



**“Shemaroo Entertainment Limited
Q3FY2022
Earnings Conference Call”**

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Moderator: Ladies and gentlemen, Good day and welcome to the Q3 FY22 Earnings Conference Call of Shemaroo Entertainment Limited 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Sonpal – CEO at Valorem Advisors. Thank you and over to you, sir.

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 third 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 concall maybe in forward looking in nature. Such forward statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management belief as well as assumption 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 concall and hand it over to them for opening remarks. We firstly have with us Mr. Hiren Gada – CEO and Chief Financial Officer as well. Mrs. Kranti Gada, Chief Operating Officer, and Mr. Amit Haria, VP of Finance & Accounts.

Now I request Mr. Hiren Gada to give his opening remarks. Thank you and over to you, sir.

Hiren Gada: Thank you Anuj and Good afternoon, everybody. It is a pleasure to welcome you to the earnings conference call for the third quarter of the financial year 2022 and I wish you all a very happy new year and I hope everyone is keeping safe and well. Let me start by giving you

the key financial highlights are at the consolidated level. For the third quarter ended financial year 22, the Operational income stood at 90 crore. EBITDA for the quarter was approximately 9.8 crores and EBITDA margin stood at 10.88% The net profit was reported at 1.9 crores with at a PAT margin of 2.07%. For the nine month period ended December 31st, the operating income was 288 crores. EBITDA reported was around 27 crores. EBITDA margin stood at 9.42% where the net profit was at 3.2 crores with a PAT margin of 1.12%. As is evident from the financial results, I'm happy to share that we continue our recovery track in Q3 as well as seen in our improvement in both PAT and EBITDA levels and margin level. For the third quarter, digital media revenue stood at 48 crores which are up by 19.4% and for the nine months ended FY22, the digital media revenue stood at 135 crores which is up by 20% on a year-on-year basis. Tradition media revenue for the third quarter stood at 42 crores which was down by 12% year-on-year and on 9-month basis it stood at 153 crores which is a growth of 26% year-on-year. Although unlocking resulted in green shoots in the economy, economic revival post COVID. Media consumption slowed down across traditional and digital platforms. Large advertisers are facing a triple threat of rising input costs, slowdown in rural consumption and looming fear of countrywide lockdown, all leading to cautious advertising spends across channels. Despite challenges on both viewership and advertiser spent the company has maintained positive margins during the quarter. As most of you are aware, the company has been in an investment mode in various new initiatives. Hence it is important to note the expenses made on these new initiatives net of revenue for the period under review. For Q3FY22 expenses on new initiatives, net of revenue were 20.7 crores and for nine months it was 53.2 crores. If we were to adjust for these investments in new initiatives, we adjusted EBITDA from existing operations would have been approximately 31 crores for Q3FY22 and for the nine months ended Q3 the adjusted EBITDA would have been approximately 80 crores. On ShemarooMe platform under ShemarooMe Gujarati, we released 30 new titles during the quarter with content across movies, web series, and plays. We also released our original webseries Yamraj Calling and Benaqaab on ShemarooMe OTT platform which have been well received by the audiences. We have also released the theatrical blockbuster Dhuandhaar. On YouTube we crossed 57.7 million subscribers on our YouTube channel Filmi Gaane during the quarter. The channel continues to maintain its foothold as the 20th most subscribed channel in the world. We have also got into a strategic partnership with Spotify in the quarter for Shrimad Bhagavad Gita Podcast. On the broadcasting front, increasing out of mobility on account of unlocking and the festive season affected the overall television viewership. However, Shemaroo TV continued its upward trajectory in ratings whereas Shemaroo MarathiBana's rating remained steady during the quarter. Shemaroo MarathiBana premiered the Marathi dubbed version of Baahubali with noted Marathi film and theatre personalities lending their voices. Lastly, we also launched a new DTH service classic TV on Tata Sky in December 2021. To conclude, although Omicron had a temporary disruptive impact on the economy and subsequently the media sector, we remain confident of our recovery trajectory in the coming quarters. 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 Viraj Mehta from Equirus PMS. Please go ahead.

Viraj Mehta: Hiren my first question is on new initiatives run rate of loss was 16 crores a quarter roughly, which has now gone up to 20 crores a quarter. I thought that this was going to come down, but in spite of revenue is going up in new initiatives, the loss just keeps going up that means our investments in this going even higher. Where do we see light at the end of the tunnel?

Hiren Gada: So, I would say that this the one major area where we ended up spending additional in this particular quarter, actually, I would say in the probably in the last more than three months, maybe four or five months has been the ShemarooMe Gujarati rollout where we have invested heavily in some of the web series as well as the attending marketing and advertising costs on that front. So, that has been one of the areas that we have you know, the fans have gone up. On the other hand, while there was a overall expectation that the television investment on the other end would come down, it has kind of stayed steady or in a similar zone where it was, you know, because primarily, one of the big reason for that was because we in this quarter we premiered this Baahubali which was obviously a large cost item which on again, both on the content side and the marketing front. So there was an additional you know, spend on that account on the broadcast front. So therefore, that kind of in this quarter, there was an additional investment, I would say on content and marketing side.

