arabia, and Etisalat in UAE. Further, for the global distribution of ShemarooMe on Android TV devices, we have partnered with ZESAN, a smart TV solutions provider.

On the broadcasting venture front, we continued investing into our broadcasting channels Shemraoo MarathiBana and Shemaroo TV. While both the channel witnessed an uptick in monetization through advertisements, the second wave of COVID-19 affected the advertising spends by brands in this quarter. Shemaroo MarathiBana maintain consistent ratings throughout the quarter and has built a strong connect of the brand in a very short period of time. Though Shemaroo TV started in a challenging economic and competitive scenario, but the company is strengthening its proposition through a focused approach towards building programming, marketing and distribution. In conclusion, we are hopeful that now with the settling of the second wave along with the aggressive vaccination drive, most of the world, including India is likely to go back to normalization by second half of the year, and we should see a significant revival across all our business segments as well. With that, I open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shikha Mehta from Equitree Capital. Please go ahead.

Shikha Mehta: Sir, the current scenario are you seeing any improvements on the ad spends as on this quarter, as on Q2 or is it similar to how it was last quarter?

Hiren Gada: So, if I have to say, so July is probably towards the end of the month, and if I were to compare it with the scenario we saw during the peak of wave two, which is roughly say mid-April to

end of May, from there definitely the things are better. But, if I were to map it with where we were say, during the Jan to March period, we are definitely lower yet.

Shikha Mehta: Do you have any insights on when you see this improving a bit or even coming back to Jan to March levels or something of that sort? Or is it right now just too early to put a pin on it?

Hiren Gada: Definitely it is a little early yet. But I would just add a couple of aspects that the way we are seeing things. So, one is of course, whether there is a third wave or not. I think it is something that a lot of people are kind of speculating and to an extent have been holding back. I think once the vaccination drive reaches a certain critical mass; already the last month or so has accelerated quite well, I think the confidence of consumers and therefore of brands will definitely be much-much stronger. Secondly, if we look at literally from mid-August around 15th August, the next almost six months period is a very-very strong festive period. So, you have Ganpathi, you have Dussehra, I mean, Navratri, Diwali, Christmas etc. So, in a way we are headed into a festive period, which normally has either associated with a lot of product launches, with a lot of brands, money, etc. We believe that if we don't see a third wave, we should see a good comeback of advertising revenues overall, advertising spends rather, let me put it that way.

Shikha Mehta: Also, sir, if you could give us some insights on the IRR you are currently generating on your inventory? I understand that you said in your opening remarks that our EBITDA margins, if we don't include the investments in the new initiatives is much better. So, just to get a better view, if you could give the IRR you are generating on your inventory?

Hiren Gada: So, at a content level, we are on an average. So, we are getting around between 18 and 19%. But given the fact that syndication etc. has been low-key for few quarters now, thanks to the overall COVID led scenario, that content is in the inventory and what we are seeing in the landscape is that the overall demand and pricing factor do indicate an IRR on the similar lines.

Shikha Mehta: So, 18 to 19% IRR is something what we will be able to maintain for even this year?

Hiren Gada: We are hopeful of that at this stage, yeah.

Shikha Mehta: Also sir, I think before the pandemic, we had alluded that we would grow say, 5X in the next five years, which I of course understand has been disrupted because of the situation. But today do we think we have stuff in place to do that over the next five years?

Hiren Gada: So, if you look at the structural change that we have made over the last two years, where we had a lot more dependence on syndication and deal-based business, we have moved significantly into a more B2C led and recurring revenue streams like on the digital side or even on traditional side, whether through broadcast business or other businesses that we have. So, that, this paves the way for a strong growth in the coming years. I can say that our

team is extremely passionate and motivated to deliver strong growth and to chase, chase is not the right word, but to work towards a strong growth over the next few years. And also, I would say that, given the focus on the B2C part of the business, the brand's own journey that we have mapped over the last couple of years and the strength of the content library that we have, that has clearly kind of played out even during the pandemic in terms of numbers, cash flow etc. and, we are definitely aiming for a very strong growth forward.

