Company Name: Shemaroo Entertainment Limited

Operational Highlights:

- According to forecasts, India will soon be a USD 5 trillion economy by 2026, and the M&E sector's growth, which is highly correlated with the economy, should greatly benefit numerous media companies in the future. Shemaroo is one among them.
- As the per capita income rises and consumption grows this will be very beneficial to the entire Media Sector.
- Due to the economic slow down during 2019-2020 and then the following years with the pandemic, the M&E sector has seen slow growth.
- The Media Sector India as a percentage of GDP is still lower compared most other economies, this indicates a lot of headroom available for the M&E sector going forward to increase its contribution towards GDP.
- Around 70% of India's population consumes content through traditional means .
- It is expected that the Media sector will grow at a 15% CAGR for the next 4-5 years going forward.
- Shemaroo aims to build a strong B2C connect going forward and strengthen the "Shemaroo" Brand which has very high brand recall value.
- On YouTube, Shemaroo has 45+ channels and a overall subscriber base of 160 Mn. The company garners about 100 Mn views a day and the major channel is Shemaroo Filmi Gaane and is also the 21st most subscribed channel in the world.
- ShemarooMe has 5000 hours of content with several genres and the company also re-launched ShemarooMe Gujarati as a value proposition in April 2021, which is a gujarati focused OTT service and the aim would be at the fore front in the Gujarati content game.
- Advertising on Television and digital will be more than 75% of the advertising market by 2025.
- As Internet penetration strengthens time on mobile devices spent grows and UPI transaction volumes grow, multi fold digital media will be the key focus for the company going forward as there is immense growth opportunities.
- In many states today, the number of Internet Subscribers is larger than population of few developed countries which in turn would mean that demand for content in local languages will start to grow.
- Time spent on consumption of Media on Television has grown from an average of 3.6 hours to 4.4 hours which shows that TV is a still one of the most viable sources of Media Consumption and TV in India is still the most economic source of Media consumption as it is cheaper compared to Digital Platforms.
- Shemaroo will follow a three prong approach for growth in its digital business and on the broadcasting side expand the footprint and focus on ROI cash flows and margins.

Key Questions & Answers discussed during the Conference:

- **Would we see the Investment rate go down going forward in FY23?** The rate for the company would be lower in FY23 reason being that as TV initiatives reach close to break even the investment amount reduces proportionately.

- **Are we on track for break-even on our FTA channels could you put some light on that?** The company believes that they are heading toward the right direction when it comes to break-even in two ways .First being the improvement of TRP ratings for the channels over past few weeks which in turn is bringing in more advertisers and second being with an improving economy, where there are higher ad spends by companies which will help with the break-even process.

- **With FTA gaining more popularity and it being common fact that it is a highly competitive space how does the company plan to tackle competition and what makes us different from peers in FTA space?** Currently there are about 900 channels in India and it has always been a very fragmented space. One critical thing to look at would be that this business is "not a Winner takes all business". More important way to look at it is in two ways, first the viewership growth and retention and second is a cost balance equation, it depends on how both are managed. First part ticks of well as we have seen a strong growth trend when it comes to viewership numbers. In this business there was usually hardly any differentiation, we have built strong time bands for when it comes to viewing secondly the company having a large content pool helps a lot and last is that the company has a strong grasp on consumer behavior.

- **How is the company funding its Investments and how long will the company be in Investment mode?** As technology platforms content and the consumer behavior continues to evolve there is a strong need for investment. When it comes to funding the Investments, where the company was more B2B oriented there was a need to fund initiatives from balance sheet. B2C having a predictability and stability of cash flow, planning investments can be done from internal accruals that's why the debt of the company has been stable even though there were investments in new initiatives. Hence when it comes to being in investment mode going forward its a definite yes.

- **From the current cash investments of INR 60-70 Cr the company has made, could you give a rough split between FTA and OTT?** More than 60% of that cash is applicable to the FTA initiatives. This would be indicative of a drop in Investments in FY23 second half, but wont be able to provide a precise timeline for the same.

- **As the timeline for the break even has increased, when do you think that there will be a reduction in Investing from the P&L and also reduce our debt substantially?** Investments in newer initiatives will be a continuous process but as the investments will start to contribute we will see a growing surplus in net which in turn will help lighten the balance sheet going forward. So basically once the Broadcasting initiatives start to generate a surplus, the company should start reducing and paying back its debt.