Viraj Mehta: And that is likely to continue or will we see that taper off that to 15-16 crore loss a quarter.

Hiren Gada: We are hoping that I mean as of now we definitely are hoping that in fact it should be coming further down but yeah first target obviously is to bring it below 15-16 quarters and subsequently to bring it down further.

Viraj Mehta: Sir my second question if I look at the employee cost on quarter-on-quarter basis, it has grown by 3.5-4 crores. Is there any one off item there any bonus there or this 20 crore is now the run rate for quarterly basis for employee cost.

Hiren Gada: No. One second. I would rather look at the nine month cost for the reason being during this financial year, we paid out all our performance linked incentives etc in this last quarter and in the previous financial year, we had paid it out in the Jan to March quarter.

Viraj Mehta: Can you talk about a little bit about where are we in terms of breaking even MarathiBana because last time on concall you said that by Q4 we should be closer to breaking even in MarathiBana. So, where are we there and where are we in terms of a Shemaroo TV?

Hiren Gada: At this point, the overall broadcast business in terms of operating metrics has been better. So our ratings on Shemaroo TV in fact have, you know, grown probably more than 20% during this quarter, so viewership and you know, our TRP overall has grown by more than 20%.

MarathiBana actually has remained broadly stagnant. One of the reasons also that there was one new channel launch in Marathi, which was Sun Marathi, which launched in October, so we have held our ratings in the light of a new entrance. So to that extent, that recovery has actually been a little bit delayed, but the good news is that Shemaroo TV, which is, you know, bigger revenue pie, opportunity has actually grown, has actually, you know, and if we see almost last almost six to seven months, we have grown quite well on Shemaroo TV, and we are hopeful that over the next 2-3 months that will translate into the revenue advertising, if you know, rates kind of going up and if I have to overall look at this business, based on where things are today, I think we are confident that these two channels business we should be breaking even in the next financial year.

Viraj Mehta: Okay, that is very heartening to know that we will be breaking even both these channels next financial year. Sir just one last thing. If we look at our digital media, we are roughly between 45 and 50 crores a quarter, right and so hopefully, we grow on that a little and that being a very high margin business, and your loss from your new initiatives, you are saying should come down substantially from probably 15 crores a quarter to 10 crores a quarter to at some point breaking even should next year be the year where we the shareholders see at least 20 to 30 crores of profit or that seems like a long way away?

Hiren Gada: Well, I am not in a position to give any forward looking statement, but you know, what you are saying, you know, as being our endeavor, and I think we are, you know, definitely working on that, you know, on those lines, in fact, we were this year actually, this, you know, Delta Variant actually threw a lot of things out of gear, kind of a thing and in spite of that, I would say that, this nine months, we kind of held well, you know, funded everything out of internal accruals, reduced leverage. So we have generated, you know, actually very strong internal accruals, which has helped to, you know, fund all of this put together. So, in that sense, yeah, I mean, you know, like I said, I'm sorry, we are not able to give any forward looking statement, but yeah, that should that would be our own effort also.

Viraj Mehta: And what will be debt today.

Hiren Gada: It is held at the September's level. September was 247, we are at 248 crores.

Moderator: The next question is from the line of Shikha Mehta from Equitree Capital.

Shikha Mehta: Actually, today, in The Economic Time, there was an article about how ad expenditure has increased by 37%. year-on-year and 10% since 2019. We, even in our opening remarks have mentioned that there is a triple threat and which is causing ad expense to reduce and even in our numbers, we've not witnessed any sort of improvement even since 2019, and quarter-on-quarter also, our top line has reduced. So if you could just throw some light on that.

Hiren Gada: Firstly, I think what is more important to understand is that our businesses, our revenue, if we were to put it is actually has three components to it. One is what comes from subscription based business, what comes from advertising based business and what comes from syndication. If I actually were to look at the advertising base component of it, it is probably grown in that line itself, because last year, the base effect was there, right? We had a low base due to last year COVID scenario.

Shikha Mehta: So we are saying like ad has grown notch of 30%, from last year, our revenues from ads?

Hiren Gada: Yes. The business, which is dependent on advertising, directly or indirectly, so television channels, or YouTube, etc. If I were to look at those businesses, we would have grown definitely upwards of 30%, or probably in line with the industry also, but it is the other businesses. So for example, one of the things that we also discussed is the fact that the unlock down during this quarter, or actually post, August-September, has led to, you know, increased mobility amongst people, and it has actually reduced media consumption overall.

Shikha Mehta: Sorry to interrupt you, but during the lockdown when there was higher viewership, that time we saw that time, we did not benefit from it.

Hiren Gada: Well, this is advertisers pulled out. Let us separate two things, there is consumption and there is advertising. Right? Now, consumption has impact on two parts. Advertising is one part and subscription or pay revenue is the other part. Okay. Now, what I am saying is that when there was a lockdown, advertisers pulled out and overall ad revenue came off, which was in 2020, it happened significantly in the first, almost 5 to 6 months of the lockdown, we were down, you know, overall by anywhere between 60 to 80% and then slowly it clawed back 2021 because of the low base effect, that revenue actually grew significantly. Right? So that is one part of it. Now, when we come to the revenue aspect, that is what I will say is that because of the unlockdown part of it, the pay revenue actually has been stagnant or probably even de-grown to some extent during this quarter because of the fact that there is a lot of unlock movement of people who then therefore do not have enough time.