Shikha Mehta: And, if you could also tell us your revenues from YouTube because our subscription has been growing consistently and that channel has been doing quite well. If you could just help us understand the revenues from YouTube?

Hiren Gada: So, while we have not been giving the exact revenue number, broadly what I can say is that from the digital media business, YouTube would be now at about between 50 to 60% of the revenue, Telco would be roughly in the range of about 10 odd percent and the rest would be combination of syndication and ShemarooMe.

Shikhar Mehta: That is all from my side sir. I will come back in the queue.

Moderator: Next question is from the line of Siddharth Mata from B&K Securities. Please go ahead.

Siddharth Mata: Just two questions I had, first about traditional media. If you see the past twelve quarters, so for the first half of six quarters till the second say, till Q2 FY20, the average revenues were around Rs. 97 crores; 97-98 crores and for the next six quarters it is Rs. 30-47 crores. I know there is the COVID impact and the slowdown in the economy and everything, but what target are you achieving? Just wanted to know a ballpark number. Do you think that we will reach the Rs. 97 crores mark because you have added the broadcasting business also in your portfolio? So, just wanted to know how do you see growth in the traditional media business?

Hiren Gada: See, if you break up the Rs. 97 crores on a monthly basis that works to between Rs. 30-35 crores kind of a revenue, and obviously at this point we are probably at around 50% of that. Now the question is what is the journey from here to there and beyond? Is that the question, if I understand, correct?

Siddharth Mata: Yes. Because as we have also discussed in the previous that the Telco revenues are dropping, but the broadcasting business has come. So, just wanted to know how much that will compensate.

Hiren Gada: Yeah. Just to clarify the Telco revenues are in the digital business and there we now kind of in a way moved beyond Telco and are on a growth path, at least from this quarter onwards. So, on the traditional media side two things have definitely impacted. One is the overall slowdown in syndication revenue that has affected us. Even pre COVID, previous two quarters we had that challenge because as we all recall when we entered COVID also, the

economy was on a downturn at that point in time. So, that affected the business. We are definitely looking forward for that part to revive, maybe not to that peak levels or something, but definitely be on a certain path. But more importantly for us strategically, we looked at the broadcast business to kind of create a much stronger brand connect, as well as a more predictable and stable revenue stream. Now, broadcast business itself has a certain gestation period and to come as we got hit by COVID even in this current quarter. I cannot give a forward guidance on that, but definitely traditional media in fact, we believe that it has a potential to reach that number and probably surpass that over the next few quarters. I am not in a position to give you a clear guidance on that. More than anything else right now, it is inappropriate for me to give off our guidance. But we have mapped few forward strategies and that path is there. Of course there are certain external challenges and environments related to the COVID and economic revival linked to that. So, it is definitely, being within that economic environment, operating within that economic environment, we are dependent on that to that extent. But if that happens I think we have a fairly strong levers in place.

Siddharth Mata: And do you have any, some one-offs in the first quarter of FY21?

Hiren Gada: Yeah, we had some. Some carry forward deals of previous year, which were kind of booked in the Q1 of FY21, if we take that effect off, we probably would have a marginal growth on a year-on-year basis.

Siddharth Mata: So, generally, because what I am understanding is because see, if you see the second COVID wave had a less impact than the first COVID wave.

Hiren Gada: Correct.

Siddharth Mata: So, the broadcasting business must have grown around in double digit. So, there they won't be having any marginal growth. So, if there is a strong growth in the broadcasting business and if we exclude and we see like-to-like there is a marginal growth of which business is shrinking. I wanted to know that.

Hiren Gada: No, broadcasting business definitely got affected because of this. Because as I said, literally by the time March ended, the second wave had kind of set in, and that impact was felt throughout the quarter. Some part of the growth gap that we are seeing is, I mean, in fact bulk of the growth gap I would say is from that aspect only.

