# “Shemaroo Entertainment Limited Q2FY2023 Earnings Conference Call”

October 20, 2022

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**SHEMAROO ENTERTAINMENT LIMITED -**

**MANAGEMENT : Mr. Hiren Gada - CEO**

**: Mr. Amit Haria - CFO**

# Shemaroo Entertainment Limited
# Earnings Conference Call
# October 20, 2022

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**Moderator:** Welcome to the Q2 FY23 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 would be opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing '*'then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Sonpal – Chief Executive Officer at Valorem Advisors. Thank you and over to you, Mr. Sonpal.

**Anuj Sonpal**: Thank you. Good afternoon everyone and very 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 call for the second quarter and first half of financial year 2023.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's concall maybe forward looking in nature. Such forward looking statements are subject to risk and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's belief as well as assumptions made by an 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 call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review. Now let me introduce you to the management participating with us in today's earnings call I will hand it over to them for opening remarks. We have with us Mr. Hiren Gada – Chief Executive Officer and Mr. Amit Haria – Chief Financial Officer. Without any further delay, let me request Mr. Amit Haria to start with his opening remarks. Thank you and over to you, Sir.

**Amit Haria**: Thanks Anuj. Good afternoon everyone and thank you for joining us today for our earning call for the second quarter of the first half of the financial year 2023. I hope everyone is keeping safe and well. Let me give you some key financial highlights for Q2 FY23. The operational income stood at 147 crores and has witnessed a robust growth of 53% on a QoQ basis and 19% on YoY basis. EBITDA for the quarter was 13 crores a growth of 57% on QoQ basis and 26% growth on YoY basis. EBITDA margins stood at 8.75% and net profit was reported at 3.4 Cr with PAT margins at 2.31% and an improvement of 205 basis points QoQ.

For the first half of the financial year 2023 operational income stood at 243 crores reporting a growth of 23% YoY, EBITDA stood at 21 crores and has witnessed a growth of 21% YoY. EBITDA margins for the first half stood at 8.64%, PAT was 3.9 crores which has grown by 170% YoY. Speaking further on expenses on new initiatives for Q2 it amounted to 16 crores for the first half while for the first half it amounted to 31 crores and if adjust for this investment in the new initiatives existed EBITDA from existing operations in Q2 and H1 FY23 would have been approximately 29 crores and 52 crores respectively.

Let me take you through the traditional media and digital media division highlights:

For the second quarter digital media revenues stood at 64 crores which were up 36% YoY while for the first half of the year it stood at 112 crores witnessing a growth of roughly 28%. Traditional media revenues in the second quarter stood at 83 crores which were up by 9% YoY while for the first half of the year it stood at 131 crores witnessing a growth of 18%. Now I would like to hand over the floor to Mr. Hiren Gada to brief you on the operational highlights for the quarter.

**Hiren Gada**: Thank you Amit and Good afternoon everyone. In the quarter gone by the onset of the festive season witnessed a moderate increase in ad spends, but we believe that the expenses will remain under pressure on account of concerns were on inflation, looming global recession and slowdown of funding for new age advisors. Despite these uncertainties we witnessed an increase in revenue which can be largely attributed to the broadcasting and digital initiatives. I am happy to know that the contribution of our B2C revenues in our total revenues has doubled in the first half of FY23 versus the same period last year. Though, the company has delivered strong revenue growth during the quarter. We believe that there is also a bit of wave impact of COVID-19 during the same quarter last year.

In the broadcasting business Shemaroo TV delivered higher rating versus the previous quarter due to a renewed content strategy. In Shemaroo Umang we launched our original production called Kismat Ki Lakiro Se during the quarter. We also started monetizing this channel through advertisements in the last quarter itself. Both Shemaroo TV and Shemaroo Umang have consistently being amongst the top 5 channels in the free-to-air, GEC entertainment genre.

In MarathiBana we adopted a change in programming strategy to include episodic content along with movies which have drive our channel rating during the quarter. On the digital front we release 13 new titles in ShemarooMe Gujarati during this quarter with content across movies, web series and plays. We release our original web series called Vaat Vaat Ma Returns which is a sequel to our last year’s Vaat Vaat Ma which was well received by the audience. We also did world digital premier of two blockbuster movies Naadi Dosh and Vicky Da No Varghodo both Gujarati movies which have performed well.