Shikha Mehta: So sir to just understand this better, could you give a breakdown of how subscription has done, how ad has done and how syndication has done because right now it is seeming a little murky.

Hiren Gada: What I am trying to tell you is that see our overall top line has grown by 23%, during the nine months. Within that the advertising led business has grown by upwards of probably it has grown in a similar range of what you are indicating for the industry.

Shikha Mehta: So around 35% or upwards.

Hiren Gada: 35% plus. Okay, but the subscription led business would have probably degrown to an extent and that has pulled down the overall average down.

Shikha Mehta: And so same with syndication.

Hiren Gada: Syndication, may have been probably marginally higher than last year because we definitely had, but it is not at that scorching base of 37%.

Shikha Mehta: Right. Okay, and can you give me a broad breakup of our revenue between ads?

Hiren Gada: No. I also myself would not have. We do not look at it that way honestly, so but since this question of advertising revenue has come up, I thought that this you know even I saw that article, and when we dug deeper on that this was the you know, and kind of we compared it with our own business and what it says is broadly correct, that advertising revenue would have on a year-on-year on a low base of last year has grown by maybe about 37 odd percent.

Shikha Mehta: Nice, not only on the low base, in fact, in 2019, also, it's grown by 10.

Hiren Gada: By 10%. Yeah. So you're right.

Shikha Mehta: It was just a low base.

Hiren Gada: Yeah, it is not. I mean, if we see from '19 to '21, it's a low growth, right, because the last year was a low base of 37%. But having said that, that 10% what you are saying, or what has been quoted, or 37%, that is something that we have also experienced.

Shikha Mehta: And sir if you could just throw some light on our traditional media business as well, because we are not growing at the pace we would want to be growing at and my understanding would be that a lot of the channels etc, would need to acquire new content.

Hiren Gada: Because to give you a sense, actually, for this 9-month period, while digital media has grown at 20%, traditional media has actually grown at 26%.

Shikha Mehta: Sir if you could just give some the traditional media growth of 26% again, is due to a lower base right. So, can we maintain this growth of 20-25 odd percent going forward? Are we seeing some sort of improvement?

Hiren Gada: So, overall, traditional media has kind of seen a better growth this year, which is reflected in this number. Right now, very difficult to comment on, you know, how it will close for the full year, but we are confident that it will maintain at least for this year, at least and yes, because of the low base effect also, because otherwise, the tradition media normally has always been, you know, single digit, high single digit or low double digit kind of growth business. So

considering the low base effect, we hope that it will maintain the growth of the digital in any case, you know, for the so that is a higher growth based on the fact that there is a low base.

Shikha Mehta: Which means overall, also, we will be looking to grow at around north of 20-25%. Right if both are growing at a similar pace.

Hiren Gada: I am unable to give you a forward kind of statement, but the point I am making is that for this year, sorry, FY21-22, the current year that we are seeing, we hope that traditional media should be at least the same similar growth of what digital media is if not then that.

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

Dhwanil Desai: So here, one thing I wanted to ask was under traditional media, I understand you may not be able to give excess numbers on three different streams, but at least give us some sense in terms of, you know, how large is the syndication business QoQ we are seeing the decline in revenue? So is it largely because our syndication business has gone down or how should we look at that?

Hiren Gada: Yeah, so syndication business is a deal-based business and to that extent, that has been affected in the Q3. So that is, in a way, combination of cyclicity and seasonality kind of a thing and, unfortunately, I am not able to give you a color of what is the size of that business but it has definitely been, you know, so last quarter, and I have mentioned it also last quarter that this was led by a few satellite syndication deals.

Dhwanil Desai: Right because, to be very honest, one problem that we as an investor are facing is that we have pumped in Rs. 180 to 200 crore in new initiatives, but we hardly have a clue as to where that business is going, right. So, in terms of numbers, that are broadcasting viewership, that our revenue, so give us some sense on that. I mean, otherwise, you know, we are almost groping in the dark, it's a black box for us. So I feel it is important for you to at least give us some sense as to where the things are made.

Hiren Gada: So I have in fact, given the previous couple of questions that came up, I actually shared the listing also that, you know, the what has happened with the ratings and all of that, and what I would like to just add over there or even something which I shared as of now, we are quite confident that it should be breaking you in the next financial year, that business.

Dhwanil Desai: We are talking about the TV channels, right, the ShemarooMe will still remain, we know we will continue to spend money on ShemarooMe.

Hiren Gada: ShemarooMe is likely to remain in an investment mode for next year, at least is what the way we are seeing it because that opportunity in terms of when it matures is still some time away and I am right now, I mean, we all hope that it happens faster, but more importantly, if you

understand what we are doing our building is really the strong direct B2C Business over there where the connect of the brand in the core audience of our offering is strengthening with each offering because of obviously the content but equally importantly the attach marketing and you know, brand building, etc that goes along with it and that in a way is helping us create a very, very strong position in that you know, core audience and definitely I am, you know, in a way increases the I will say the entry barrier also, and helps create much more loyal audiences, which kind of results into a repeatable business on a month-on-month basis. So, that is the nature of that business, which is a subscription driven business.