Siddharth Mata: No, because this first quarter last year was also very depressed and what other companies or other competitors are saying is that there is a hundred percent revenue growth or something like that. Radio company is also reporting 50-60% advertisement revenue growth year-on-year. So, there is a 30% revenue growth or any big amount, there must be 10% revenue growth in the broadcasting business. So, I just wanted to know if any segment in the traditional media declining. That is what I am asking.

Hiren Gada: So, as I said, there were a few carry forward deals in Q1 FY21, which if I take it off from the base then there is a growth. So, the core business has grown. It is the deal-based part which in the previous year has affected the base.

Siddharth Mata: And if possible, can you give me our debt number. What is the outstanding debt as per June 30th or the current outstanding whatever it is?

Hiren Gada: June 30th, that is Rs. 257 crores. March was Rs. 268 crores. So, it is about Rs. 11 crores lesser.

Siddharth Mata: So, has the debt peaked off or do you think FY22 the debt will peak off?

Hiren Gada: Based on everything we are seeing right now, we believe that the debt has peaked off probably in the Jan to March quarter. We think that there is definitely over the next few quarters as some of the businesses say, at least even if the economy comes back, I think there is good room for unwinding of debt.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Sir, you have been talking about the strong growth over the next two, three years as you expect business to pick up. Now if I see your historical performance, maybe at the peak that we did in FY19 in terms of top-line and even the performance. So, is there any thought process that we want to reach at that standard of performance that we did maybe in FY19? So, any thought process on that, if there is?

Hiren Gada: Yeah. So, as I was explaining to one of the earlier questions it is the continuation of the same thought that see, what we have done in last about two years is a big shift in our business itself. From a much more deal dependent business to a much more stable, predictable, cash flow and revenue kind of business, which includes many of the different revenue streams that we built over the last three years or so. And the whole thought process right now for us in terms of the focus is to accelerate further on that path much more than get into doing a few deal based things for maybe some short-term kind of a gain. Rather we are focusing on this path much more which is giving much more cash flow, giving much more brand salience, and it is adding overall to the predictability of the business. Now at what point we will reach that past top-line? We don't know. Obviously, we are on that path and we intend to do it as early as possible. But doing it through a trading route of deal-based business or doing it through building brick by brick these different revenue streams, that is the strategic shifts that we have been talking about in the last two years or so. Of course, there is another aspect that how the economy shapes up, because media entertainment sector is ultimately a highly economy dependent sector, and to that extent, how the economy shapes up and grows will definitely impact how fast we are able to reach that point.

Deepak Poddar: Even on the margin front how do you see, like we are way off what our peak margins has been. So, any comment on that?

Hiren Gada: So, as I shared in my opening comment that if we look at net of investments, actually that core business margins are actually between 25-27%, although this quarter we did even more than that. But still what we have been talking of, it is the new investments which have weighed down the overall profitability itself. Since we have treated all these expenses as revenue expenditure none of them have been capitalized. So, that's one of the reasons why the margin picture is looking lower than what the core business has been kind of generating. Now, as and when these businesses, at least turn, or get into next phase post the investment phase, then based on their own journey, we will see whatever the weighted average margins are getting generated. But again, if you look at what we are working on over here as an organization or as a team is really about building those different revenue segments with a much stronger, consumer connect. And that is something that we believe that is something that will hold us really strongly over the next many-many years.

Moderator: The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Three questions. The first one is more like continuation of the answer that you gave for earlier question. So, what you are saying is that essentially you are trying to build a revenue stream, which is far more consistent and not so much transaction based. If I look at the numbers, our traditional media business for India is between Rs. 350-400 crores now in FY20, and a large part of that was syndication business. So, if we adopt this approach, this means that to reach to that level our broadcasting business has to actually go at a Rs. 150 crores of levels to reach the FY19 kind of numbers?

