



“Shemaroo Entertainment Limited
Q4FY2023
Earnings Conference Call”

May 10, 2023



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SHEMAROO ENTERTAINMENT LIMITED -

MANAGEMENT

: Mr. Hiren Gada - CEO

: Mr. Arghya Chakrvarthy- COO

: Mr. Amit Haria - CFO

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Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY23 Conference Call of Shemaroo Entertainment Limited hosted by Valorem Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Mr. Anuj Sonpal, CEO at Valorem Advisors. Thank you and over to you, Mr. Sonpal.

Anuj Sonpal: Thank you. Good afternoon, everyone and a 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 Fourth Quarter and Financial Year ending 2023.

Before we begin, let me mention a short cautionary statement: Some of the statements made in today's earnings call may be forward-looking in nature. Such forward looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management beliefs as well as assumptions made by and information can't be available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements and 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, I would like to introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We have with us Mr. Hiren Gada – CEO; Mr. Arghya Chakravarty – Chief Operating Officer and Mr. Amit Haria – Chief Financial Officer.

Without any further delay, I request Mr. Amit Haria to start with his opening remarks. Thank you and over to you, Sir.

Amit Haria: Thank you, Anuj, and good afternoon, everyone, and welcome to our earnings call for the fourth quarter and the financial year ended 2023.

Let me first start by giving some of the key financial highlights, after which our CEO – Mr. Hiren Gada, will give you some of the operational highlights.

For Q4 FY23, the revenue from operations stood at INR165 crores which witnessed a growth of around 76% on YoY basis. EBITDA for the quarter was INR17 crores which has jumped by around 94% year-on-year basis. EBITDA margin stood at approximately

10% and profit was reported at approximately INR 5 crores which grew by around 137% YoY basis.

For the financial year ended 2023, revenue from operations stood at INR 557 crores, representing a growth of around 46% YoY basis. EBITDA stood at INR 47 crores which was up by around 32% YoY basis. EBITDA margins stood at approximately 8.5%, while net profit was INR 9.5 crores, which grew by 78% YoY basis.

With regard to new initiatives in Q4, the expenses amounted to 1 Cr while for the year ended it was INR 54 crores. And if you adjust these investments, the adjusted EBITDA from operations in Q4 and year ended FY23 would have been approximately Rs.18 crores and Rs.101 crores respectively.

Let me now take you through the traditional media and digital media division highlights: Digital media revenues for the fourth quarter stood at Rs.53 crores which grew by around 15% YoY for the financial year ended it was Rs.224 crores, witnessing a growth of around 23% YoY. Traditional media revenues for the fourth quarter stood at around INR111 crores, which grew by around 136% YoY, while for the financial year it stood at INR333 crores, witnessing a growth of roughly 67% YoY.

Now I would request our CEO, Mr. Hiren Gada, to brief you on the operational highlights for the period under review.

Hiren Gada:

Thank you, Amit, and good afternoon, everyone. In Q4 FY23, the company delivered a strong revenue growth along with positive margins on the back of a moderate increase in ad spends in the industry, and also due to a lower base effect compared to the same quarter last year.

In line with our strategic shift over the last few years of moving from a pure B2B company towards B2B2C and B2C, I'm happy to inform you that the contribution of B2C revenues as a percentage of total revenue has doubled in FY23 versus FY22 and now stand to contribute around 1/3 of the overall revenue.

On the other update, ShemarooMe Gujarati had quite an eventful quarter where we released around 14 new titles, with content across movies, web series and plays, including original web series, 'Goti Soda' Season 3, which was well received by the audiences and digital world premiere of movies, 'Hey Kem Cho London', 'Hun Iqbal' and 'Hoon Tari Heer'. The subscription-based platform was also launched by Batelco, Zain and STC in Bahrain as well.

A portfolio of YouTube channel has continued to perform extremely well with Shemaroo FilmiGaane being 21st most subscribed channel in the world with over 64 million subscribers.

We launched full movie streaming service, South Plex with dubbed in UAE and 'VDO Box' with Jawwal in Palestine as well.

In the broadcasting segment, both Shemaroo TV and Shemaroo Umang have been consistently among the top-5 free-to-air general entertainment channel. Shemaroo

GEC channels now have a viewership share of around over 9% in the overall Hindi GEC genre today. Ratings of Shemaroo MarathiBana remain steady during the last quarter.

Lastly, we also expanded our DTH portfolio as well with the launch of a new DTH service, 'Telugu Classics' with classic movies, TV shows, biographies and songs on Tata Play in April '23.

