

## **Q4 FY22 Earnings Conference Call of Shemaroo Entertainment Ltd.**

### **Hosted by Prabhudas Lilladher Pvt. Ltd.**

- **Host:**

- Ladies and gentlemen, good day and welcome to Shemaroo Entertainment Limited Q4 FY'22 Earnings Conference Call hosted by Prabhudas Lilladher Private Limited. 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 the operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Shweta Shekhawat from Prabhudas Lilladher Private Limited. Thank you, and over to you ma'am.

- **Ms. Shweta Shekhawat – Prabhudas Lilladher Private Limited:**

- Hello, on behalf of Prabhudas Lilladher, I welcome you all to the fourth quarter, FY'22 earnings call of Shemaroo Entertainment Limited. We have with us the management represented by Mr. Hiren Gada, CEO and CFO. Ms. Kranti Gada, COO and Mr. Amit Haria, VP of finance and accounts. I would now like to hand over the call to the management for opening remark, after which we can open the floor for Q&A. Thank you and over to you sir.

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- Hello. Good afternoon everyone. It's a pleasure to welcome you to the earnings call for the fourth quarter ended financial 22. I hope everyone is keeping safe and well. First and foremost, I'm very happy to announce that we have promoted Mr. Amit Haria to the position of CFO and he has been with the company for over 15 years overseeing the financial accounting department. I will first request him to brief you on the financial highlights and then I will take over to discuss the business highlights.

- **Mr. Amit Haria – VP, Finance & Accounts, Shemaroo Entertainment Limited:**

- Thank you Hiren. Good afternoon everyone and welcome to you all. Let me start by giving you the key financial highlights. I will be discussing the consolidated numbers for the fourth quarter of the financial year 2022, the operational income stood at 94 crores on YOY growth of 21%. EBITDA for the quarter was approximately 9 crores, EBITDA margin stood at 9.31% and net profit after tax was reported at 2 crores with the price budget of 2.19%. For the financial year ended 2022, the operating income was 381 crores, which has grown by 23% YOY. EBITDA reported was around 36

crores, which has nearly tripled YOY. EBITDA margin stood at 9.4%, but the net profit after tax was at 5 crores with PAT margins at 1.38%. For Q4, FY22 expenses on the new initiatives were 14 crores and for FY22 it was 67 crores. If you were to adjust this investment in the new initiatives, we adjusted EBITDA from existing operations would have been approximately 23 crores for Q4 FY22 and for the year ended 22, the adjusted EBITDA would have been approximately 103 crores. For the fourth quarter, digital media revenues stood at around 46 crores, which were up 23% YOY and for FY22, the digital media revenues stood at 181 crores, which was up 21% YOY. Traditional media revenues in the fourth quarter stood at 47 crore, which were up 16% YOY for FY22. The traditional media revenue stood at 200 crores, which was up 24% YOY. Now I hand over the call back to Mr. Hiren Gada.

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- Coming to the operation highlights for the quarter, so the year started – this quarter started in January with the omicron related lockdown and in a way slowed down. So, the lockdown on account of omicron variant in the first month of this quarter definitely put pressure on the revenues as advertising spends were impacted. There was caution at that time. Secondly, overall this was amplified due to the triple threat of rising input costs, uncertainty in global economic environment, and supply chain disruptions you know primarily in many of the advertiser sector. However, on the positive side we witnessed the return of advertisers who were absent during a large part of the COVID-19 pandemic. This partially offsets the pressure on advertising revenues. On ShemarooMe front, we released 15 new titles during this quarter with content across movies, web series, and plays, which have been well received by the audiences. We also partnered with BSNL domestically and Orange Telecom and Epicellar Telecom in Egypt Internationally for the distribution of ShemarooMe. On YouTube front, we crossed 59.7 million subscribers on our YouTube channel Filmi Gaane and the channel continues to maintain its foothold as the 20<sup>th</sup> most subscribed channel in the world. Coming to the broadcasting side, in this quarter, we witnessed, which is the current quarter, which is April onwards, we witnessed the exit of the four big broadcasters from the GEC space on the DD free dish once again.
- So, they had exited during 2019 and they had re-entered during the pandemic, but again the top four broadcast -- GEC channels was the top four broadcaster have exited thereby creating an opportunity for the FTA focused broadcasters to gain viewership. We took this opportunity to launch a new hindi GEC focused FTA channel called Shemaroo Umang. Our other FTA channel Shemaroo TV saw an improvement in ratings due to our continued efforts on quality content creation and increasing reach. When Shemaroo MarathiBana's ratings remained steady on the back of fresh programming. As you are aware, the last couple of years on the back

of double whammy of COVID pandemic and its impact on the media industry as well as our investment strategy for transforming the company to a much more B2C player, our financial performance was subdued. Considering this it gives me pleasure to report you today that we closed the year with a very healthy turnaround despite the challenges faced during the year. As per the industry reports, on the way forward the India's media and entertainment sector is expected to be one of the fastest growing globally in terms of both consumer and advertising fronts reaching \$3 trillion by 2025 and as we are focusing now more towards the B2C strategy, we are confident on capitalizing on this opportunity prior to our strong brand presence. With these positive tailwinds and most of the world returning to normal in the aftermath of the COVID pandemic, we are witnessing a significant revival across all our business segments as well and we are confident in our strategic planning for the long run. Although, we understand that in the short term the challenges for the economy do remain and this could result in volatility in business conditions and revenue. With that I open the floor for questions.