Hiren Gada: Yes, probably that plus of course the digital media business also would be contributing to the growth, which is already something that we have been seeing. I mean, if we actually see the impact of the Telco business, or if we computed net of the Telco business impact, that business has actually been growing at more than 25% in fact, probably around 30% kind of a thing for last few years. So, I am saying it is both combination. Yes, the broadcast business will have to generate a certain number. And second is, the digital business which is also on a growth path.

Dhwanil Desai: So, in this equation, we essentially are either by choice or because of the change in environment or assuming that the syndication business may not go back to earlier levels, or we may not want to take it to earlier levels, which I really want you to hit back. Is that a fair assumption to make?

Hiren Gada: Yeah, I agree, and it is actually more the second, more the latter than the former that strategically, because to that extent it is a capital allocation decision also and to that extent, it is also a business model kind of question. So, with that combination the focus from

syndication would be definitely lower. We have a large library and therefore we will not be moving completely out of it or away from it, but definitely it would be consciously...the investment focus for last few quarters has been on the B2C part and we have been talking about it virtually quarter-on-quarter in terms of where we are looking to invest.

Dhwanil Desai: Second question is on this broadcast business. I mean, early quarter you gave the bond rate for the new businesses which is around Rs. 15-16 crores. So, any kind of a see through in terms of at least one of the channels becoming breakeven, one of the bond rate going down significantly in the next few quarters? How do guys think about that?

Hiren Gada: So, originally we were looking at a much shorter break even path. But obviously COVID and the whole ad spend scenario, thanks to COVID, has changed that and in fact, last quarter also there was a discussion on this, and someone had asked this question and I had said that because of the wave two something that were probably looking for a breakeven as early as Q1 or Q2 in one of the channels of FY22 maybe shifted by a three to maybe even six months, somewhere in that range. So, both the breakeven have in a way moved three to maybe six months. There are a lot of changes and new things that we have been working on programming, on distribution, on marketing front, on both the channels, including we are introducing some interesting programming changes on Marathi literally in the next few weeks. So, there is a lot of change and movement happening. I am hopeful that we should be on a good path on both the channels. And I would also add on, see on Marathi I think, overall we have established a brand connect with the consumer and advertiser extremely well. We are benchmarking with the top channels and for our channel which is less than two years in fact, just about fifteen to eighteen months old, this has been achieved in a very-very short period. And, on the Hindi front, definitely it is a much more competitive scenario and to that extent, it has been a little slower than what we would have liked it to be. And again over there, there is a bunch of changes that are in the work or rather already in action or in motion, I would say. So, we are hopeful that over the next two or maybe three quarters we should be in a good position on this business.

Dhwanil Desai: And sir one suggestion here. So, I know you have spent a fair bit of money in terms of building this broadcasting business. If you can share some quantitative break up on the revenue it would be really helpful in terms of understanding the direction. I understand that these are all network businesses but for us to understand direction, quantitative data will be very helpful. So, if you can just share that.

Hiren Gada: We will try and see how we can incorporate as much of that. I take on board your suggestions.

Dhwanil Desai: And last question sir on ShemarooMe. So, I think you guys are trying to build a very good platform on the Gujarati as well as the regional language. Yeah. Can you again, give us some kind of data points in terms of the subscriber behaviour? Where it is today? Where do you

want to take it? How large the market you see? And most of the OTT platform even after a scale kept on burning money. So, I agree that we also must be burning money on that. So, how do you guys think about the not scaling up and continue to kind of spend money and not make money? How do you guys think from three-five year perspective?