- **What would be our Inventory position going forward?** Definitely over period of time we are expecting inventory levels to reduce and the inventory has great cash flow generation potential even current cash flows have been generated by our inventory. We are looking to amortize this going forward and this will free up the balance sheet quite a lot.

- **How do you expect the B2C business to shape up for Shemaroo going forward?** So we have kept the company's focus B2C majorly and you must have seen revenue hit multiple times which would have not been the case if we had taken B2B trading deals, but the company has stuck to the path that the B2C path is the right approach to growth going forward, hence our investments in FTA and OTT initiatives.

- **What is the expectation for digital media revenues for the company going forward?** If we exclude telco revenues we have seen very healthy growth in numbers. Secondly as the sector is posted to grow at twenty odd percent going forward, we expect to do better than 20 percent for the digital business going forward.

- **Could you put some light on the OTT initiatives in terms of growth and expectation of growth going forward ?** In April, the company had launched ShemarooMe Gujarati and it has taken off quite well. Overall there is a strong customer traction that we are seeing on that front and it has been close to our expectations. Our active users are on a uptrend, but the key strategy would be building a brand connect and that is what we aim for the content library on the platform to grow bigger as well as we are constantly adding new content on weekly basis. SVOD is a long term game in India hence the OTT will be in investment mode.

- **Shemaroo has seen a drop in content acquisition when it comes to Hindi movies and there has been a conscious shift to regional titles could you throw some light on that?** The aspect that has significantly changed is the capital allocation. Most of the big ticket Hindi films purchases were part of the trading business and not significantly adding to the B2C business. Trading business now contributes a much smaller piece to the top line so due to this reason there has been a drop but that doesn't mean the company has stopped acquiring rights for big ticket films. Its totally IRR driven and if there are good deals we will be going for them.

- **Could you elaborate on the different revenue models we have for our agreements with players like Netflix or Jio?** The company can't comment on specific deals, but can give you a broad understanding of all the revenue model available. First there is a fixed fee commercial arrangement, one could sell content for a fixed fee and for a fixed period and then you have some thing like a variable or revenue sharing model. YouTube would be an example of revenue sharing and then there are deals with a minimum guarantee fee involved with a variable model and then different metrics would apply like for a subscription driven platform it would be time spent or for advertisement driven platform it would be ads viewed etc.

- **Are we looking to scale up with other regional language offerings apart from gujarati for the OTT platform going forward?** As internet penetration continues to increase and now in India we have more internet users than entire populations of some developed nations, the opportunity land scape is huge the company believes that the maturity of the OTT there is still a while for that, hence the company does not over invest into this initiative and when it comes to other regional offerings there are other possibilities. We are looking at 3-5 year time span. ShemarooMe will have a significant standing in the minds of the consumer, the company wants to stay focused on what it is targeting and would not look to waste capital chasing like its contemporaries and as we are eyeing opportunities the company doesn't want to invest in all of them at the same time.

- **Currently what is our position on preloaded Audio devices?** The company has launched around 7-8 Audio devices and has also setup a strong distribution team, but the focus of these devices has been more on the devotional side which contain bhajans of Bhagwat Gita and Ganesh audio devices. The Bhagwat Gita Vaani has done exceptionally well, it was launched 2019 but because of covid there were no stores or outlets where it could be sold.

- **Does the company plan to license the content of ShemarooMe to other platforms as well going forward or will it be exclusively on the OTT platform?** In India there are many opportunities to create a strong B2C connect - the rising use, availability and affordability of High speed internet services. Now for the opportunity, Shemaroo has realized with Guajarati content and market, the focus of newer investments would primarily be ShemarooMe first. But for things apart from that the company would be looking to partner with other platforms like for example the company's Hindi content is available on multiple platforms and when it comes to ShemarooMe the company is primarily developing Gujarati content internally.

- **What has been the capital expenditure for FY22 and what kind of capex we would be looking at going forward ?** As on 9M FY22 the Capex has been around INR 57 Cr and this is the total investment for the new initiatives. The company plans to continue investing from P&L and maintain its debt levels. In the middle of the year as there is an expectation of break-even from FTA channels, investment would be reduced for traditional but the OTT will continue to be in Investment mode either way.

- **Is the company looking to build a portfolio of short content as its consumer base is on a strong growth trajectory in India?** The company is partnering with several platforms in different ways one would be adapting the company's content into short forms in different ways, but once the company sees successful monetization for short content the company is very well placed to participate in this content distribution.

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