- **Ms. Shweta Shekhawat – Prabhudas Lilladher Private Limited:**

- Thank you. Ladies and gentlemen, we will now begin with the question and answer session. Anyone wishing to ask a question may please press “\*” then 1 only your touchstone telephone. If you wish to remove yourself from the question queue, you may press “\*” and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Viraj Mehta from Equirus. Please go ahead.

- **Mr. Viraj Mehta -- Equirus PMS:**

- Hiren bhai congratulations. Just one question, on our channels, we have launched two channels, and we ran into straight away into trouble due to COVID and shutdowns and we were losing significant capital quarter-on-quarter on this. The whole idea in the last call you explained is that, at least one of the channels will reach break even in the later half of this year as in FY23 and before that even happens, we have launched our third channel. So, we're kind of confused right. I mean like we have not even reached a break even for the two channels, but we are now doing third one. So, can you please explain the rationale for that.

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- Yeah. So there are two parts to this. Firstly, one is a short-term opportunistic aspect and other is a long-term strategic aspect. So in the short term, we saw and knew the exit of the big four broadcasters from the General Entertainment -- from their General Entertainment Channel from the FTA space. now, if you map the FTA

ecosystem, there is approximately 2,500 to 3,000 crore advertising pie and which I would say probably around maybe one third or thereabouts would have been taken up by the GEC channels of the big four broadcaster. Now the moment they are exiting that, advertising pie or the revenue kind of becomes available to the existing channels who are there and therefore we clearly saw this as a tactical opportunity to you know actually get in and you know encash or participate in the pie that kind of opens up for this. So, that is one. That is as I said there's a short-term tactical part to it.

- There's a long-term or a more strategic part to it which is that ultimately over a period, the broadcast business works on a network effect and this is something we've discussed many times in the past you know few calls also that the broadcast business works on a network effect, so the more challenge you have that much more you are able to gain captive audiences or you know move captive audiences within the network that much more your other operational efficiencies you are able to drive, that much more your you know pie with the advertiser you are able to drive. So that is the you know in fact originally also we had a multi-channel plan you know right to begin with and of course due to pandemic and many other you know things which right now I don't want to really get into that past aspect, so it was never that we were to launch only two channels. To bridge one more question or one more aspect of the question that you asked that, when we expect to break even and you know before that we've launched this, so what does happen is that, so there are two parts to this. Firstly, that break even what we've discussed is fairly on track, so we do have visibility towards that, so we know that, that investment is kind of tapering off.
- Secondly, the DD free dish platform does their options only once in a year, so if you are participating in that you are in. if you are not, you have to wait for one year. So, in the scenario of the big four exiting, you know there was the opportunity available to actually do that. Having said that, I would add two things over here. The focus for the Shemaroo Umang right now in terms of distribution is you know extremely narrow in terms of trying to keep the primarily the distribution on to DD free dish and maybe just a few networks where the cost structure could be low. It's only once we reach a certain revenue threshold on that is when we may look to scale up the distribution. So in a way we have kind of tried to keep the overall cost structure as low as possible, but within that create the opportunity to encash on the you know event that's kind of happening.
- **Mr. Viraj Mehta -- Equirus PMS:**

- Right, right. So, then is it like what you had mentioned is that our losses on new initiatives should come down to 30-40 crores this year, we are on track for that in spite of the new channel.
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- As far as the broadcast business is concerned, I would broadly say yes, we are fairly on track for that.
- **Mr. Viraj Mehta -- Equirus PMS:**
- No, no, no Hiren bhai, 7580 crore is the total loss on the entire new initiative including the OTT, not only for channels.
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- Correct.
- **Mr. Viraj Mehta -- Equirus PMS:**
- So the overall thing should have for the whole new initiative or only for the channels?
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- So the way I would look at it is that we should be looking at this year in terms of investment, so because of this there is definitely some amount of additional investment that would go in because there is a period of break even that is you know expected or whatever investment as I said the overall investment outlay we have kept it minimum. In fact there's a lot of content synergy from the existing earlier content, which we have already showcased that's what we are kind of working out. So, the overall investment that for the year if I have to kind of discuss is approximately in the range of about 50 crores.
- **Mr. Viraj Mehta -- Equirus PMS:**
- Okay. So then is it fair to assume that whatever EBITDA you did this year net of that, plus the reduction in that cost, plus the growth of this year should be on EBITDA next year, that's a fair evaluation.
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- Broadly yes. So what I currently I am not able to fully commit or comment on this, so conceptually or what I say, arithmetically what you're saying it should that's how it should be playing out. There is only one difference in that which is the amortization

of the content library that could have some changes on the EBITDA, but I think in terms of cash flow, I think yes that's how it should be playing out.

- **Mr. Viraj Mehta -- Equirus PMS:**

- Can you throw some light, are there any changes in accounting that we are doing, which will mean higher amortization?