Hiren Gada:

I will try and answer that question. So, obviously, the digital video services or OTT services as they are popularly known as, is a very strongly emerging pace overall. So, at this point, we don't have a clear current numbers, but if we look at some of the projections and overall space over the next five years, this is expected to be a business upwards of \$5 billion as an overall OTT video space. Now, within that, the way we see it is that India is a heterogenous country or heterogenous market, there is scope for segmentation on language and many other user or other interest kind of group and so we looked at two or three aspects. One is the scalability available, second is that do we have a right to win and Gujarati emerged as a natural choice for us because of the massive content library that we were already sitting on and the strong brand connect that the local audience, Gujarati speaking audience had with us. So, to that extent, it became a natural choice for us. Now, if we see Gujarati speaking population is roughly around 4%-5% of India's population, within that, there are other two factors, one is that, overall higher, over last 5 years, Gujarat has seen a much stronger growth as a State in comparison to the rest of the country and it continues to see higher per capita State GDP kind of growth, in which case, the spending power of Gujarat is probably much likely to be much higher than that of the rest of the country. Among the higher, more better spending States, let us put it that way, it may not be the number one State but it will be among the top few States. Secondly, if we see in terms of content offerings is very limited because there is just one general entertainment channel and one movie channel in Gujarat, unlike most other regions, whether you talk of the South languages or even other languages like Bengali and Oriya. Even these languages have much more television and other content entertainment offerings compared to what Gujarat has and therefore, we clearly saw a need gap that is available to be filled up. So, we have obviously started with a certain assumption and certain thought process in mind. I fully understand and agree with you to that extent in the initial few quarters, it is an investment or a negative cash flow kind of a business but as we move along, we expect that gap to reduce. I will also say that, we have tried to stay as frugal as possible in terms of overall, so whether it is platform cost or whether it is marketing cost or whether it is content cost. On all the three fronts, we try to stay as frugal as possible and still create a multiplier effect in terms of impact and we understand we are playing the regional game and not the national game, over here. Therefore, the economics with regional bound to be much different from national and that is something our team understands to that extent we have been looking to play within those boundaries. We know and understand that till we don't reach a certain critical mass of scale, it is going to remain a negative cash flow and investment. It is going to remain as an investment phase and negative cash flow kind of a phase. So, that is broadly the way I would look at it.

Kranti Gadha: I also want to say that going for a segment approach. So, Gujarati is the first segment that we have green lit it but going for a segmented approach we are kind of steering away from the very over competitive mainstream space which is been fought with very many deep-pockets and the burn over there is multi-fold. The stickiness over here is higher because we are serving a segmented base and kind of serving them in the best way that they would want.

Hiren Gadha I will also add one more thing, interestingly, this applies much more for Gujarat or Gujarati language is that actually Gujarati language is three markets. So, one is, people in Gujarat and otherwise, people outside of Gujarat and third is Gujaratis outside of India and all three have an interesting spending power and an interesting scale. US for example, UK for example, both have Gujarati speaking, fairly good Gujarati speaking community numbers. So, to that extent, Gujarati language does offer us additional markets that we could look at and which other languages may not have that kind of a thing.

Moderator: Participant to ask a question, please press * and 1 now. The next question is from the line of Rohit Trivedi from Individual Investor. Please go ahead.

Rohit Trivedi: Good Morning, Hiren and Kranti, this is Rohit here. This is my first question concerning market pricing of movie titles currently. So, let us put it like this, we had 2 and 2^{1/2} years of Inventory built up space where we acquired a lot of movie and other titles. So, let put it again and if we say that during that time the pricing of the movie titles were 100 on an average, for the same or similar titles, right now, what would be the costing, would it be 100 minus 10% or 100 plus 10% or 20%. So, how is the current pricing for the same or similar content that we acquired during the built-up space?

Hiren Gadha; I would, based on the recent transactions that we have seen or some of the negotiations or the discussions that we are having currently, the pricing would be at 100 plus at least 20% at this point in time.

Rohit Trivedi: The second question is on the similar lines concerning our content acquisition strategy pre and post COVID. Pre-COVID, the situation was completely different and was not much prevalent of OTT forms and other while post-COVID, the taste of the audience has changed. Lot of OTTS have entered into the game, OTT has penetrated very nicely into the regional segment as well. So, have has this steered our content acquisition strategy in the current situation? Has it like to like content, what are the content that we are acquiring and what is the cost of that?