In conclusion, considering the external economic scenario, I'm very proud and pleased with our overall performance in this financial year. We started on this journey of strategically changing the business strategy in 2019 and against all odds and against all headwinds that we have faced over the last few years, we have overcome many of these challenges without over-leveraging our balance sheet and successfully meeting our strategic goal of transforming or being on that part. Now, we are extremely confident more so than ever that the agility, strength and innovative business model along with a very strong professionally run organization with freshly inducted talent from the media industry that we have built over the years. You will see the company's financial performance significantly outperforming in the coming years. However, as a result of external factors such as inflation looming, global recession; dampened consumer demand and slowdown of funding for new age advertisers. This coupled with continued investments in our B2C initiatives, we are keeping a cautious watch on balancing our growth as well as profitability aspirations in the coming quarters, as margins could face some pressure.

With that, I open the floor for a question-and-answer session.

Moderator: We will now begin the question-and-answer session. Our first question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain

Credence Wealth: So a couple of questions from my side. One is sir, with regards to new initiatives in this quarter, it is at the lowest end, just about around Rs.1 crore. So going ahead and for the full year, the figure stands now at Rs.54 crores compared to roughly Rs.67 crores in the previous year. So, how do we look at some new initiatives spend going ahead in this current year?

Hiren Gada: We continue to invest in the broadcast venture with more channel launch plan and ShemarooMe is the other new initiative that is where the investment is going. And considering the overall scale that now we have achieved and the way forward on both these businesses, we are budgeting an investment of approximately Rs.75 crores for the next financial year. And if you recall last financial year, I had indicated that a lot of it would be front-ended and we don't anticipate... I mean, which in a way has played out in a similar way. Of course, we had a slight challenge in Q3 due to the external environment of revenue for this operation. I believe that the operations are adequately geared to fully fund the investments as we have been doing in the last few years.

Rahul Jain

Credence Wealth: Am I missing something because generally what we have been doing is every quarter or for the last few years, when the new initiative expenses have been incurred and

you have been transparently giving the new initiative number. So if I exclude the new initiative in the current quarter, I maybe going wrong in trying to do it on a quarterly analysis. But, what I find is adjusted for this, the operating margin for the current quarter is just about 10%, 11%, and in fact, for the full year also compared to 25%, 27% margins in last year, the operating margins adjusted for the new initiative comes to around 18%. So, how do we look at this, sir?

Hiren Gada:

See, on margin front, there are two things I would like to put on the margin front. One is that, as the TV broadcasting business revenue grows, the margin profile will kind of map more towards broadcaster margin profile, which is a relatively lower margin profile than what we may have had earlier, but, of course, far more capital efficient business model. Secondly, yes, some of the channels would be probably at a low breakeven or a low positive kind of a thing. So therefore if you add to that, while they are not seeking additional investment, but still the operating leverage on those channels have not yet kicked in.

Rahul Jain

Credence Wealth:

So, the margins could be higher as we move forward as the operating leverage is concerned for even the broadcast condition or what could be the basic difference between the business if you can share those margins?

Hiren Gada:

Sorry, I missed the question.

Rahul Jain

Credence Wealth:

So what I am trying to say is that as the broadcasting business revenues go up, you will see an operating leverage and probably in this quarter, there is a higher broadcasting business perspective which is affecting the margin adjusted for new initiative burn?

Hiren Gada:

So what you are saying directionally, that's how it should be, but there are two factors here which is linked to new investment. So one is new investment in existing channels in terms of new shows being launched. This I have explained earlier also that with every new show launch, there is a new higher equilibrium that we kind of try and achieve at the next level, but there is a gestation period between that new show launch and translation into revenue normally. So we'll continue launching new shows, in fact, last month also, we have launched one new show on Shemaroo Umang called Shravani. So this is one aspect of that which we expect because of that, and second is that there will be more channel launches also as we go ahead. What happens again in a new channel launch, by the time we start monetization, at least 3-4 months into the launch, so there is an expense, but the relevant revenue has not yet kicked in. So these are two factors and of course in the short term we are seeing this whole economic headwind also which is affecting and that again as we had shared in last quarter also that the situation has not significantly improved from that. It's definitely been better than what it was in that Q3, but still where the operational business is versus where the revenue translation is the external environment is definitely impacting that revenue translation. So that also is tampering the margin to that extent.

Rahul Jain

Credence Wealth: Just a question on the balance sheet items with regards to both inventories and receivables. So we had mentioned in the con call last quarter our inventories should peak out somewhere around Rs.700 crores. We have ended this current year with Rs.735 crores and receivables seems to be a bit on the higher side at about Rs.125 crores. So how do we see both these numbers going ahead, sir?

Hiren Gada:

There are two, three ways to look at this, I mean, so inventory days has come down significantly, thanks to the overall growth in the business that we have achieved. So we almost halved the Inventory days, so that is one. More importantly, we don't expect the inventory to go up; infact this is near peak and we are anticipating a fall in inventory or lowering of inventory going forward in next two, three years. So I maintain what we had shared last time. Receivables also, see, the broadcast business has 90-days receivable cycle, and that has definitely impacted. So overall, if you see year-to-year, the receivables have actually gone up by Rs.70 crores for the entire company. But thankfully the number of days has actually gone up only marginally from 53 to 60. So it is linked to the growth in turnover.