Dhwanil Desai:

Okay, sir, I mean, the point I wanted to understand was that 15 crores average quarterly in you know, investment in new initiative post breakeven. Will it go down substantially to 5-6 crore or, you know, I mean will continue to take that you know, whatever was given to broadcasting channel and pump it into ShemarooMe. How do we think about that?

Hiren Gada:

Okay, I put it this way. We, so, the way we are looking at the businesses. We are looking at actually what is our cash flow generation, on month-on-month and quarter-on-quarter basis and out of that, we kind of allocate the investment you know to various businesses. So, one is we are very careful about ensuring that we do not invest more than what we are generating, whereby we may then need to go and borrow or something. Secondly, what I can say is that, even within these businesses based on what is the real potential finally, we have to derive an IRR on this business and what is the actual real potential of these businesses, you know and the investment will only be based on what is the available scale or potential of this business. I cannot for if supposing, for example, if the business is going to be 100 rupees topline a few years from now, and today, supposing it is say 10 to 15 rupees, or even 20 rupees and that's projected to go to 100 rupees. Now, I cannot go and invest 200 rupees for to generate that 100. So, keeping that view or discipline is something that we have been mindful of so, while I am not able to give you a number, what I am just trying to share with you is the philosophy or the directional you know, aspect.

Dhwanil Desai:

So, one think like you broke up traditional media into three things and even without giving numbers you gave us give us some sense as to which part of the pie is growing and which is, you know, kind of stagnant and where the degrowth is. Okay, similarly on the digital side if you give us some sense for ShemarooMe, of course will be growing. So between YouTube and OTT syndication, the growth rates are equal or one of them is, you know, more kind of.

Hiren Gada:

YouTube has definitely grown faster on revenue because digital advertising has been on a fast growth more.

Moderator:

The next question is from the line of Rishikesh Oza from Robocapital. Please go ahead.

Rishikesh Oza: My first question is, as you mentioned, about the traditional segment growth as a similar side of the digital on low base. So, basically, would it be fair to say, you know, that the digital segment recovery will happen somewhere in 1 and 1.5 years?

Hiren Gada: Yeah, I mean, we are hopeful that so two things I want to highlight. One is that what is that, you know, as and when the times normalize so, as I even said in my opening remarks that we are all looking forward to a very temporary disruption from Omicron. If we do not have any further challenge on the COVID front, that is one part. I mean, if that happened, I think the economy overall is on a fairly decent growth path or, you know, I mean, it's probably many factors that beyond the just the recovery part, but overall, at an economy level, we would be on a decent growth path and that definitely will translate to an overall ad spend growth and that will have an impact on the traditional media recovery. Second thing what one needs to understand is the broad change in the business model that we have been working over the last couple of years whereby the dependence on B2B businesses which is a Syndication Business, actually we have consciously been bringing it down, increasing the presence on B2C through television channels, which helps us create a much more recurring revenue more stable predictable revenue stream and a much stronger brand connect with the audiences. So that is something that is in kind of I will say, work in progress. But, you know, I will, I mean come a fair way along that path and we see, actually, we now see a good light at the end of the tunnel. So, I am, hopeful that, yeah, we should be in that earlier than the timeframe that you mentioned.

Rishikesh Oza: Okay and also, my second question is, for how many years are you going to fund this new initiatives? Like, will we keep on funding for maybe two, three years or like, when will you know, pull out that plug of it?

Hiren Gada: So each of these depends on the ultimate outlook of that business. Right. So if something is today at 20, but expected to go to 100 in a three year timeframe, you know, then it is likely to see an investment, continuation of the investment and even though it may mean that we have to, probably, you know, I mean, we obviously, we need to invest heavily if we have to reach that sale, versus if something does not have a potential, we actually pulled the plug on many businesses where the potential was not there. So we, I can say one thing that we are not scared of pulling the plug on businesses, it is more importantly, where it fits in strategically, what is the potential of that business and you know, how we are on the execution curve. So I think all three, if we look at it, that is the combination. There are many factors that go into that decision, but you know, I can easily say that this is a continuous review exercise that we do, literally, on a month-on-month basis on where we are, which is why in fact, given to the previous question, I highlighted the full philosophy on how we decide on what is the cash flow limit of investment and things like that.

Kranti Gada: Another way to look at it is the digital dividend that I think today is a result of a lot of investment that we did in the past 10 years.

Moderator: The next question is from the lineup for all Rahul Jayantilal Jain from Creedence Wealth. Please go ahead.

Rahul Jayantilal Jain: **Hiren** just to go back to this employ cost in the last four years, we have seen a sharp jump in the employ cost. Typically, four years back it used to range in the region of around 30 crores or lower than that, and from 30 crores in FY17, it has gone up to 40, then 55 and 68 and last year, March 2021, it was roughly 59 and current year what we are observing is again, we already reaching 9-months to 52 crores, one of the previous participant asked about the increase in the employee costs for this quarter. So, even when I compare this 9 months compared to the previous 9 months, you know, the number is higher from 47 to 52 crores. Sir we had this recent resolutions with regards to employee stock options and increase in salaries for key personnel of the company, the directors and the key personnel. So, going forward, how do we look at this? Is this 20 crore going to be now the run rate, going ahead? How is it going to be? How do I look at the employee costs. Are we done with the major additions which we required for our various new initiatives and somewhere this employee costs can become stable now.