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- No, no, there is no change in accounting, but based on the consumption of the content, so right now I don't have full visibility on the content consumption and that impact on the amortization and therefore there may be some marginal impact link to that.

- **Mr. Viraj Mehta -- Equirus PMS:**

- Okay. Thank you and best of luck.

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- Thank you.

- **Ms. Shweta Shekhawat – Prabhudas Lilladher Private Limited:**

- Thank you. The next question is from the line of Shikha Mehta from Equitree. Please go ahead.

- **Ms. Shikha Mehta -- Equitree Capital:**

- Hello Sir. I just have a couple questions. So, in our presentation you said that our ratings have improved on our GEC channel. So can you just throw some light on how that affects our revenue, like how much improvement we see because they have been improving in this sector.

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- Sure, so our Umang TV ratings, the GEC channel which you referred to that is Shemaroo TV, the overall viewership numbers have approximately doubled in about roughly nine months and that actually you know with a certain lag it kind of broadly translates into the revenue number assuming the overall advertiser sentiment remains the same. So you know if we factor in for a slightly lower advertising sentiment also the correlation to rating -- sorry the correlation of rating improvement or increase or decrease to advertising is normally 1:1.

- **Ms. Shikha Mehta -- Equitree Capital:**

- Okay. And Sir we mentioned that the advertising pie is around 2,500 to 3,000 and 1/3<sup>rd</sup> of that was taken up by the four GEC channels, now with them exiting does that pie itself reduce a bit to some of the advertisers based with the four GEC channels and how does it work?

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- So it's very early days yet because of two or three reasons I mean one is the you know the consumer also kind of coming to terms with the fact that some of the key channels that they were consuming are no more on the platform and therefore trying to adjust and discover the new content. Secondly, what was happening was that in the last you know roughly one and half years or so that the four channels had been present on the plat. There was a certain shift from pay platforms such as DTH and cable on the free dish platform because the very rich content offering was available there. So there could be some reverse migration to some extent you know for people who may you know we used to and may want to follow up on that content. That extent yes, the pie of the advertiser also will move. At this point, we are not -- we think that ultimately free dish as a platform itself you know over the next maybe 2-3 years will continue to grow because platform as new and new consumers are coming and the entry -- this is the first entry point for the consumer. So, we don't expect that to really change and to that extent we expect that the pie you know will to some -- to a good indent remain. There could be some amount of shift back. Finally, the advertiser follows the consumer or the viewer, so if the viewer shifts back or to the extent that they shift back, it will affect the pie -- the revenue could effect.

- **Ms. Shikha Mehta -- Equitree Capital:**

- Alright Sir. Sir research of overall total investment in new business initiatives should be around 50 crores, so that means an average of around 12½ half per quarter, which is close to what we were doing currently 14 crores, so

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- Total of the full year is 67 crores.

- **Ms. Shikha Mehta -- Equitree Capital:**

- Yes. So that's I mean this quarter we turned 14 crores right?

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- Yeah. This quarter we did 14 crores, but in the current quarter now a new channel has been launched, so the current quarter is definitely likely to see additional I mean a slightly higher investment overall. So, see the way I am looking at it is that we

invested about 67 crores in the last financial year, this year we expect that number to be you know down by 15% roughly.

- **Ms. Shikha Mehta -- Equitree Capital:**

- Right and we are expecting the break even by around some part of half year this financial year right?

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- In the first two.

- **Ms. Shikha Mehta -- Equitree Capital:**

- In the first two.

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- Yeah.

- **Ms. Shikha Mehta -- Equitree Capital:**

- And now cost are totally been booked, so that means that we should just see revenue improvement which was lower to the PAT right? That's the right way

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- The cost is a continuous thing right, every month we spend on vision and content, on marketing, on people etc. So, cost a revenue expenditure which happens on a regular basis. It's when the revenue on that business overtakes that overall or surpasses that overall cost is when the break even happen.

- **Ms. Shikha Mehta -- Equitree Capital:**

- Right. So Sir earlier we used to look at our business from an 18% IRR point of view, which was the B2B business. Now, is there a similar metric to say the B2C business or what kind of margins that IRR should we be looking at because that would be more relevant than the break even.

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- So, when we set up the broadcast business project, the project IRR actually was upward of 21%. Obviously, the COVID as you know had some impact on that but expect that you know the over effect of the business on the cash flow margin -- on the margin, cash flow, and overall IRR is going in fairly strong.