On YouTube Shemaroo Filmi Gaane with 62 million subscribers continued to be the 20th most subscribed channel in the world. On other digital updates we launched free ad supported streaming TV channel which is called fast channel on the Plex platform in USA. We also entered into a music licensing partnership with Resso in India and lastly we partnered with Seracle web 3.0 technology company to build Shemaroo own NFT market place.

In conclusion, we remained focused and confident on our long term strategic growth plans despite all the headwinds faced. Our diversified business strategy is beginning to bare fruits although our investments continue and we believe our growth and profitability trajectory will also continue. With that, I would like to open the floor for question-and-answer session.

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

**Shikha Mehta**: First, could we get into details about your operating cash flows a similar levels of PBT almost a **(Inaudible) 8.44** apart we had reported an operating cash flow that was positive of 44 crore last March this September it is 96.8 crores, so if you could help me understand that better and also our tax expense because for FY22 our PAT for the full year was 5 crore, but the tax expense in September cash flow statement is 6 crores so it is 52 to earlier or could you help me understand that?

**Amit Haria:** With respect to tax expense mentioned in the cash flow it is the TDS deducted with tax expense per se whatever is reported P&L.

**Shikha Mehta:** So, of this TDS deducted we will get the discount later, could you just help me understand your effective tax rate for the year?

**Amit Haria:** It would be in the region of 26%, 27% and referring to the cash flow that you mentioned the bulk of it has gone towards the increase in the receivables.

**Shikha Mehta:** So, what is that due to bulk up in receivables?

**Amit Haria:** Increase in the broadcast business.

**Shikha Mehta:** So, is this for one time thing or is it expected to normalize?

**Amit Haria:** It will kind of normalize going forward.

**Hiren Gada:** So, as the broadcast scales up. So, broadcast typically has a 90-day receivable practice and as it scales up it will definitely have some impact on the receivables. So, it is in a way a reflation of when the turnover shrunk that working capital got released because of shrinkage of receivables, but now that the top line has scaling up again. So, with that scaling up that certain receivables broadcast business receivable will be at a 90 day as for the industry norms.

**Shikha Mehta:** And sir again on the tax front last March the tax outflow and the cashflow statement is 18.9 crore so again what is that attributable to because our PAT like I said was 5 crore?

**Amit Haria:** Like I said Shikha both the tax amount mentioned in the cash flow is towards the TDS deducted whereas P&L is actual tax which is payable for the company.

**Shikha Mehta**: So, this TV ad will get the refund later?

**Amit Haria**: Yes.

**Shikha Mehta**: And sir if you could help me understand our ad rates better, have we moved up this quarter or what are we witnessing now and out of our total inventory how much commercial time are we selling and how much currently is the market occupied by us?

**Hiren Gada**: In terms of selling as for the various norms we are following as per the various norms in terms of how many minutes we can sell. So, that is fully being sold. So, there is roughly 13 minutes as per the TRAI/IMD whichever is the relevant government about the guidelines and it is promo time. So, that as per the guidelines we are following that. So, that is the answer to your second question what was your first question.

**Shikha Mehta**: I am so sorry 13 minutes per hour is that?

**Hiren Gada**: Per hour.

**Shikha Mehta**: And how much would be promo time?

**Hiren Gada**: I think roughly 2 minutes or so.

**Shikha Mehta**: So my first question was about ad rates whether we have increased quarter-on-quarter and what trend was new for Q3?

**Hiren Gada**: So ad rates follow essentially ratings and since the ratings have been going up the ad rate also has been going up.

**Shikha Mehta**: So to understand this better in order to increase our TRP do we have any strategy in play, are we increasing our original content or in your opening remarks you spoke about the one TV show, do we have anything else in the pipeline?

**Hiren Gada**: This point between the two channel we have three original shows running which we have progressively been launching. So, we launched we have crime show called Crime World which is a one hour daily show and with repeats etcetera and then there is another show which is your Hasya Kavi Sammelan show which is called Wah Bhai Wah which is on Shemaroo both these are on Shemaroo TV and for Umang we have launched in September we launched Kismat

Ki Lakeeron Se which is Umang first original and we have many more shows in the pipeline which we will be launching over next few months.

**Shikha Mehta**: And sir what is the accounting policy for these shows how do we write it off in the P&L?

**Amit Haria**: We write off 80% on the first telecast on the day of the telecast.

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

**Dhwanil Desai**: The first question is so if I look at the operating cost as a percentage of revenue that number has been fluctuating you know last year the same quarter that was around 27% previous quarter it was 36% this quarter it is 30%, so I assume that this fluctuation is majorly because of the content cost, so if you can clarify on that and how should we look at this number going forward, is there a steady state range that we should be having in mind for this?