Rahul Jain

Credence Wealth: But do we see the inventory going down aggressively in next three, four quarters, are we trying to work on that on aggressive way?

Hiren Gada:

So we are working on a steady reduction of the inventory and quarter-on-quarter picture is very difficult to say, but if we look at it on an annual basis I think we should be reasonably lower on the number.

Rahul Jain

Credence Wealth: If you could share some more details in terms of new channel launches in the current year? This week, Shemaroo Chumbak, which has been launched for kids, if you could share some more details on this?

Hiren Gada:

Well, this is still you can say in a test mode in terms of test signals and distribution and all of that. So we still haven't had a full-fledged launch of the channel, but yes, we launched the test signal in April and now we are in the process of launching this channel. Based on how the year goes, we look forward to probably adding at least one more channel to the bouquet.

Rahul Jain

Credence Wealth: So one more channel over and above this kids channel in the current year, is that what you're saying?

Hiren Gada:

Yes, yes.

Moderator:

Our next question is from the line of Mayank Babla from Enam AMC. Please go ahead.

Mayank Babla

Enam AMC:

Sir my question was around the Rs.75 crores investment you're saying in the new initiative. So how will it be funded, I mean from internal accruals or what is the strategy?

Hiren Gada: Entirely internal accruals. In fact, if you see over the last four years of this change in the business model, we've invested about close to Rs.175 crores and out of that more than 80% of it has been funded through internal accrual. And in fact, this year we anticipate 100% of that to be funded from internal accrual.

Mayank Babla

Enam AMC: And my second question is what would be the free cash flow for the current quarter?

Hiren Gada: Amit doesn't have it handy here. I think we can take it offline.

Moderator: Our next question is from the line of Viraj Mehta from Equirus PMS. Please go ahead.

Viraj Mehta

Equirus PMS: A couple of questions. You had mentioned that Q4 debt of Rs.300-odd crores will be peak debt. In light of slightly tough environment and the new investments which are higher than what probably were envisaged earlier, do you still stand by that this will be our peak debt and our debt will only go down from here?

Hiren Gada: I think we could be probably one quarter here or there, so maybe Q1, what we have may be the peak debt, but I don't see now debt going up from these levels. In fact, this year actually we have targeted lowering and repayment of the debt. So, we definitely intend to close the financial year with a lowering of the debt.

Viraj Mehta

Equirus PMS: Can you share what will be that number -- will that be 30, 40, 50 crores or lower?

Hiren Gada: It's very difficult for me to put it, but yes, it should be in the range of what numbers you are saying.

Viraj Mehta

Equirus PMS: Just trying to understand the revenue trajectory. We are like at Rs.165 crores quarterly revenue in a quarter which is not even our peak quarter, so we did not have a Diwali season or something, it is just on back of broadcasting channels ramping up and we getting our share... basically viewership converting into the share of advertisement in Q4. So would it be fair to say that this is non-peak season quarter which can only grow from here quarter-on-quarter over next four quarters as obviously we launched new channels over a period of next four quarters?

Arghya Chakravarty: Just help me clarify, are you saying that this is a smaller quarter comparatively on an annual quarter basis

Viraj Mehta

Equirus PMS: Generally, what we have seen is that Shemaroo always has Q3, which is the biggest revenue and Q4 generally is lower than Q3. But this year, that has not been the case, because obviously I think your realization in both Umang and Shemaroo TV has gone up, which has kind of contributed to you doing better. So my point is, is this number sustainable and we can only grow from here on quarter-on-quarter going forward?

Arghya Chakravarty: So one is you are right. I think there are two parts to it. I mean broadcast, is ramping up, right? So in Q3 during festive time, Umang had just come up three, four months before that. So as the channels ramp up, your GRPs keep growing and hence your ability to monetize and your pricing per GRP that we can get is obviously higher and hence that is obviously ramping up. So that is one part of it for which this quarter is higher than that. But also remember that we have a lot of syndication business also, right. So that syndication business can also be lumpy. It is not unlike broadcast which is steady state and then it will keep growing, this is seasonality and so on and so forth. We have a syndication business which is our old B2B business, that has lumpiness in it. So there were also reasonable good deals which happened in this quarter, which has also contributed and they are not small amounts. So while yes, you are right from the traditional, the steady-state B2C businesses, this revenue size will keep growing up only, you are right. But at a quarter level, it also depends on what kind of syndication will happen, because that can either be a kicker or it can bring down the overall numbers depending on in what quarter a deal is getting signed and closed. Because that is not consistent deal month-on-month and all that, it depends on when deal gets struck. So that angle is also there.

Hiren Gada: I would add one more part to that, Viraj, is that given now this overall change in the model, and this is to be tested, we will only know probably in FY24 more whether it holds true or not. But we feel that the sharp seasonality that we were probably seeing earlier may come off a little bit and the normalization of the revenue trending maybe happening more also. But yes, you're right that the B2C part, there is a certain steadiness to that revenue.