- **Ms. Shikha Mehta -- Equitree Capital:**



- Alright and Sir do you have any sort of division between how much revenue we're doing from B2C and B2B as of now?
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- At this point I'm not in a position to give that, but I hope that we are just working out on a few more numbers that we should be you know we would be kind of sharing over the next few quarters.
- **Ms. Shikha Mehta -- Equitree Capital:**
- Alright. So even on the inventory front is our inventory fully fungible or you know is there certain amount we use just for B2C, certain amount just for B2B or how does it work?
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- So the content that we have is finally multiple rights. In fact the whole strategy when we were investing in the content was to be acquiring the multiple rights, all rights kind of situation including you know a lot of the perpetual rights etc. and to that extent we definitely have a suitable utility of the inventory that may be linked to the fact you know linked to commencement of rights because we may have a existing licensing agreement with some other partners and when those open up yeah the availability of the that content is less likely to be there.
- **Ms. Shikha Mehta -- Equitree Capital:**
- Alright. And Sir due to our new investment
- **Ms. Shweta Shekhawat – Prabhudas Lilladher Private Limited:**
- Sorry to interrupt, Ms. Mehta we request that you return to the question queue. There are participants waiting for their turn.
- **Ms. Shikha Mehta -- Equitree Capital:**
- Alright sure. Thank you.
- **Ms. Shweta Shekhawat – Prabhudas Lilladher Private Limited:**
- Thank you. Ladies and gentlemen in order to ensure that the management is able to trace questions from all participants in this conference, we request you to limit your question to two per participant only. The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.
- **Mr. Dhwanil Desai -- Turtle Capital:**

- Hi good afternoon Hiren bhai.
- Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:
- Yeah hi.
- **Mr. Dhwani Desai -- Turtle Capital:**
- So, Hiren bhai the first question is if I look at from quarter-on-quarter for Q3 versus Q4, 2 costs have come down, one is our employee cost which I think you have indicated there were some one off in terms of increment etc.
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- No, not one, I will just re-clarify. Basically around the Diwali period is when we pay our annual PLI; performance lived in, so every year this is the quarter where you will always see the peak as in highest employee costs.
- **Mr. Dhwani Desai -- Turtle Capital:**
- Right, right, but my question is that you know it has come down by almost 5 crores and I think we had done initial investment of around 20 crores last quarter, which have come down by another 5-6 crore this quarter. So almost 10-11 crores **26:42** and our EBITDA almost remains the same and our operation cost has gone up, so you help me understand which cost item has actually gone up significantly to you know kind of caused this kind of increasing operation cost.
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- So partly, so one is I would say that part of the investment reduction that you seeing, your double counting over there I would say firstly because that investment itself also includes salaries paid out to all the businesses where the investment is happening right.
- **Mr. Dhwani Desai -- Turtle Capital:**
- Okay.
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- So the part of the -- so what I'm saying is that the difference is not as stark as you're imagining that's the first point. Secondly you know on the operational side definitely one is there has been additional cost on content. So for example during this quarter we introduced a new original show on Shemaroo TV, it's a crime show. So there is a traditional creation cost linked to that. There is even on the Marathi side there were a few new shows that we have launched. There is some content cost that has gone

up on that plus on the digital side and also there has been some additional content invest. So, this one content investment part which has gone up. There is some additional you know marketing costs also that we have incurred during this particularly on the Gujarati side and on, in fact Gujarati-Marathi all are B2C initiatives right. They have you know added up to that, so there is a additional operational investment itself that kind of I would say has kind of taken up.

- **Mr. Dhwani Desai -- Turtle Capital:**

- Another thing is that even in spite of increasing top line so let me increase our bottom line I mean almost all parameters remain the same except for maybe employee cost, our investment also even YOY was almost 15. So my question is that if we grow at 15%-20% on top line basis, will we see growth or the incremental content investment will continue to drag our margin?

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- Definitely, we are looking forward to the margins being improving only then the and in a way, if you arithmetically also look at it, as and when a channel breaks even, the arithmetical aspect of it is a higher margin. So, that is definitely what has to play out over the next 3-4 quarters. So, there is absolutely no doubt about that. Which is why, even in the first question... So, the only issue or challenge or question in that is the amortisation part which is said to the first question also, that if there is any additional amortisation based on content consumption, then that could have some nominal impact on the content cost or the operational cost.

- **Mr. Dhwani Desai - TurtleCapital:**

- Okay. And my second question is, so, we launched Shemaroo Umang, which is in the GEC space, right? We already have a channel in that space.

- **Mr. Hiren Gada - CEO & CFO, Shemaroo Entertainment Limited:**

- Yes.

- **Mr. Dhwani Desai - TurtleCapital:**

- And I remember from earlier conversations that our plan was to launch some kind of a Hindi movie genre. So first, why Hindi GEC is the second channel, and do we still have plans to launch more channels? If you clarify upfront... even if you can't reveal the exact details, atleast clarify so that investors could have some kind of an understanding as to what kind of investment horizon we're looking at?

- **Mr. Hiren Gada - CEO & CFO, Shemaroo Entertainment Limited:**

- Yeah. So, as I said earlier, this was a... So the strategic part of this is the fact that we always had a plan for more channels and we shared that earlier also. The tactical

part was related to the fact that there is an exit of 4 large broadcasters because of which the GEC consumer is kind of becoming underserved for their content needs or their entertainment needs, and that tactical aspect was far more compelling for us to launch the third channel as a GEC. I would, on the other hand, say that, in fact, there have been, in the last year or two, quite a few movie channel launches that have happened. So, we kind of actually were looking at the competitive space on the movie channel and trying to see that if that all we had to do a movie channel, then what would be our edge or segment or niche or those kinds of things. But, while our team would have been evaluating or examining those kind of options, clearly this opportunity came up which we kind of thought to look at. I think Kranti wants to say something.