Hiren Gada: So what I was trying to explain also to the previous caller, maybe I did not come across in the right manner 47 going to 52 is roughly about 11% increase in 9 months. Okay. So that's, as I was explaining, that is a better way to look at it because in the previous year if we see September versus December. In December, we have normally sorry around Diwali we pay out normally our performance meant incentive. So, there is always a slight lumpiness and quasi Diwali bonus components which comes in that bumps up the December quarter number you can always see traditionally you can compare December with September you know, in any of the years. So, that is something that I would like to kind of just reiterate that aspect Now, coming to the management's remuneration growth. So, actually, if you go back and see the last four year, the promoters and directors actually have not taken a salary hike in last four years, we actually when a company's cashflow, an investment need was there, we actually not taken a salary hike for four years. So, in a way, you know, one correction of that is due now that you know, times are better and secondly actually, if you see the absolute numbers those numbers are ridiculously low compared to anyone.

Rahul Jayantilal Jain: No, I surely appreciate that Hiren. So, I am with you and I really appreciate say for last 4 years management remuneration has not been changed. So, that is surely what I was trying to understand. So, nothing against what is being done, typically is it a pointer that now probably we are through with lot of burns and from there, this is going to stop maybe in a quarter or so. So, basically next year onwards, is this an indication to you feel next year should can be a really good growth year in terms of revenues, because you are taking this after four years. So, I was trying to understand from that perspective.

Hiren Gada: I will also so, there was one other question that we had, which I wanted to address which was regarding recruitment and further increase. So, two things are there one is as we all have

been reading and all of that there is a at this point, you know, overall cost pressure on people cost front across the entire corporate world and to that extent, you know, even we are not isolated from that, we, I would say have reasonably managed our cost structure. In fact, if you go back to FY20, the number was higher than this FY 21 March number, so, actually we scaled down on our costs and given the current trend rate, I don't think in FY22 also will cause FY20 Employee Benefits explained that much we have managed the ship you know with relatively tight cost structure, see, but ultimately, this is a people based business and we need to you know, obviously, have great talent to drive the growth of the business and as we actually expand into newer horizons, newer digital media, etc, that aspect is bound to happen. So, continuous addition of people or mid-level or whatever is a continuous process. Our overall target is that we look at each business's AOP and see what it can support and accordingly we look at, you know, what is a people cost etc, and accordingly, we look at how do we bring the new talents within that structure. Also, as a part of that, we also have taken the shareholders' approval for the ESOP plan, because that will also help us in both attracting you know, good significant talent and also retaining some of the key existing talent through you know, and not just retaining giving them a great participation in the company's future. So, that is just to answer your third question on whether the people cost, you know, is kind of plateaued out or not, I think overall, this year entire cooperate India is facing challenge on people cost, and that I think, you know, will definitely be there for us and in fact, ESOP has been, you know, also created to help us deal with that, you know, in as good a manner as we can. But, yeah, to answer your third question or last question about whether these are indicators. I would definitely say as I said earlier that now that, you know, we have the operation, cashflow and performance has improved significantly, we definitely felt that it was time when we could, you know, at least correct remuneration to, you know, to more in better levels, at least not yet to market levels, but at least to better level. Definitely there is an impact of the operational improvement on that.

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

Deepak Poddar: Sir, you mentioned about the breakeven in the next financial year. So, just want to clarify you mean, like, the entire financial year will like at what point in time, are we looking to break even the next financial like by mid next financial year, or by the end of the next financial year?

Hiren Gada: Well I am not in a position to pinpoint the exact time but if I mean the aspiration is that in the first half, we hope to do that, but right now, given you know, that they have too many moving parts, and dependencies attached to it, you know, I'm little hesitant to kind of commit to a timeline on that.

Deepak Poddar: Okay. Fair enough. Understood and then my second question is on the revenue side, so, but by when are you looking to reach end of pre-COVID kind of 500 crores topline. So is that what

we are targeting maybe next year or income from as I was explaining to one of the questions in replying to another earlier question.

Hiren Gada: That basically, there is a change in the business model. So, this whole Syndication by something that we have consciously defocused both in terms of the, you know, management focus as well as in terms of the capital allocation and rather focused on investing in the B2C aspect, which is all the various. So, one is television channel, and of course, the other is the digital, ShemarooMe, you know, so in that sense, it is a conscious effort to actually take or not really change that reading revenue for the sake of topline rather build a much more you know, loyal audiences, recurring, more predictable and stable revenues on the B2C side. So, to that extent right now, you know, we are not changing that number and then we are hoping that you know, over a period of two three years we will be significantly higher than that, but whether, you know, that number when it will happen is not something that is my current goal.

Moderator: The next question is from the line of Nitin Sharma from Money Control Research. Please go ahead.

Nitin Sharma: First of all would like to understand that the growth in sequential revenue in the digital segment was quite tepid. Can you talk about what went on there and then I will follow up.