**Viraj Mehta
Equirus PMS:** And in terms of ShemarooMe you had mentioned that our whole target market is probably around 25 lakhs kind of subscription that we want to achieve. Are we are track to, I mean, are we seeing that kind of traction which so much new content -.

Hiren Gada: That is the addressable question is what we had said. Of course, this is still a journey and this is the addressable market, we don't know how much of that would a) actually convert and b), how much of that we would be able to capture. But I would say that on overall metrics, ShemarooMe has been on a fairly healthy state of affairs in general. Obviously, due to competitive reasons, we are not in a position still to share more details, but definitely we've taken a pole position in the Gujarati market without a doubt and we have a very exciting lineup of content coming up over the next three, four months which I think should help consolidate further the leadership position that we have already taken.

**Viraj Mehta
Equirus PMS:** Are all the three channels on standalone basis break even or Marathibana is still not break even?

Hiren Gada: I would refrain from commenting on that because it's ultimately a bouquet or portfolio

Arghya Chakravarty: In the broadcast space, having been in a larger organization before also I think it is always a bouquet which works, I mean there will always be some ups and down

because that's how you are targeting, that's how they become with the investments made. But as a bouquet, we are looking towards making the entire piece profitable, I mean in standalone basis as well. As Hiren said it will be difficult to comment.

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

**Dhwani Desai
Turtle Capital:** First question is if I look at our trajectory on the money spent on new initiatives, I think as somebody was mentioning Rs.67 crores this year, we are at Rs.54 crores and if I remember earlier conversations we always indicated that we will invest in new initiatives, but the trajectory will go down. Now, this year, we are planning to do Rs.75 crores. So has anything changed in terms of whether we are getting more aggressive in terms of new launches than what we earlier envisaged or is that the macroeconomic thing because of which the revenue projections that we were thinking earlier for FY24 has come down, which one of them has contributed to this larger burn that we are envisaging in FY24?

Hiren Gada: Definitely it is the first one, I mean, we see more opportunities on the broadcast side and on ShemarooMe side and we feel that having created the platform and having gone through the whole initial phase and everything, I think it's only fair that we continue to aggressively press the pedal on that, because I think it's a combination of creating a strategically important pole position in a business as well as helping create scale.

**Dhwani Desai
Turtle Capital:** So essentially even my question was that, I think in one of the interviews Araghya mentioned that FY24 on broadcasting business we wanted to be profitable and I assume that goal remains barring of course the new channel launches that you do in FY24. So does it mean that the two new channels plus Shemaroo will all put together contribute to kind of a number?

Hiren Gada: As I said earlier also and in the last couple of quarters we have discussed also is that where we stand we would be break even plus or whatever. But we will keep ramping up the programming investment even on the existing channel. So, when we talk of the investment, it includes additional programming for the existing channels plus new channels on TV side and then of course ShemarooMe trajectory. That's really what this. Additional investment is all about.

**Dhwani Desai
Turtle Capital:** Second question is, you mentioned that we have now 9% share in the GEC market, right and in all our conversations the size that we're talking about with 8,000 crores, 9,000 crores including Marathibana. So our rightful share impact by around Rs.700, 800 crores even if you mark it down by 30% –

Hiren Gada: It wouldn't work that way.

**Dhwani Desai
Turtle Capital:** So I wanted to understand how does it work in terms of revenue translation.

Arghya Chakravarty: So I think first, remember that this is viewership share, it does not correspond to a straight line conversion into valuation. And secondly, this 9% viewership share is of Hindi GEC, that does not include Shemaroo Marathibana and not the Marathi state, this is the Hindi GEC market. GEC market has both pay and free. So everything put together we have had a 9% viewership share in the Q4. That will never translate into 9% value share because the pay TV is largely in urban where the GRPs are significantly more expensive. So what advertisers pay for urban GRPs are far, far higher than what they pay for rural plus urban. So hence it was not a direct conversion from volume to that. What we have quoted 9% is the viewership share, which is the volume.

Dhwanil Desai

Turtle Capital: Let's say if you want to maintain or increase our market share in terms of our content strategy, what are we doing to kind of, let's say move from 9% to 11%, 12% and also tying it with that, my observation is that most of the new show launches have been on the Umang and for Shemaroo TV the new launch slate has been relatively lighter. So, is there any strategic angle to this?

Arghya Chakravarty: I think that's a fair question. Yes, our objective is to keep on increasing our viewership share in both the channels. So let me say, yes, you are right, our show launches have been largely around Shemaroo Umang, which is a more female-oriented channel. And that's where our show launches have been and whatever the last four shows that we are talking about actually have been all launched on Umang. So, two parts to your question. How do we increase viewership share? We keep increasing our original content contribution. So the more original content that we keep pumping in with the right content, with the right consumer insight and reaching out to the right audiences, we hope to increase it. The viewership share will keep increasing with our increasing plate of original content in both the channels. And you are right, we have not had too many launches in Shemaroo TV, but that you will see it get corrected, I think in the next three to four months we should see a few launches in Shemaroo TV also. Shemaroo TV as you know, has a slightly different flavor from Shemaroo Umang. It is more a micro-cum- crime channel which targets the male audience mostly. And we have not had new launches there, but that is going to get addressed in the coming quarters again.