– **Ms. Kranti Gada - COO, Shemaroo Entertainment Limited:**

– Hi. I'd also like to help you understand how the two channels are positioned. So, Shemaroo TV we are positioning it... and we already started positioning it earlier at a slightly more male skewed PG. We have two prominent crime slots which are doing very well for the channel. We have a very strong 33.45 slot also on the channel which does well. And, Shemaroo Umang is a female PG oriented channel. It's very very inclined towards drama shows around female audiences. So that way, we are also positioning both the channels separately. What we also see is that, content availability wise, this better suited the plan right now. And also as Hiren mentioned, the movie space we saw was getting a little crowded at the moment. So overall, when we worked out, we saw that this was a far better space to be in in our journey at this point.

– **Mr. Hiren Gada - CEO & CFO, Shemaroo Entertainment Limited:**

– And to answer your second question on what is the roadmap and plan – See, I've said this in the past and I'm repeating this that, clearly the move towards a network has to happen; there is no doubt about that. What we have always maintained, and that I... even within this current channel launch also, the thought process and the overall, I would say, financial discipline was that, how much we can minimise the investment and manage the overall investment outlay with a certain cap. So, we have put in our internal cap on how much we would invest on that and we will not let any new channel or new opportunity put a strain on the balance sheet. So, that part we're very clear about and we've kind of... even when we did this launch, we've been very very mindful of that aspect, and clearly, we see that discipline in the approach in the way forward. So, that part is very clear. Secondly, in terms of what else will happen, when it will happen, right now it's too early days. I think, our first challenge obviously is to... in fact, it's very early days for Umang itself. So, we have to see the numbers and see where it opens in terms of the ratings and revenues and what is the path to profitability for Umang itself. It's only after stabilising the operations here that we could even look at or think of something.

– **Mr. Dhwanil Desai - TurtleCapital:**

– Okay, understood. Thanks.

- **Host:**
- Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- **Mr. Deepak Poddar – Sapphire Capital:**
- Thank you very much sir for the opportunity. Sir, I just wanted to understand, now you mentioned the losses or the investment on new initiatives in FY23 is likely to be around 50 crores, which was 67 crores in FY22, right?
- **Mr. Hiren Gada - CEO & CFO, Shemaroo Entertainment Limited:**
- Yes.
- **Mr. Deepak Poddar – Sapphire Capital:**
- Sir, can you provide some breakup of this 50 crores? How much you're expecting from the existing two channels, Gujarati and Marathi, and also what quantum can be from the third channel in this year?
- **Mr. Hiren Gada - CEO & CFO, Shemaroo Entertainment Limited:**
- Well, it's very difficult for me to give you that breakup, but what I can indicatively share is that, atleast based on our internal plans is that, a large part of this is going to be invested overall... well, more than 50% of it is going to be invested in the broadcast business overall, and a significant next level is going to be invested in ShemarooMe, which is the OTT business. And, there are couple of smaller initiatives where probably less than maybe 10-15% would go.
- **Mr. Deepak Poddar – Sapphire Capital:**
- Okay. But sir, earlier we were of the view that atleast Marathi would breakeven very... maybe in the next couple of quarters. Is that what we're still holding on to?
- **Mr. Hiren Gada - CEO & CFO, Shemaroo Entertainment Limited:**
- Overall what I shared earlier also, we are fairly on track for the overall breakeven which we've.. the timeline that we have discussed. I mean, give or take, a month or two here or there, but I would think that we are visibly on track for the overall breakeven of these two channels.
- **Mr. Deepak Poddar – Sapphire Capital:**
- By FY23 end?
- **Mr. Hiren Gada - CEO & CFO, Shemaroo Entertainment Limited:**
- Around the middle of this year, the middle of this current financial year.
- **Mr. Deepak Poddar – Sapphire Capital:**

- Okay. And sir just one last thing, for the full year we are guiding for 50 crores of losses. By the year end, exit run rate... what's on the quarterly one may look at vis-à-vis 14 crores that we have done this 4<sup>th</sup> quarter?
- **Mr. Hiren Gada - CEO & CFO, Shemaroo Entertainment Limited:**
- So one thing, considering that Umang has just launched and there is right now no revenue on that account, on that channel, because, you know, till the numbers come and stabilise and the revenues kind of start coming in, I would say that, a certain part of the investment is definitely bound to be more front-ended because of this. Also the fact that, till the existing also don't breakeven, a certain part of the investment is likely to remain in the 1<sup>st</sup> half of this financial year.
- **Mr. Deepak Poddar – Sapphire Capital:**
- Yeah. The reason I was asking is because, since we are fairly on track for breakeven on the two channels, the third channel will be a drag by 4<sup>th</sup> quarter end, right? So ideally, one can expect that 5-10 crores would be the maximum quarterly expenses on the new initiatives that you might be looking at by the 4<sup>th</sup> quarter, right?
- **Mr. Hiren Gada - CEO & CFO, Shemaroo Entertainment Limited:**
- I hope that is the way it plays out. I mean, I'm not able to fully give visibility right now on that, but yeah, I mean, logically what you say makes sense.
- **Mr. Deepak Poddar – Sapphire Capital:**
- Okay, understood. That's it from my side. All the very best.
- **Mr. Hiren Gada - CEO & CFO, Shemaroo Entertainment Limited:**
- Thank you.
- **Host:**
- Thank you. The next question is from the line of Nitin Sharma from NC Pro Research. Please go ahead.
- **Mr. Nitin Sharma:**
- Hello, thanks a lot for taking my question. Two questions, if I may. First of all, can you provide some commentary on what are the broader trends you're seeing in the advertisement market? Any improvement on what the coming year is looking like from the industry perspective?
- **Mr. Hiren Gada - CEO & CFO, Shemaroo Entertainment Limited:**
- Sure. So overall, as I have said earlier, as far as TV is concerned, the largest advertisement segment in the FMCG sector, followed by some of the other sectors. Now definitely, FMCG sector is going to remain challenged, for atleast, I believe, 2