**Hiren Gada**: Bulk of that cost is definitely on account of content and going forward as these businesses scale up that trajectory should be coming downward because margin and operating leverage should be available that is a premise on which we are also operating and looking to scale the business and that would be our effort to put it in that trajectory.

**Dhwanil Desai**: Because the question I am asking this is because last quarter with 90 plus crore of revenue this cost was around our margin was around 36% and this quarter it is around 30%, so what is the delta coming from I mean have we spent more on content why this number is going down because ideally as you are saying it should have gone up because ad rates are better we are monetizing Umang also, so why this number is coming down rather than going up?

**Hiren Gada**: There are multiple factors I mean some of the cost also comes from some of the legacy cost on the syndication. So, that is also one of the things, but on an operating as I said directionally this is where our attempt to bring it down is going to be.

**Dhwanil Desai**: Second question I think has guided that on this year we intent to invest around 50 crore in new initiatives and most of that would be front ended or the last second half could be having lower burn, so we are already spent around 30 crores, so do we assume much slower burn now rather than 15 crores, 16 crores a quarter in next quarter?

**Hiren Gada**: Directionally we are very much on track for that both I mean 50 crore overall and higher front ended and lower back ended numbers.

**Dhwanil Desai**: Last question I think you eluded to this that the receivable increases because of the broadcasting business and the reflation from base, but if I understand correctly our indication business has much higher receivable days, so compared to that this should be a better business even that understanding correct in terms of working capital?

**Hiren Gada**: I have got the background, but what was the final question that you ask?

**Dhwanil Desai**: I am saying that in terms of working capital, in terms of receivables and inventory required for broadcast business vis-a-vis indication business it is less working capital intensive compared to syndication business, is that understanding correct?

**Hiren Gada**: Yeah in fact that has been one of the key reasons also to get into this business because the working capital nature of this business is significantly better than the trading business. Firstly the whole inventory that we need that itself comes up significantly and second is the receivable days is restricted to 90 odd days.

**Dhwanil Desai**: Last question you mentioned that our B2C revenue has almost doubled and if we look at our digital part that also the growth has been pretty decent, so if you can give us some sense as to what percentage of our remark traditional media revenue is coming from B2C digital how much is coming from B2C some sense on that would be helpful?

**Hiren Gada**: Right now unfortunately I am not in a position to give you that. So, just to re-clarify what I said in the opening remarks is that the share of the B2C business in terms of revenue contribution has doubled. So, now on a good and clear path on the B2C business sorry, but just now I am not able to give you those that granular detail at this point in time what therefore since we wanted to give a overall color of the fact that B2C strategy is fairly on track. We kind of gave this number this indication actually.

**Moderator**: Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

**Darshil Jhaveri**: So, my question is one regarding what do we see as our revenue going forward because you had a good bump up in revenue, so could you just share what our revenue growth are we looking at in this year and next year?

**Hiren Gada**: Unfortunately I am not able to give forward looking statement because anything that I say to this will be forward looking, but I want to differently give you a sense is that the underlying digital pace has typically been projected to grow in terms of the underlying industry depending on if you look at various expert reports and all of that your industry report and talking of approximately 21% growth in the digital business for the next couple of years and our effort always has been to do better than that and on the traditional front particularly the broadcast piece at least we have been very low base to begin with compared to what is the overall industry size. So, there it is a more a story of market share gain I mean not even market share at this point in time. It just share of the overall pi that we would aspire to take. So, we are currently at least in a good position in terms of the setup and how we grown these businesses up and set these businesses up for a good trajectory.

**Darshil Jhaveri**: Another question would be regarding our new initiatives so if we remove at our EBITDA margin increase significantly, so we have indicate the spent for this year, but could you give any sort of spent that you were expecting next year or have the investment been peaked in the current year, so going forward what kind of an EBITDA margin previously you have done above 25%, so that could come back as our initiative come down on a revenue growth coming in?

**Hiren Gada**: Two things I would need to say. One is right now our next year EOP I assumed they are finalized it is too early to do that. So, it is very early for me to give any indication of what could be the investment amount for next year, but having said that on the margin front I would say there are two things. One is that at this point once say the TV business reaches its operational breakeven point. The margin on that is still relatively lower and over a period it will scale up on the margin front and get a better operating leverage. Now how fast that will be anyone guess we also are obviously trying to do that, but it will have its own growth trajectory kind of a thing. Secondly in terms of as far as investment is concerned as we have said in the past also we would definitely look at expanding the network adding some channel etcetera over a period of time. So, that investment thing will kind of continue going forward till we see those opportunities to add good profitable propositions and grow our network to respectable and healthy scale.