Hiren Gada: Having said that, our first two original launches were on Shemaroo TV only. It was then that we focused on Umang opportunity because there is a certain audience profile mix that we are targeting.

Moderator: Our next question is from the line of Harshil Solanki from Equitree Capital. Please go ahead.

Harshil Solanki

Equitree Capital: I had a few questions. First is, how many hours of original content have we achieved? It was to max out at 4, 4.5 hours. So when are we expecting that to peak out?

Hiren Gada: Right now we are at about 3.5 hours.

Arghya Chakravarty: So between the two channels the question one is when will we have 4.5 hours of original content. I assume you are meaning between the two channels or standalone

three channels, I don't know. I think as the year progresses, we should be at least having close to 4 to 4.5 hours of original content and both the channels put together. But remember, original shows also mean replacement of the current shows. It's not that all the shows will continue for the whole year and we'll keep adding. So there's also a replacement churn keeping the content fresh and live. So by the end of the next two, three quarters, we should be at least in the range of 4.5-5 hours of content between the two channels put together. I am not including Shemaroo Marathibana here because that has its own trajectory, own separate plan.

Harshil Solanki

Equitree Capital:

Next question is any specific initiatives we are taking so that we can increase the monetization of our inventory, For example, we can leverage our content and offer it to production houses like some of our competitors are doing on it?

Arghya Chakravarty:

The monetization of the inventory has multiple aspects to it. One is obviously your pre-SCP that you sell. It is a function of the GRP Kind of ratings and the kind of viewership share that you have which is also –

Hiren Gada:

I want to clarify, is this you are talking of a TV channel inventory or the company content inventory?

Harshil Solanki

Equitree Capital:

Content inventory.

Arghya Chakravarty:

Oh, I am sorry, I was responding on the TV channel. So, yes, I was talking about TV channel inventory and that also can be maximized. So solutions and selling branded content, branded solutions and all that, that is one part of it. The other part of it is something which, Hiren –

Hiren Gada:

So see, I want to first clarify and dispel this myth of the fact that what is the monetization of the inventory and whether it's happening or not or what. In the last three financial years, which is FY'21, '22 and '23, we have invested about Rs.175-odd crores in new initiative. Out of which, around Rs.143 crores has been generated or invested out of internal accruals generation. Now, these internal accruals... these cash flow generated only on this inventory itself. So while we may not have seen the P&L translation because of these new initiatives were being costed out or recognized as revenue expenses. But the fact is that this entire investment, the whole new business, has been funded, 80%-odd funding has come out of the inventory sales or monetization. Secondly, we are constantly looking at revenue opportunities from time-to-time and I'll just give you two examples here to kind of give you a sense of different directionally how things are, playing out. So we own perpetual rights to movie called 'Disco Dancer' and right now there is a musical live show going on 'Disco Dancer', which is again licensed by us for that purpose, so that is one example. Second is say this movie, 'Jab We Met' which we re-released 'Jab We Met' in theaters on the occasion of Valentine's Day in tie up with PVR. And it has done exceedingly well for the fact that it's been a re-release of a 15-year old movie. So I mean, I'm just giving you two references which have happened in this quarter itself. So, this is on a continuous basis from time-to-time we are extremely actively looking at monetizing in different ways, trying to create revenue opportunities from our inventory.

Harshil Solanki

Equitree Capital:

The next question is, how are the ad rates moving up with the increasing viewership share, if you can share at least the percentage terms?

Arghya Chakravarty:

Ad rates are moving in line with the market rates. I would refrain from calling what percentage growth and all that. And I think ad rates are a function of two things. One is obviously your GRPs and our own position in the market. Also at the same time it is dependent on the kind of demand in the market, right. At the end of the day pricing is a function of how demand and supply goes. So while as Hiren said in his opening comment, I mean in this Q4, we saw slightly moderate improved spends on the ad market in terms of demand, and hence we are able to monetize it better. Going forward, it will all depend on what kind of demand is there in the market. And yes, I mean, as our GRPs are increasing, we are steadily increasing our ad rate, but it's more or less in line with what the market rates are for the free dish space.

Moderator:

Our next question is from the line of Rishikesh Oza from Robo Capital. Please go ahead.

Rishikesh Oza

Robo Capital:

My first question is regarding the outlook on the traditional syndication business. So what is the outlook and can we go back to pre-COVID level of revenues?