quarters, maybe even slightly more than that. And to that extent, there spends are likely to remain 41.50 as they all are grappling with fast rise in the input cost and the level of demand challenge on particularly rural pockets, etc. So, that is definitely a challenge that this sector is facing. Couple of other sectors which are prominent advertisers like automobile or even mobile handsets, etc, there the semiconductor issue has kind of come to the fore in terms of the supply chain. So, that has been a challenge. The good thing is that, a few sectors which have kind of scaled down on advertising during the pandemic have kind of come back or have started scaling back. Also, some of the sectors which were virtually absent, say travel or leisure or even entertainment for that matter... movie releases were not happening, so there was very little movie related advertising for example. So, I think a lot of those sectors are slowly also coming back. So, partly offsetting this dip. On the digital side, I think the key advertising sector is a lot of new age consumer tech, digital tech, FinTech kind of companies. I think, there broadly, at an aggregate level, I think the spends are fairly in place. As in, the outlook is reasonably robust, because there is a fair amount of funding that is kind of still going on. Also, a lot of the businesses have scaled up and are breaking even or are near breakeven. So, we are seeing reasonably good trends on that front. So broadly, this is how I would look at the advertising outlook. The only thing I would add here is that, this is still just a 2 quarter, probably maximum 3 quarter headwind. I think, if we zoom out or look at 2-3 years, I think we are headed for really great times on the advertising spends front because the economy is expected to be extremely robust in terms of a) growth b) India is a consumer economy and every new product launch, every brand – existing brand or new brand has to reach out to the consumer, and media is the medium through which it will reach out. So, to that extent, lot of expansion plans of many companies, many product expansions, many segment expansions are being announced you know finally a lot of that will have marketing and advertising expenses linked to it. so I think from that point of view, I think the outlook is really, really very good. It's yes two quarters or maybe three quarters there could be some volatility or headwinds.

- **Mr. Nitin Sharma:**

- Understood, understood and then the second question is that can you provide the breakup of digital revenue and the traditional revenue for either fourth quarter or the full year FY22.

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- Digital revenue – so you want the digital revenues break up.

- **Mr. Nitin Sharma:**

- Yeah it was like typically every quarter you mentioned the revenue is break up for digital in terms of YouTube, Telco, and this indications/others.
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- Yeah Kranti.
- **Ms. Kranti Gada -- COO, Shemaroo Entertainment Limited:**
- Yeah, so I would say that it is pretty similar to what it was last quarter whereby YouTube is upwards of 50%.
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- 60%.
- **Ms. Kranti Gada -- COO, Shemaroo Entertainment Limited:**
- 50%-60% and I would say Telco is below 10% levels. So no much change from quarter to quarter I would say for that.
- **Mr. Nitin Sharma:**
- And any color on the broadcasting side, any of breakup general sense.
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- Yeah, Nitin I think we will not be able to answer that question now, but over the next you know couple of quarters, we will be you know giving different color on the overall revenue pie over the next quarter.
- **Mr. Nitin Sharma:**
- No issue. Thanks a lot.
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- Thank you Nitin.
- **Ms. Shweta Shekhawat – Prabhudas Lilladher Private Limited:**
- Thank you. The next question is from the line of Rohit Trivedi, an individual investor. Please go ahead.
- **Mr. Rohit Trivedi:**