Hiren Gadha: There are two or three parts to your question. Firstly, I would say that the core Bollywood offering is concerned, we not really seen any major shift in audience tastes and preferences or consumption preferences. For example, 'Jab We Met' is being consumed on television in a certain way, in traditional media in a certain way or on digital also it is being consumed in the same manner. This is one example or if a movie is not being consumed, here, then it is not

being consumed there also and whatever we are experiencing or seeing, the consumption of films continues to stay extremely strong. The newer OTT services that have added is the web series part which in a different way if we mirror it with TV, it kind of reflects the general entertainment TV show instead of TV series or Web series, which is a different story telling format then TV series is concerned. Film format actually has stayed as it is as a way and been in terms of consumption, etc continued to be a very strong consumption, so to that extent content which is connecting well with audience which connects by and large, we have observed across all media, whether it is Television or Digital media or even on YouTube, etc. So, our teams are mining data on a continuous basis across all media and platforms. Our own consumption or across our own platform or many other platforms, across that we are actually seeing a continuation of that same trend play out broadly. So, to that extent, we are happy that the content strategy we overall followed, looking at marque content owning a large, formidable library is playing out and that in a way as we discussed earlier has reflected in the growth of digital media revenue during the quarter also, so, that is one part. I would add one another aspect is that specific to digital, we have been having few acquisitions or tie-ups of content, for which we did for example launch something called Bollywood premier where we been doing small low budget films or low-cost films which in terms of curation of content based on the tastes and preferences of the digital audiences who are willing to try out newer things, who are willing to experiment, etc. and that is something that continues for us. So, that is one of the things we have done and the other thing which we have done as we have already shared in this quarter announcement is that so we done, for example, looked at distributing some of the different series on various digital platforms and one of the announcements, we have even made in this quarter is Alma Mater inside the IIT dream that we have distributed to Netflix during this quarter.

Rohit Trivedi:

Thank you, Hiren. In terms of digital revenue, the numbers match to your description but traditional media, is there a missing link because your description and number says something completely different story. Not I am talking about why kind of last quarter, year to year comparison but from quarter to quarter. Last quarter in traditional media was 40 crores, this quarter it has come down to 34 crores, which is a kind of de-growth of 25%, even after your right comments that both the channels are doing very well in everything. If both the channels are doing very well in the broadcast media and the content is relevant that we are serving, that means that is the syndication revenue that it has come down significantly. If the syndication revenue has come down significantly, that means the syndication content is either not at all relevant or the broadcaster like are not interested in our content. So, if they are interested, they should get rejected into traditional media. It should be at least stable right as compared to Q4 of 2021, where is the missing link.

Hiren Gadha:

Sir, as I have said earlier also, that one of the key missing links was the fact that and this was infact and we had discussed this even during last quarter that the impact of COVID wave two will be visible in the next quarter on the advertising revenue side because we clearly saw a

slow down in advertising revenue. So, what advertising revenue we had from January from March, which was reflected in Q4 has significantly come off irrespectively of ratings. Spends of advertisers during Wave two was lower and that clearly has had an impact on the revenue stream of the channel. Secondly, as far the syndication piece is concerned, please understand that it is the same channel who is also a rather my buyer of syndication part of the content is also dependent on the same advertising revenue that we discussed which kind of came off and to that extent, they are also facing lower revenue, lower profitability and lower cash flows and therefore to that extent there is a pause or a stop on various buying activities. So, that is something that we have seen and we have kind of faced during this quarter as well. It is not about whether the content is relevant or not, it is right now that people do not have the given the whole economic scenario and the advertising spends getting slowed down. The industry is seeing the lowering of the business and that is reflected in their own spends and activity.