Hiren Gada:

I just want to say that actually this is a conscious decision to actually move away from that rather I would say reduce the dependence of that business on the overall business mix. And therefore consciously we have taken capital away from that and invested into these new initiatives which have now ramped up. So the syndication business is a more B2B trading kind of a business with a certain **(Inaudible) 44:30**. We consciously are not looking to grow that business back to the earlier level.

Moderator:

Our next question is from the line of Hina from DAM Capital. Please go ahead.

Hina

DAM Capital:

I was browsing through our presentation and you also mentioned about the ad revenue still being subdued. I just wanted to understand if I'm not wrong, most FMCG companies have recovered on margins as of Q4 and they are all positive on continuing or increasing their ad spends. So why do we still feel that the next quarter would be subdued in terms of advertisement?

Arghya Chakravarty:

It's not that we are saying it is subdued. We are cautiously optimistic. At the end of the day, remember, FMCG though a large part of the pie there is also a set of new age advertisers who have been advertising very strongly in the past and all the fintech and other companies, startups and so on and so forth, where the funding has dried up and hence there is a bit of a challenge in their advertising. So that is one part of it. And yes, while FMCG companies have posted reasonably good results, but if you look at their results, one of the lines in which they have been a little bit cautious is on the ALM. So the outlook is positive, but at the overall level the the environment is not as buoyant as one expected despite the results being so on and so forth. But it is also because a lot of new age advertisers have really gone off the advertising spend.

Hina

DAM Capital: Just a follow up on this, how much would our split be between new age advertisement and FMCG, like a rough percentage?

Arghya Chakravarty: We use FTA channel. So in our channels, the contributions of FMCG would be far higher. But the other players do contribute to a certain percentage of the ad revenues, but they also come at a higher price index. So it's also a question of the pricing index. Normally, the price index of the FMCGs is lower. So while they take a large chunk of the GRP, but their indexing on pricing is a little lower compared to others. The total revenue is a combination of both.

Hiren Gada: I would add one more part that on the digital media side, which is all the digital video platforms where we are there, YouTube, Facebook, etc., there the startup ecosystem is the new age, definitely there has been a significant impact over there.

Hina

DAM Capital: So in that sense you would say that you'll be more cautious before –

Hiren Gada: The reason for that is a holistic view on the whole thing. It's not just the TV business on a standalone basis that we have.

Arghya Chakravarty: We also have a pretty large YouTube and Facebook business.

Hina

DAM Capital: Just one thing on advertisement enquiries, are those back at least, have those improved like enquiries from advertisers, are advertisers back in the market or even that hasn't happened, like can you expect that Q2 things will be better or something like that?

Arghya Chakravarty: It will all depend on the overall condition of the economy, how the recession pans out, what happens to the input... it's a function of various things, it's not just one or two issues. Advertisers are there in the market, it's not that they're not there, I mean, there is advertising in the market. But whether it will be as buoyant and as robust as it used to be is the question that we are not sure.

Moderator: Thank you. Our next question is from the line of Jiten Parmar from Aurum Capital. Please go ahead.

Jiten Parmar

Aurum Capital: Can you tell more about the YouTube channel and what is the monetization on that, I mean, if you can break up the revenues if you give that.

Hiren Gada: So overall. YouTube and digital video platforms, they contribute to around 50% to 60% of the digital revenue, telco is about 10% and the remaining is ShemarooMe and syndication combined. So, that is the break up for the digital business. And as we just shared with the previous question, the digital video platforms have definitely seen an impact of the startup ecosystem funding winter where many startups who have decided to kind of hold their spends, etc., or tone down their spend significantly, and that has impacted the CPMs and the ad rates and fill rates both. So, that has been a

challenge. One other fact also we would say that and this we have shared in last quarter also is if we look at it differently, there is a certain normalization of the post-COVID upsurge of consumption that had happened. Of course we are all in a new normal, but we probably we may see a couple of quarters... so consumption wise it's actually been stagnant or even degrowing because consumers are obviously going back to business or back to their normal lives or back to old habits or combination of all of that. So, therefore next couple of quarters, YouTube outlook definitely continues to remain, I would say, tepid. And not just YouTube, digital video platforms as a whole; Facebook, YouTube, etc.,

Moderator: Our next question is from the line of Nitin Sharma from MCPPro Research. Please go ahead.

Nitin Sharma

MCPPro Research: Two questions. What explains the increase in employee cost, are there any one-offs or is it the run rate going forward?

Hiren Gada: Something that I even stated in my opening remarks that there has been a strong induction of senior talent from the industry and where a huge movement towards professionalization of the entire organization, including Arghya joined us in July and subsequently there has been a series of new joiners at different levels also and definitely that would have an impact on the employee cost. This is an investment, which goes hand-in-hand on the opportunity and business model that we are looking, because ultimately we are building a platform for continuous growth and we obviously need great talent to execute that and deliver the numbers. In different way it's taking the organization to multiple next levels.

Nitin Sharma

MCPPro Research: Second question is on your traditional media business platform. Some breakup of the sub-segment would be helpful to understand the trajectory better either on the Q4 basis or full year basis?