- Hi Hiren and Kranti. Just my first finish is about ShemarooMe, so if you can help us understand two things. #1, competitive landscape that is emerging in ShemarooMe Gujarati and #2 content cost please?
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- Yeah, sure. Kranti.
- **Ms. Kranti Gada -- COO, Shemaroo Entertainment Limited:**
- So on the competitive landscape, I would say that currently in terms of a national app and an organized player providing consistent quality Gujarati content, I'm happy to share that we would be the leader over there. We have over Gujarati which has been around now for roughly one year, but what we have seen is that till now the content that they have put out is limited in terms of number of amount of content that has been put out. So, therefore we feel and none of the national apps are focusing on Gujarati content in the same way, so we track all our competitors very closely. So currently I would say in terms of serving the Gujarati consumer in terms of variety, quantity, and party I think we are registering both in terms of my share and you know attentions share of the consumer over there. In terms of cost of content, I'm not sure. I can share right now.
- **Mr. Rohit Trivedi:**
- I mean I don't want exact cost, but if you can just share the trajectory that way in last two years for example if we take your index value of 100 then weather content cost has significantly increased kind of 220, 230, or is it fairly in the same range for the kind of content that we are serving on ShemarooMe Gujarati please.
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- Yeah, sure. Mr. Trivedi, so there are two types of content. One is acquired content and one is created, so web series kind of thing which we are creating. So I would say that broadly if I have to index as you were asking, on a like-to-like basis, the costs are broadly in a similar age; however, I would like to add that as our own numbers are growing and the response from the audiences etc. traction has been growing, we are slowly and steadily scaling up the investment on the web series to kind of make it more richer in terms of production values, starcast, you know and those kind of things to kind of because otherwise at the beginning it was probably much more smaller and bare bone I would say comparatively, but at least to bring it to a certain level so that you know so that the consumer kind of gets a richer and better experience. So to that extent the outlay maybe slightly going up, but like-to-like the cost structure is roughly in similar lines.

- **Mr. Rohit Trivedi:**
- Thank you and my second question is about traditional syndication business. So, I am aware that we're not focusing a lot on that, that is not our kind of pride key growth area, so to say but at the same point of time it could contribute I believe can off right some significant amount also in at least next year or two. So, if you can't share the number can you just tell us the demand trajectory that is kind of I dare in the traditional syndication business, so over there also let's take kind of right and index value of 100 for 2019-20 and how is it shaping up right now and what is our expectation and kind of like for at least next year or two. Thank you.
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- I would say demand trajectory over there at 19 if it was 100, we probably are actually very difficult to say, but I would think we should be in the range of about 60%-70% of that where we would have been in 2019-20 and I expect that this year we should you know broadly be back to somewhere near about 90% of where we were in 1920 on that in terms of the underlying demand trajectory. The fact that we have defocused and not invested significantly on that front and we have and/or in some cases we may have held back content also for our own consumption on our platforms kind of doesn't mean that our business on that front will kind of return back to 60%, 70%, or 80% of where we were. In fact we have consciously defocused the capital allocation. So, at that I just want to add to the point.
- **Mr. Rohit Trivedi:**
- That likely understandable. Thank you. Hiren just kind of like add-on question over there, in the recent need that we made in the traditional syndication business are we still kind of right nearer to the IRR of 18 or has it gone down significantly or how is it shaping up?
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- No I think 18% is something that is happening on the content. What one of the transit I do see in the way forward is that it's possible that -- so see 18% value is at the aggregate level. Now what digital has done definitely that it has to an extent helped gain the digital component and maybe to that extent partly reduce the tradition. So that's a little bit offsetting of that may happen you know in terms of the mix, but the overall 18% IRR on the investment, I think should be fairly in fact that I don't see any challenge at all.
- **Mr. Rohit Trivedi:**

- Perfect. Thank you Hiren and Kranti.
- Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:
- Thank you.
- **Ms. Kranti Gada -- COO, Shemaroo Entertainment Limited:**
- Thanks.
- **Ms. Shweta Shekhawat – Prabhudas Lilladher Private Limited:**
- Thank you. The next question is from the line of Harsh Beria an individual investor. Please go ahead.
- **Mr. Harsh Beria:**
- Hi. Can you guys talk a little bit about competitive market dynamics in your Marathi TV ventures so in MarathiBana?
- Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:
- Yeah. So there are two ways to look at this. One is on the Marathi movie site what is that, and other is on the Marathi FTA side what you said. So Marathi movie site there are about five Marathi movie channels at this point in time and a sixth one is around the corner which is to be launched and I think from what we understand probably by at the end of this week or maybe within a couple of weeks you know it will launch and so it includes three channels from Zee's table, Shemaroo MarathiBana and one more channel right now and then there is a sixth movie channel that is to be launched. That's on the movie channel side. Now coming to the free to air side. Free to air, there are currently four channels in the Marathi language overall and you know we are of course one of them and one of them is a GEC channel and others are all Marathi – sorry movie channels.
- **Mr. Harsh Beria:**
- Okay and I remember you guys had mentioned that this made revenues of like the market size was about 800-1,000 crores the advertisement file, how much would you think that the STE channels would get out of this market size?
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- My sense is that FTA FI so what is what is happening now slowly, slowly because as we discussed earlier that there was a certain migration happening from pay platform

to the free to air or a free dish platform, my senses that the FTA FI probably should be in the range of approximately around 20%.

- **Mr. Harsh Beria:**

- Okay and would you say that

- **Ms. Shweta Shekhawat – Prabhudas Lilladher Private Limited:**

- Sorry to interrupt Mr. Beria, may we request that you return to the question queue. There are participants waiting for the turn.

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- Madam let him stay item because he is -- there's a trail of -- thought trail on Marathi

- **Ms. Shweta Shekhawat – Prabhudas Lilladher Private Limited:**

- Sure sir.

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- Then maybe yeah, so I mean I hope that's okay with you Mr Beria.

- **Mr. Harsh Beria:**

- Yeah, yeah. That's fine. Thanks for the opportunity. My feel up would be you guys had launched both your Hindi GES channel and Marathi at the same time, which would you think is doing better as a business?