Rohit Trivedi:

So, my last question is so going forward it seems from your commentary that Shemaroo MarathiBana and Shemaroo TV would be the key growth drivers in revenue and cash flow contributors for us. So, let us not take a short time view and let us take a medium to long view, let us say let us right think about say 4 to 6 quarters ahead. What would be the IRR right, if Shemaroo MarathiBana is not on the top five and Shemaroo TV GEC is not in the top ten kind of right of the free TV channel list because in the current kind of right, the way it is going on, I had peek at the TRP data, it seems that they won't be able to crack the top five and top ten, respectively. So, given that does not happen, where the channels will be profitable or not and 4-6 quarters ahead what will be the IRR, would it be 18% benchmark or not?

Hiren Gada:

So, there are two things we are looking at, one is what is the space, what is the revenue potential of the underlined segment that we are addressing or playing in. Now Marathi, the estimates in a normal year are about 800-1000 crore of advertising revenue for the Marathi pie and in the Hindi general entertainment space, the advertising pie revenue is estimated upwards of 7000 crores, so these are the two segments we are playing. We have confidence that both the channels will be able to generate an IRR of 18% down the line. We are in an extraordinary situation where the ad spends are extremely erratic, where the confidence of many of the brands own underlying businesses, etc., have been challenged due to COVID and even when things were seeming to come back during the January to March quarter and everyone was in fact hopeful of a reasonably good 20-21 and that point, we got hit by a second wave of COVID and that definitely has affected advertising revenue across the entire economy, I would say.

Rohit Trivedi:

Thanks a lot. Just to give two quick suggestions if I may, Hiren. One is related to numbers; I requested this kind of quite often in the Con-Call and I am reiterating that again because to anyone to really grab that what is going on along with the qualitative management

commentary often rosy in nature, it is always kind of right better to give some numbers, some indication kind of write to the community so that we know that what is going on, for example, kind of write anything related to ShemarooMe resubscription going on, write how the broadcasting kind of right, both channels are being out in terms of TRP, in terms of revenue, in terms of any quantitative number that could be compared over a period of time which will help us to better get the map of the business so to say, that is number one and number two is I have reached out to your office to you by email and to Valorem Adviser by email and phone kind of to have a short meeting but I have not received any reply, whatsoever, even not negative which is a mix of currents to me. I believe that something has to be looked out to that if the management is too busy and not ready to meet that is perfectly fine but short and humble no like other companies are doing, expected at least.

Hiren Gadha: Sir, I am sorry about that, I don't recall seeing a mail but I will recheck in my mailbox again but I will any get our IR firm to be in touch with you on that and the first part I noted and we will see how best we can represent the data.

Rohit Trivedi: We are not looking for any competitive information which would harm the interest of the company because we are also shareholders and long term in nature. That is not what something we are expecting but as a part of the company or as a stakeholder we should also be getting some information about the direction the company is going on. I hope you understand.

Hiren Gadha: Noted. Thank you.

Moderator: Next question is from the line of Nayan Shah from NL Services. Please go ahead.

Nayan Shah: Hi, Thanks for giving such this opportunity. What I want to know, first of all, thanks because this whole call was very informative and gave lot of prospective about the company and where we are headed in the future. First of all, thanks, I know it was a challenging time for the company and the way you guys are managing it, it is appreciated. My only question is as a shareholder, because of as a shareholder what I look for is the value and how my investments are headed. Just wanted to know, considering in terms of these sub-categories in our form, the digital part is on the growth trajectory. So, are there any plans to split the digitization business and list that particular part of the business in future because that can create lot of value and that is the niche segment where we do not have any peers listed on this. So, just wanted to know are there any such thoughts which will add a lot of stakeholder value and the shareholders.

Hiren Gada: At this point, there is no such plan but we keep looking at strategies from time to time. I would definitely say that at this point it is definitely not on the card.