**Darshil Jhaveri**: So, if I can squeeze in one more question I would just like to know what is the difference in our digital and traditional margins in general, so what do we get that I am assuming digital will be better than traditional?

**Hiren Gada**: Digital margins have been better typically. The only thing over there is right now the investment in ShemarooMe which is obviously all of it going through the P&L that is pulling down the margins on the digital to that extent.

**Moderator**: Thank you. The next question is from the line of Shivam Saxena from ICICI Bank. Please go ahead.

**Shivam Saxena**: Just two questions one is are you getting some deals from MX Player or Netflix to sell your content and second is why the debt has been increased, what is the reason for increase in debt in the last 6 months?

**Hiren Gada**: To answer the first question we are a large content partner to most of the players in the ecosystem which includes both the names that you have mentioned I am not able to specifically give details of any deals that we may have I mean we work with virtually all the players in the ecosystem in terms of the indicating some or the other of our libraries and second question is on the debt side. So, on debt there is primarily as I mentioned in the earlier answer also is the whole receivable reflation part which has in a way consumed our limits on the working capital side, the draw down has increased from our limits that we have. So, if you see the receivables amount.

**Management**: Utilization per say has increased on account of that has not increased, but the utilization has increased and also there is an investment towards the properties and debt taken for the purchase of that property these are the two primary reasons for the increase in the debt.

**Shivam Saxena**: Are these contracts with big players they are fixed contracts or they are variable contracts depending on the viewership how they are designed basically if you can throw some light?

**Hiren Gada**: As I said that I am not able to give you details of any specific. See fundamentally our business there are three models on which syndication happens. One is the fixed free models on the other end is the purely revenue sharing model and in between there would be a minimum guarantee and a revenue sharing model. There would be different arrangements with each player no single model available.

**Moderator**: Thank you. The next question is from the line of Nitin Sharma from NC Pro Research. Please go ahead.

**Nitin Sharma**: First of all would like to understand that the interest cost going ahead for the full quarter give some idea on the quantum?

**Amit Haria**: Interest cost going quarter we expect to be in the region of between 7.5 to 8 Cr based upon the increase in the overall interest rate scenario that has happened.

**Nitin Sharma**: What has gone well with the traditional media side are you seeing improvement in your overall ad rates like I said then would like to understand that how much lag is typically there between you get aware of your ratings have improved and increased in the ads?

**Hiren Gada**: Typically there is a normally 45 to 60 day as in roughly 6 to 8 week lag between increasing ratings and translation to revenue for various sectors as in translation to better rates or rate revision it could be upward or downward either way depending on what is ratings. So, typically 6 to 8 weeks could be that. To answer your question what has gone well I think as I said earlier also to the earlier question is that we came off from a low base of revenue and ratings on the broadcast business and as the channel scaled up and we have been reporting this every quarter about ratings of say Shemaroo TV etcetera that have been trending upwards on quarter-on-quarter basis. So, that is translating into the revenue of the broadcasting business.

**Nitin Sharma**: Last one can you please throw some light how ShemarooMe Gujarati is doing or if you cannot talk about then probably the Gujarati OTT space and slash there has been some talk about your music device, some color on that would be helpful?

**Hiren Gada**: ShemarooMe as you rightly said we are not able to give direct details of, but if I have to talk of. So, the opportunity size that we looked at Gujarati speaking population is roughly between 5% to 6% of India's population and in a state where there are not too many TV channel and which has seen a revival in last about 5 years, 6 years of the film industry in terms of urban films targeting youth and more affluent multiplex audiences which has kind of paved away for a good as for offering and that is the need gap that we try to fill and not only did we have a great starting point in terms of content library availability, but a very good brand connect with the audiences because we have been doing Gujarati DVDs etcetera from a long time. So, I think that has helped us gain a very good time share. So, that is really the opportunity that we have targeted. The question I would say is that overall in India the OTT business is still at least a couple of years away from any significant scaling. So, this is all preparing the ground work for when actually it scales and that is when the game really begins and that is when the investment really start playing upwards. The important thing is that when that happens are you present with all the great consumer insights with a very good share of mind in terms of the brands connect, a very good subscriber based, all the technical integrations and aspects etcetera. So, there is a whole host of things that we have now put in place which I am very happy and confident that it puts a very good entry barrier into this market, the entire package of the offering, the share of mind, the technical, consumer based that we have put together. In fact our team is gaining on a daily basis, the analytics that we are able to go through on a real time basis, all of that put together puts us in a very pre eminent position in the Gujarati space.