Hiren Gada: Traditional media right now, I am not in a position to give you a break up of that. Digital, I have given the break up. But as I have said in my opening comments also, another way to look at it is that the B2C business that we embarked on has roughly now contributed 1/3 to the revenue in the entire FY23.

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

Dhwanil Desai

Turtle Capital: Sir, my next question is about digital. I think we've done reasonably well on the digital side. And if you look at the commentary of YouTube and other players, everybody had a very tepid year and quarter. So can you break it up in terms of growth, if not absolute numbers, which are the areas which has given us this growth and how do we see that area wise syndication, YouTube ShemarooMe in FY24?

Hiren Gada: Oh, you are saying in terms of the way forward. While we refrain from giving any forward-looking statement about our own performance, but I can overall share the

outlook. So, I agree with you that YouTube and Facebook, the digital video platforms are challenged and in the recent months we have seen that growth has been hard to come by, whether it's in views, whether it's in monetization, both. So we hope that this kind of situation hopefully should not last beyond two quarters. But it's a moving target and we will keep reviewing as we go along. On other fronts, the opportunities that are coming up are more on syndication front because lot of markets are opening up for Indian content and we have been striking deals across many international territories, so that is one opportunity that we are pursuing. In fact, we have been participating in various international markets and all of that. So that's one area. And of course, the other area is ShemarooMe. So as I shared earlier, we have a strong lineup on the Gujarati front. So we are looking forward for that also to continue on the growth trajectory. So yes, I think broadly these are the growth drivers on the digital front.

Dhwanil Desai

Turtle Capital:

So with this kind of a burn, are we going to be break even kind of, that is the business plan that for FY24 also we'll kind of breakeven around that number and profitability will start coming from FY25, is that how you're looking at it?

Hiren Gada:

Definitely, ShemarooMe is not looking –

Dhwanil Desai

Turtle Capital:

No, I'm saying at a company level, not at a –

Hiren Gada:

Company level, even this year we have a positive bottom line.

Arghya Chakravarty:

You're talking about digital?

Dhwanil Desai

Turtle Capital:

No, no. I'm saying at a company level. So let's say we have been around Rs.3, 4 crores profit and this quarter was slightly better or much better. So I'm saying FY24, since we are investing more around Rs.75 crores, are we targeting similar profitability or are we saying that increased scale will give us more revenue, which will offset the Rs.75 crores of new bond that we will do?

Hiren Gada:

Again, I would like to refrain from forward-looking statement, but one overall thing I would like to say is that the major focus actually for us is going to be on generating free cash flow so that we can reduce debt. I think that is going to be a very, very important... in fact, not going to be, already a very important internal target or KPI for us internally. So that is one very important thing. And as a result of that overall this thing is the reduction of the inventory. Balance sheet correction in Sync with achieving P&L scale, I think changes the whole picture completely from, I mean, that really is going to be a key focus, so at a higher scale and lower inventory and lower debt, etc., all the ratios and everything changes significantly and there is a free cash flow generation that we are definitely looking forward to during the year. So that if you ask me is a more important focus for us.

Moderator: Our next question is from the line of Harshil Solanki from Equitree Capital. Please go ahead.

**Harshil Solanki
Equitree Capital:**

I have two questions. Sir, on the employee cost, is it maxed out or are we still looking to hire more talent, because the cost has gone up substantially? And when can we see that translating into revenues for us, the investment that we are doing in that?

Arghya Chakravarty:

I don't know what you mean by when we will see the revenue increase. I mean if you look at this quarter's numbers compared to the market, I'm sure you're aware of how the media market has performed. We have grown about 76% this quarter on top line. I'm not saying that all of it is coming because of the new employees, but I think it's a host of everything put together in which everything has a role to play. So yes, we would ideally like to grow even more, but I think this is a pretty strong revenue output which is already on the table.

Hiren Gada:

Having said that, the growth that we have achieved is significantly higher than the growth in people cost. To answer your other question, yes, the overall organizational team structure, we definitely hope a large part of it should fall in place in the coming months. So the cost definitely would go up to some extent and we'll see the full impact of that because even many of the people who have joined have probably joined in Q4 or end of Q3 or -

Arghya Chakravarty:

So the full year impact will be there.

Hiren Gada:

That is definitely going to be there. But as Arghya said that the growth on top line has been significantly more than that and this is a base building for the next several levels of scale that we have.

Arghya Chakravarty:

And actually this will add to what it is, I mean we don't look at employee cost as an expense which needs to be let it off through revenue growth. I mean, this is an investment for the future of the company. So yes, revenue growth is also important, but that is we don't link it to employee cost because this is significantly changing the look and feel of the professional setup of the company. So that's how it is.

**Harshil Solanki
Equitree Capital:**

Last question is on the ROE side. When do we start moving to 17%, 18% because current levels are not even covering the cost of capital, as the promoter, how do you look at this?