Moderator: The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Just a follow up based on the discussion and answer that you gave, so, typically our content strategy, acquisition strategy where we acquire second cycle and subsequent cycle movie. Let us say if our intent is to build a more consistent revenue streams and less and less we will have some syndication. Don't you think our content strategy also needs to be adopted slightly differently and also there might be an opportunity to kind of monetize some of the contents which may think that will give you some firepower in terms of scaling up a more strategic business unit faster.

Hiren Gada: To answer your second question, Dhwanil is that we are definitely seeing still opportunities to monetize the content through syndication opportunities. I can say one thing is that there are many platforms or many relationships or deals, etc. that we are doing. On the strength of larger scale order magnitude of library that we are able to offer to many platforms. Now, I can for the short term take some of it and part with it, but that kind of would compromise the strategic impact that we can derive on many deals at this point in time. If we weigh the cost benefit of that we would rather be better off doing syndication deals and getting that revenue, so, definitely we are on that path and generating revenue out of that and investing it on to our newer initiatives. In fact if you see quarter on quarter our debt is coming off, so to that extent that also indicates that the underlying cash flows are very strong but whether to part with certain part of the library and reduce the overall strength is something I wouldn't be too comfortable and in fact I don't think we should be doing it at this point of time because there are many times many interesting things keep coming up on the library in terms of monetization because it is a very dynamic situation.

Kranti Gada: Dhwanil, I also want to say that the new content which for example, ShemarooMe Gujarati, we are acquiring new content. That may help in marketing the platform but when the consumer comes on the platform, you need to give him a very wide variety of content and the consumer, you will be surprised watches content from all eras. So, I would say even on mainstream leading platforms that we syndicate content or we get reports back, we know that the good content is getting consumed as strongly by the consumer. So, it is something that keeps the consumer on the platform, it is his daily bread and butter. The consumer is not only watching new, the new can be the reason to buy a pack or something like that but to stay on the pack you need the base and we are actually being appreciated as a provider of that base across platforms.

Dhwanil Desai: I understand where you are coming from but the only question is that is let us say that I am acquiring Rs.100 of content and everything was a certain cycle kind of a content with the new type of a business model, may be the ratio will change from 100 to 70-30, is that a fair assumption to make?

Hiren Gada: So, that ratio will definitely change as the business model is changing, by what ratio it will happen, we don't know right now and to some extent there is also a major cost difference between Hindi and regional languages also. So, at this point we are really averse to really

taking kind of the big- ticket Hindi A-list movie bet because those in many cases we have seen are literally like a binary event and therefore the risk over there is significantly high and the sheer capital involvement is also significantly high. Rather than that, we have a very good thing going with what we are doing and stick to that and keep building with that what we have. I mean if you see just the YouTube numbers, for example, in terms of views, etc., consistently it has been growing. It is the same set of second, third or later cycle of content, it is the same audio or digital audio, everything that we all say, it is still on month-on-month basis or quarter-on-quarter, it may not be every month but quarter-on-quarter basis, the views and monetization. The reason why we share the YouTube graph is that it is reflective of what is happening in the eco-system overall.

Kranti Gada: Also, for example, Hiren spoke about Bolly Premier service, we were going to complete 100 weeks and almost two years, there we have given one digital premier every week to the consumer, so to that extent, we have added those 100 movies to our digital library.

Moderator: Ladies and Gentlemen, I will now just hold the last question for today. I now hand the conference call to Mr. Hiren Gada from Shemaroo Entertainment for closing comments.

Hiren Gada: Thank you everyone for participating, I think we had a very good discussion. It definitely was a challenging quarter Q1 of FY 22 but we are hopeful that if the third wave does not happen in an ugly way, I think the economy shall do well and therefore, the Media Entertainment sector should benefit from that. Thank you very much, see you next quarter.

Moderator: Thank you. On behalf of Shemaroo Entertainment Limited that concludes this conference. Thank you all for joining you may now disconnect your lines.