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- At this point, the Hindi GEC channel. So to begin with our initial phase Marathi channel actually started off exceedingly well, but the Hindi GEC channel has seen a far better growth trajectory in the last about 6 to 8 months and two things in terms of the -- so GEC is much more sticky and command overall is better ad rate because there's a high level of appointment viewing and secondly the Hindi GEC pie itself is very, very big compared to the overall Marathi language pie. So in that sense I would I mean it's a good, good development in the way that the Shemaroo TV is actually on a better footing right now, not that MarathiBana is on a bad putting, but between the two if we were to compare, I would say Shemaroo TV is on a better footing.

- **Mr. Harsh Beria:**

- Well thanks for answering my question. That's it from my side.
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- Thank you.
- **Ms. Shweta Shekhawat – Prabhudas Lilladher Private Limited:**
- Thank you. We'll move on to the next question that is from the line Shikha Mehta from Equitree Capital. Please go ahead.
- **Ms. Shikha Mehta -- Equitree Capital:**
- Hello Sir. I just had a couple of follow up questions. Can you get some guidance on when we can see our ROEs returning to 15% plus?
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- Sorry I was not able to understand the question can you please repeat?
- **Ms. Shikha Mehta -- Equitree Capital:**
- Sir historically our ROE used to be in amount of 15%. Sir can you just some guidance on when will be returning to that?
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- So I mean if you were to really look at the even today the EBITDA level without the investment actually you know we even the margin and the overall structure cash flows etc. is fairly strong. It is the investment I guess -- as the investment phase tapers and the existing channels start contributing significantly more, I expect this to be a probably about two years out from now.
- **Ms. Shikha Mehta -- Equitree Capital:**
- Okay and Sir debt has reduced to some extent this year, but with a new channel coming in again do we expect it to increase slightly or remain flat or are we expecting a reduction?
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- No, I were to I've kind of answered this earlier also during the call that if we were to -  
- so there is a certain amount of front ending of the investment because Shemaroo Umang kind of has just launched and the others are also not yet in the break even stage, but if I were to take the full year part, the whole idea here is that the overall

investment we are looking at managing within a certain amount of financial exposure and therefore A – what can be managed with internal approval within that. B - you know once we have a certain level of break even the effort to reduce the debt kind of open the other opportunity to reduce the debt opens up you know on a continuous basis and that's clearly the thought process.

- **Ms. Shikha Mehta -- Equitree Capital:**

- Sir currently banks are receiving a larger sum of our earnings than the shareholders because our finance cost is almost 25 crore and our pack is in our 5, so what kind of debt reduction will we be looking at over the next two years and

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- That is likely to happen right. Once the investment tapers off or the cash flow overall increases, the you know the banks obviously would get paid off to that extent.

- **Ms. Shikha Mehta -- Equitree Capital:**

- To this again, I'm guessing it will take two years for us if we chose some, is that the right way to look at it?

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- Yeah probably. I mean if right now I cannot give a forward looking statement on our guidance on that, but you know if you look at the way we have you know kind of gone about on the on the business expansion front, we have managed it within the internal accruals, so if you see FY22 sees that we've you know not crossed that, we've kind of specially come down from there and still done you know annually investment in the range of about 60 odd crore last two years. So, that itself shows the strong internal accruals from the existing business and operations and still serviced all the banks on time you know in complete, so that kind of shows the strength of the content library itself and therefore the internal accrual that are getting generated. Now as in when these investments mature and start contributing you know we are you know obviously going to use a significant part of that to you know repay the banks.

- **Ms. Shikha Mehta -- Equitree Capital:**

- Right. Sir do you have a base case scenario given the volatility in the market etc. what kind of base growth are we expecting specially the next years 2-3 years?

- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**

- Sorry I am not – I didn't hear the question properly, can you repeat this?
- **Ms. Shikha Mehta -- Equitree Capital:**
- Given that the situation in the industry is quite volatile right now, do we have a base case scenario where we're expecting a certain amount of growth every year or something of that sort? If you could just help with that.
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- I'm not in a position to give a forwarding statement unfortunately right now. What I can definitely say is that you know we expect that if as and when this year we do expect both the traditional and digital business to grow you know at a certain pace because the investment in the -- sorry the growth of revenue of the TV channels you know is likely to happen more in the current year itself. So that's really the only thing I can currently you know talk about that.
- **Ms. Shikha Mehta -- Equitree Capital:**
- Alright Sir. Okay. Thank you.
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- Yeah, thank you.
- **Ms. Shweta Shekhawat – Prabhudas Lilladher Private Limited:**
- Thank you. Ladies and gentlemen that was our last question. I now hand the conference over to the management for the closing comments.
- **Mr. Hiren Gada -- CEO & CFO, Shemaroo Entertainment Limited:**
- Thank you so much everyone for joining in and we look forward to a great year ahead and with that we will sign off. Thank you everyone.
- **Ms. Shweta Shekhawat – Prabhudas Lilladher Private Limited:**
- Thank you. Ladies and gentleman on behalf of Prabhudas Lilladher Private Limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.
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**End of Transcript**