Hiren Gada: On digital media thing, it is 20%.

Nitin Sharma: No sequential, it was 20% right compared to September quarter.

Hiren Gada: Sequential, actually, there is a level of seasonality over here. So I would actually not be too. In fact, this is something that we are always discussed, even in the past that as far as digital media is concerned, in fact, overall, because media has its own seasonality of across various parts. So, you know, we actually do not look, you know, compare it on a sequential basis.

Nitin Sharma: Okay, okay. So, I have a follow up, I just would like to know, what was your digital media breakup, as you always give each quarter and also, can you please talk about OTT business ShemarooMe? I mean, if subscriber numbers are rising, if yes, at what rate a number would be helpful.

Hiren Gada: So, at a broad level, YouTube is probably now approximately, two thirds of the digital media revenue, and the rest is split between you know now Telco Business is below 10%. and the rest is ShemarooMe and other syndication business.

Nitin Sharma: And OTT subscriber on ShemarooMe.

Hiren Gada: Right now, the, you know, the base is still building up, I can say, I mean, on low base, we may, you know, I try give you some number, and we grew by so many, you know, 100 to 200%, it

really does not make too much sense, when the when we reach a certain critical mass, you know, we will be happy to share the numbers. But, directionally, I can say that the all the consumption metrics, and the subscription metrics are quite positive and strong, at least that much, I can definitely say. We are definitely seeing extremely good user engagement. We are seeing very-very good completion rates of you know, any fresh content that we are putting up the minutes of users, etc, is has been broadly on an upward trajectory.

Moderator: The next question is from the line of Sidhant Mattha from B&K Securities, please go ahead.

Sidhant Mattha: So first of all, just the previous questions, you told about two thirds of the revenue is coming from YouTube, 10% around Telcos.

Hiren Gada: Less than.

Sidhant Mattha: Less than 10% so around 25 to 30% coming from ShemarooMe and other businesses. So because in your new media revenue, you include the television business also.

Hiren Gada: No.

Sidhant Mattha: So that is traditional business.

Hiren Gada: Yes and second, sir one more thing because we have not been seeing genre ratings. We have been seeing the BARC ratings as per the state or the area wise from this the pre-ratings which we have access to before that we used to have the genre ratings, so I cannot see Shemaroo MarathiBana on the like earlier there used to be Marathi 3 and in Marathi 3 I used to see Shemaroo MarathiBana always on the top first and second and now because it is a region wise there are Hindi channels and Marathi channels both mixing up together. So how is Shemaroo MarathiBana's performance been through in the genre specific if you have the data and how has Sun TV Marathi Channel performed after its launch in October.

Kranti Gada: So Shemaroo MarathiBana in the Marathi movie category has been both in terms of its rating as well as ranking being stable and Sun Marathi has opened I would say at an acceptable level but it has not made any dent in our ratings or affected our consumption as of now.

Sidhant Mattha: So I do not remember but it used to be number one number two in Marathi 3. With I think so, first Marathi being the number one channel and you being the second number channel. Is that the similar line with identity or is this something which has changed?

Kranti Gada: So, now in the free market there are four Marathi channels, Fakt Marathi, Zee Chitra Mandir, Sun Marathi and Shemaroo MarathiBana. Fakt Marathi continues to be a largely movie based programming channel while Sun Marathi is GEC and Chitra Mandir also, in the last I would say three months changed its programming to GEC programming.

Hiren Gada: They have added a lot more GEC programming.

Sidhant Mattha: But it started as a new movie channel.

Kranti Gada: But in the past three months, it has added a lot of GEC programming which is leading to growth. The viewership is coming on the GEC content. In the movie space it continued to be Fakt 10 hours and we are largely both stable little up little down that kind of.

Hiren Gada: We alternate also.

Kranti Gada: The gap is not too much and we keep going up and down between the two of us.

Sidhant Mattha: Okay, so Zee and Sun , having. See Zee Chitra Mandir and Sun Marathi Mehrotra have not dented your ratings.

Hiren Gada: Ratings are higher than more than both us and Fakt Marathi, but Zee Chitra Mandir is in the process of transforming more into a GRC than Movie Channel. So now that happens, basically, Zee Chitra Mandir is quasi movie and Marathi combo. Sun Marathi is also purely GEC. So if we look, if we were to break it into genre, as you were kind of saying movie and GEC, then it's Fakt and us.

Sidhant Mattha: Because the data is in previous levels, I just wanted your input. But that is not an issue.

Moderator: The next question is from Rohit Trivedi, an individual investor, please go ahead.

Rohit Trivedi: So Hiren, as you say, there are three components to our revenue subscription, advertising and syndication and advertising, as you said, has grown more than 35% and my question is about kind of quite dense subscription where the answer was either not clear, or I was not able to kind of very clearly understand it. So subscription would be ShemarooMe largely, and it would be around 25% component kind of right of digital pie, which has grown by 19%. Does that mean and YouTube, as you have said kind of rate has gone very well? Does that mean that overall ShemarooMe has not performed as much as we expected in terms of revenue. So it may have kind of I would got the users and kind of watch right and everything. But in terms of revenue, it is not performing as well as we expected. Although earlier you alluded that we are kind of like putting a significant amount of investment into that goes to kind of out of the 20 crore, I believe a significant amount would be going to ShemarooMe. So what is overall picture of revenue, user kind of rate growth rate and subscription growth rate in ShemarooMe and how the investment is going forward in that direction?