**Nitin Sharma**: And on the music device side?

**Hiren Gada**: This hardware opportunity is something that we have been pursuing for some time in our different way we are all trying to monetize the content through aggregated single use device. This business got badly hit by COVID because it is a physical so literally within 6 months of our launched the COVID hit us that business from there has not really fully revived to what we would have liked it too. So, in sense we earlier had a devotional device. So, as a POC or as a experiment we thought that let us try and see if we can do a mainstream music device and that is how we launched a Shemaroo Filmi Gaane speaker. It has just launched like a couple of weeks two or three weeks before back. So, it is very early days on any numbers and on and as I said if it show good traction we will scale it up if not then we will kind of deal with it accordingly.

**Moderator**: Thank you. The next question is from the line of Forum Makim from Equitree Capital. Please go ahead.

**Forum Makim**: I just had two questions so are any of our channels breaking even right now?

**Hiren Gada**: As I said earlier I am not able to give a specific channel level picture, but as we have shared earlier we are well on track to be operationally breaking even in this second half of the year at an aggregate level.

**Forum Makim**: So sir what I wanted to understand is if QoQ our revenues have increased and operationally also we are doing better than why is our new business expense higher in this quarter?

**Hiren Gada**: It is because of couple of things I would say one is because Shemaroo Umang started monetization only in July still the revenue etcetera for that to pick up and reach certain steady state probably only now as we go forward that will happen. So, to that extent there is a certain investment on that. Secondly, even the new show that we launched Kismat Ki Lakiro Se etcetera that also would have had some contribution to that. Third on ShemarooMe that next level of scaling and picking the whole content and share of mind or marketing trajectory to the next level obviously the certain level of investments. So, all in taking each of these businesses in a way to a next level, but the investment has kind of won.

**Forum Makim**: Sir you are maintaining the 50 crore guidance?

**Hiren Gada**: Yeah.

**Forum Makim**: Sir my next question is you indicated that in the traditional media the broadcasting space has done well, but still we have grown only by 9% this quarter. Sir is there syndication business driving the growth or could you just give a breakup between the syndication and the broadcasting business.

**Hiren Gada**: There is a base effect on this in terms of last year base did include a few syndication deals which as I in fact said in my opening remarks that there is a base effect due to COVID that was last year when the wave 2 happened. We had some slurry of syndication sales happening at that time. So, that helped us during the first half of last year which in a way created a big effect for this year.

**Forum Makim**: Sir, could you provide a breakup between the syndication and the broadcasting business?

**Hiren Gada**: Unfortunately, right now I cannot what I can say is that the broadcast business is growth I mean the revenue in this first half have more than doubled on a year-on-year basis.

**Forum Makim**: Sir just my last question sir in a cash flows we have investment in properties of around 15 crores, so could you just throw some light on the same like what is the purpose of this investment?

**Hiren Gada**: This is what Amit just referred to in the previous question on the debt increase. So, we have an adjacent property to where we are located which we were currently renting out that property came up for sale and we bought the property as if the company bought the property that is the property addition.

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

**Dhwanil Desai**: Sir, can you give us some sense in terms of the how **ER** has moved one to three channels YoY and QoQ it may not be absolute numbers, but at least percentage terms so we get some sense as to what is the trajectory?

**Hiren Gada**: Umang is too new so there is no trend that I can give on Umang as I said it just started it hardly been 4 months since the monetization of Umang has started, but to overall give a sense and I would go back to the ratings trajectory because that is finally the linkage of the **ER** and there I can say that broadly Shemaroo TV has been roughly growing at 15 into 25 so approximately average of about 20% actually on a QoQ basis in terms of the ratings trajectory. So, with a lag as I said earlier with a 6-to-8-week lag that would translate into the ER.

**Dhwanil Desai**: On YoY that must be much higher?

**Hiren Gada**: Yeah.

**Dhwanil Desai**: And MarathiBana?

**Hiren Gada**: MarathiBana as earlier if you recall we had shared in April call that post there were some rejigging on the free dish platform due to which the ratings had dropped by more than 50% at that time because channel had changed, the transponder had changed and the channel has lot of all the channels which changed they all had dropped by anywhere between 40% to 50% in terms of US. So, we had also come up by about 50 odd percent. We have now regained back that and above actually. Now we are above the where we were pre this thing. So, the ratings has now I would say stabilized for last about 2 months to 3 months and has been on a gradual upward trajectory not some roaring upward trajectory, but gradual upward trajectory after regaining back. So, that is really brought me in the MarathiBana story.