Hiren Gada: I think you mixed up a couple of answers, which I was discussing. So first, I want to give the revenue breakup for new media or digital media, which is as I said roughly 2/3 is YouTube, 65 odd percent is YouTube, less than 10% now comes from Telco which at some point, the reason why I am giving it separately and in this manner is that at some point Telco was 50%

of the revenue but we have seen. We have kind of observed that, you know, coming whatever that fall in the Telco revenue, the rest which is a combination of ShemarooMe and syndication revenue both. So, that is the breakup of the digital media business. Now, the question that earlier was asked for traditional media, where advertising revenue has grown by 37% or more kind of a thing or even if we look at overall ad spend actually, in India, then the ad spend has because of the low base effect grown by 37%. Now, there if I were to look at it as an aggregate level of the company, then we have three, you know, businesses or three sources of revenue models if I have to put it. One is subscription based. One is advertising based and third is syndication base. Now, when I further look at subscription based revenue ShemarooMe is not the only one. In fact, it is there are others like DTH is a subscription based revenue and there are a couple of other, you know, subscription based revenue streams also. So all put together, what I was trying to say is at the end, the revenue on subscription has re-grown compared to last year. Now, when we look at ShemarooMe, specifically, actually ShemarooMe was launched in April only. So, last year, we had hardly any subscription revenue on ShemarooMe, so there is no base comparison available itself for ShemarooMe.

Rohit Trivedi:

Right, so, can you then kind of like, please, Hiren talk more about ShemarooMe that what is the trajectory in terms of investment that we are doing? So a bulk of our investment? Is it geared towards ShemarooMe or is it kind of right, equally spread it between the television channels and ShemarooMe because it seems that television channels kind of try to break even in the next financial year, while ShemarooMe seems to kind of have a longer time horizon in terms of investment.

Hiren Gada:

Yeah. So Mr. Trivedi, as I said earlier, even now, the bulk of the investment is towards the television channels business and the way to look at it there, so well, I am not in a position to give specific numbers, but philosophically strategy wise or policy wise is something that I shared earlier, but I will just repeat it for the you know, in case one has, you know, not fully grasped it. So, basically, what we do is we look at, what is the investable cash flow available to us? On the other hand, what is the business, you know, plan need for investment and third, obviously, what is the big picture that investment that this business can support in terms of scale, or potential? So, based on that something, which today, if it is, say, at a revenue of say 10 or 20 rupees and has a potential of 100 rupees, I will not go and invest 200 300 rupees to generate, you know, three or five years down the line revenue of 100. So, we, to that extent, have would cap that investment on that business is potential, based on the business is potential, and at the same time, we would look at, you know, what is the cash flow, you know, supporting for that business. So, all put together is what that individual businesses investment trajectory is kind of decided.

Rohit Trivedi:

Thank you and I have got a very short question about inventory. We have not got the kind of like inventory number at the end of 9 months; we have got it kind of right at the end of 6 months. So can you kind of please talk about inventory to go and has it increased or is it at

the same level or like inventory investment is more going to be would it be in ShemarooMe or kind of like traditional digital channels sorry traditional television channels?

Hiren Gada: Mr. Trivedi the inventory has come down from 706 crores of September to 700 crores.

Rohit Trivedi: Okay and going forward kind of right inventory investment would it be more for ShemarooMe Or the television channel or how would it be splitting kind of going forward? If you can tell me.

Hiren Gada: No, It would be more, I mean each of these businesses have their own fundamentals and their own need for content and investment and it will be both so I cannot right now break up or say that it will be more for this or less for the other.

Moderator: The next question is a follow up from the line of Shikha Mehta from Equitree Capital. Please go ahead.

Shikha Mehta: Yeah, I just had a couple of more questions a follow up to the previous participant's question about inventory. If you could just give a ballpark figure also of how much inventory blocked in new initiatives and how much we have otherwise.

Hiren Gada: I am sorry, but right now, I am not in a position to do that. But yeah, all I can say is that over a period, the new initiatives will be less. Lower on inventory.

Shikha Mehta: And sir we are still maintaining an IRR of 18%. So if you could just give even a ballpark guidance on when we would be able to return to say 70 crore or PAT where we were earlier.

Hiren Gada: So Sikha, if you actually see the EBITDA margin, you know, for the EBITDA net of the investment, we actually are already at that level, right? It is that cash flow that we are taking and investing in the new initiatives that is what is kind of giving you the impression that we are not generating that IRR.

Shikha Mehta: So again to reiterate our IRR is at 18% or notch of that right.

Moderator: The next question is the follow-up from the line of Dhwanil Desai from Turtle Capital, please go ahead.

Dhwanil Desai: Just one more question. So first, I wanted to understand things we are not trying to or trying to defocus of syndication business, what happens to the perpetual inventory that we have on that account where we do not have digital rights? How do we treat that and what will happen to that.