**Dhwanil Desai**: And secondly on the digital side this 35% growth is the substantial part of that is coming because of YouTube I mean what is driving that growth because we used to grow at 20%, 25% number. So, this delta of 10% is coming from which component?

**Hiren Gada**: It is overall growth, but I would say that ShemarooMe has helped that definitely to an extent, but all have grown overall if you recall and get a thing the overall digital space itself has been on a upward trajectory. So, therefore all the components have been growing.

**Dhwanil Desai**: And just in order to understand and I do understand and respect that you guys do not give different kind of a numbers for each of the components of businesses, but at least give us some sense in terms of margin trajectory or normalized margin for let us say a digital YouTube versus aggregation versus the broadcasting because as of now we are grouping in that because we generally get a one single number and we do not know how to book at that. Some sense maybe our packing order it is not absolute numbers that would be really helpful?

**Hiren Gada**: One of the challenges is that is that there is a legacy costing of some of the content in terms of the allocation of division. Now while we would like to do that and we have been examining many ways to do it. The one challenge is that the legacy costing of some of the content or the allocation I would say of some of the content can make the margin structure very whooped. So, there was a time when digital was just 10% of the top line and therefore the allocation to digital may have been 10%, but today it is significantly higher and naturally that cost therefore the margin over there would have gone up. There are some of the practical challenges we will still look into this I am not saying no to this. We have ourselves examined in last in fact seriously examined it in the last two months actually in terms of what color or how we can give.

**Dhwanil Desai**: So let me put it differently so if I look at all other TV broadcasters broadcasting networks typically they make around 18 to anywhere between 16% to 22% kind of EBITDA margin that is the range that they operated. So, over a period of time as we scale up, is that the right kind of aspiration number to have when we are operating on a steady state basis or do you think that there are some components which will turn it upwards or downwards in different direction than this range?

**Hiren Gada**: So, I will try and address it in a different way. So, aspirationally yes we would like to reach that kind of EBITDA margin and I believe that would be a steady state margin that on an average those broadcaster I doubted anyone would make extraordinary margins over and above what would be industry benchmarks, but there are two issues within that is that most traditional broadcaster have a significant pay revenue. At this point at least are in the free-to-air space. So, there would be some difference because of that. Secondly, we have some sharp legacy Bollywood content etcetera which in a way has driven us significantly till now and will have its role in the way forward. So, we will have to see how these two kind of combine to give the overall picture I mean I would aspire for a better picture so let us hope that kind of plays out.

**Dhwanil Desai**: One follow up on this, but what I understand lot of perpetual content would have been cost it out from P&L, so in a sense it should work to your advantage negating the pay revenue impact even that understanding correct?

**Hiren Gada**: Yes for that, but as you see one of the questions you have also consistently asked is the overall inventory. So, there is a charge up of the inventory also that will play out and if you see in fact quarter-on-quarter the overall inventory level has been summing up. We are probably at our lowest level in almost three years or even more I guess. So that the charge up and the consumption rather that is happening which is giving some of these revenue growths and all of that.

**Moderator**: Thank you. The next question is from the line of Nitin Sharma from NC Pro Research. Please go ahead.

**Nitin Sharma**: On the digital revenue side in Q1 YouTube share was around 60% plus and telco was less than 10%, how much you have changed in this quarter and if you can please talk a bit about how ad related payouts from YouTube in general are progressing of this slowdown?

**Hiren Gada**: So, to answer your first question broadly the contribution of the various streams have been similar which is in fact why even to the previous question I had answered that. The growth comes from almost all the categories marginally plus or minus. Therefore, the shares also continue to remain the same. The second question if I understand correctly you are asking whether YouTube payout has reduced is that the question.

**Nitin Sharma**: Yes.

**Hiren Gada**: Payout is linked to the revenue there is no change in the payout policy, but has the revenues slowed down or reduced. To an extent definitely this global slowdown and startup ecosystem funding winter etcetera that is being so much talked about that has definitely caused some slowing down of the YouTube revenue pay.

**Moderator**: Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to Mr. Hiren Gada from Shemaroo Entertainment Limited for closing comments.

**Hiren Gada**: Thank you everyone for joining the call today and spending your time with us and look forward to an exciting quarter and Happy Diwali to everyone in advance.

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