Hiren Gada: Where we do not have digital rights.

Dhwanil Desai: No, I mean, some older content where we are, we may not have digital rights only TV rights or anything like that.

Hiren Gada: I think it will be less than maybe 5% of the inventory.

Dhwanil Desai: Okay, and the content where we have put the right plug I think It may not be then, you know, kind of going for syndication for the TV channels.

Hiren Gada: No. So see understand, we will not lose a revenue opportunity to complete generate the IRR. There are two questions that I have an inventory where I own either perpetual or even say, period right. Now, if I am not, I do not have a B2C monetization of that content then I will definitely look to syndicate that content. So I am not averse to even in last quarter we have, and we continue to have, you know, television channels, deals for, you know, for that, so, but that is only out of there, you know, from the existing inventory. It will be limited in terms of capital allocation. It is not that even there, we will not invest, we will invest, but if I was investing 100, now that investment has come down, you know, significantly, maybe less than 50, maybe 30, or thereabouts. That is the only difference. I haven't, you know, why would we lose a level revenue opportunity.

Dhwanil Desai: That's completely understood and second question is not with respect to your content strategy, both for Shemaroo, Shemaroo MarathiBana and for Shemaroo TV, any new content to be launched, anything that we are trying to do to increase viewership, get more, you know, if we can talk a bit more about that. There are a lot of experiments as well as initiative that are continuously on.

Hiren Gada: We do it on a continuous basis. Just to give you an example, we launched, you know, Korean Dub shows on Shemaroo TV, dubbed in Hindi. Now, it was almost you can say probably for the first time that the Korean content dubbed in Hindi has been launched on television may not be first, but one of the early movers, I would say. So, what I am trying to say is that these are experiments that we do on a continuous basis, because, you know, that also keeps the excitement of the audiences, the connect of the audiences, it gives us more talking opportunities, and we no one knows, you know, which is going to be the next big hit. So, you know, it is something that you know, innovation or change is the literally the only constant or the name of the game and that is something that we keep doing. So, I mean, I just give you one example. So, I am unfortunately not able to share my forward slate on that, but all I can say is that you know, our team is continuously on this whole innovation or experimentation and you know, something that works, we you know, we continue scale it or expand it. If it does not work, we scale it back or you know, we all that is something which is literally on a continuous basis.

Kranti Gada: Dhwanil I also wanted to add that, you know, our audiences are also continuously changing in terms of their consumption behavior. So, and we believe that we can catalyze some of that

change for them also. So, hence, actually, we do a lot of experimentation. At the same time, we are very cognizant, and PNL oriented for our investments, I mean experiments also. So, we do it in small measure, we see and monitor closely how it performs and then decide to expand it and I think the rating gain that we have seen on Shemaroo TV is a payoff of some of the you know, experimentation that we were able to do and you know, gain loyal audiences and differentiated actually content also on the channels.

Dhwanil Desai: So, yeah, I mean, I was trying to understand more or less not the QYou Media recently launched channel Q, they are trying to do a lot of digital stuff onto the TV, you know, any such initiatives or more original from Shemaroo TV, any thoughts around that?

Kranti Gada: So, Dhwanil we studied the channels and what we also did is that the appeal of a lot of that content when we studied the audiences was coming from the kids segment plus some things, so, anyways, that is one way to do it.

Hiren Gada: We have been continuously experimenting fact and, you know, all I can say is, as I said that I am not able to share the forward slate of, you know, various content offerings, because, obviously, as you can understand it is a little confidential at this stage.

Moderator: The next question is from the lineup of Rahul Jayantilal Jain from Creedence Wealth, please go ahead.

Rahul Jayantilal Jain: Hiren just with regards to the inventory part. So, you mentioned the current inventory is down to around 706 crores compared almost flattish compared to last quarter but going forward how do we look at.

Hiren Gada: It is down by 700 over 706 yeah, flattish, but yes. All I want to say that it has come off or it has been coming off.

Rahul Jayantilal Jain: Right, right, it has remained stable or it is coming off. So, typically next, say, one or two years, how do we see the inventory level and say, compared to the revenue? On one side do we envisage reaching our revenue level, of say, 300 or 500 or 550 crores and inventories coming down from 700 crores close to around a similar level of revenue, how far that could be.

Hiren Gada: So, if I have to I said it earlier also that I believe that our inventory has peaked a long time back, we have been on a downward trajectory. We were at probably at peak we were upwards of 750 crores of inventory, maybe. I do not remember the exact number but probably somewhere upwards of 750 crores . Over two years, we brought it down to not even two years actually probably less than that we brought it down to 700 crores and directionally it is going to be downward. Now, what is the feed of going down for now at least I am not in a position to you know, predict that.

Moderator: As there are no further questions, I now hand the conference over to Mr. Hiren Gada from Shemaroo Entertainment Limited for closing comments. Over to you sir.

Hiren Gada: Thank you, everyone for joining in for the Q3 earnings call and we hope that everyone stays safe and stays healthy. Looking forward to a great next quarter. Thank you and all the best.

Moderator: Thank you. Ladies and gentlemen on behalf of Shemaroo Entertainment Limited that concludes this conference. We thank you all for joining us and you may now disconnect your lines.