Hiren Gada:

In fact I said it in my opening statement itself that, we embarked on this whole business model transformation in 2019 and we are happy to see that in spite of all the odds that came in, COVID came in, everything happened, but still within a reasonable time we have actually been able to execute that and move to the next level. Now, obviously having reached here, the opportunity to double down and scale up on a sustainable basis is significantly strong from here end. These investments are now to further cement that opportunity and I have no doubt that as we go along the translation on profitability, on return ratios, etc., we'll keep improving and most importantly as I shared earlier cash flow, which is the major focus for us this year.

Moderator: Our next question is from the line of Maan Vardhan Baid from Laurel Advisory Services Private Limited. Please go ahead.

Maan Vardhan Baid
Laurel Advisory Services

P. Ltd: I noticed on some platforms, specifically, Spotify that for certain songs they've now started showing certain components of the video. And I noticed that obviously songs where you hold video rights and the music rights live with some other licensee, on those, they don't show that video. So I'm just curious as to sort of your thoughts on that, is there an opportunity for Shemaroo?

Hiren Gada: That's definitely an opportunity. I mean, any platform that is showcasing content ends up being an opportunity for us and we explore it from time-to-time. In fact, we are at any point in time deeply engaged with each and every of these platforms to monetize and syndicate our content or license our content to them. So we do have some licensing arrangements with Spotify. I'm actually not in a position to share specific details, but we definitely have deep engagement with every platform including Spotify.

Arghya Chakravarty: And the others. So it is an opportunity and we are at it and we are continuously executing that. But as you rightly said, any of these are opportunities for us.

Maan Vardhan Baid
Laurel Advisory Services

P. Ltd: Just to take this question a little further, since we hold the video and the music rights when the video is getting played, so if that were to come, then will we substitute the person who is just offering music on these platforms?

Hiren Gada: I don't think that would be. So it will depend on what the consumer is doing. If the consumer is probably only listening to the audio, then we don't have anything over there. I don't think there's a substitution here, it's an additional service that will be offered to the consumer and it's a consumer choice whether he wants to see the video or just -

Arghya Chakravarty: Some consumers prefer to consume just the audio, some consumers prefer to see the video along with the audio. So it depends on that. I mean, I don't think it is substitution, I think these are all not fully incremental, but some percentage of it is definitely incremental.

Moderator: Our next question is from the line of Rishikesh Oza from RoboCapital. Please go ahead.

Rishikesh Oza
RoboCapital:

Actually got disconnected the last previous question. So I heard you for your traditional syndicate business that you're moving away from the business and prudent here the other part. So could you like repeat?

Hiren Gada: So yes, point over here was simple that these last 4 years journey that we have done has been an overall focus to move the company into B2C business and not B2B. And to that extent, the aggregation model that we had was something that we took capital

away and invested into the B2C business. And with that, B2C business now we not only have we scaled back to where we were, but we have put a solid growth path in play. To that extent, the aggregation business will remain relatively low focus for us, it will not be zero focus, plus our own existing library licensing anyway we would be doing. But further trading or aggregation, because it's a lumpy business, has too many third party dependencies, etc., Now we see the benefit of this B2C business significantly higher. That's really what I was trying to say.

Rishikesh Oza
RoboCapital:

Sir, my second question is regarding the Rs.75 crores investment that we are budgeting for the next year. So just I want to get a sense on how and when will this investment or initiative go down and when this will finally reflect in our cash flows and our profits?

Hiren Gada:

Fundamentally, the new initiatives where we have been investing continuously over the last few quarters. One is the broadcast business and one is ShemarooMe, the OTT platform. Now OTT platform is a strategic future-oriented investment which is still at an industry level in a kind of a buildup phase, and we expect that this will probably couple of years for it to reach a critical mass of break even and we need to keep investing till that. Our effort has been to stay as light and low on investment and still build a strong mine share and revenue market share on that front, which I believe we have done it quite frugally if you ask me. The other major investment is the broadcast business. Now broadcast business investment has two aspects to it. So while fundamentally on a steady state basis, the broadcast business breaks even where we are, but obviously the given the huge market opportunity that broadcast offers and new scaling opportunity that broadcast offers, there are two areas in which we would be investing. So, one is new channel which I shared earlier during the call, and second is on existing channels, fresh programming or adding original programming slate. So these are the two areas in which the investment would happen. So, typically each of these will have a certain cycle of breaking even and all of these are incremental investments, they are not some fresh new business foray.

Rishikesh Oza
RoboCapital:

Sir, as you said in the last three years we have invested close to around Rs.175 crores on the new initiatives, can you give a break up between our OTT and our broadcast business, how much we have invested in both the businesses?

Hiren Gada:

Sorry, unfortunately I will not be in a position to do that. But indicatively what I can say is that broadcast overall has been significantly higher and more so in the initial phase because OTT investment has started only about two years back comparatively and it was on a relatively low scale in the first year. So, definitely a large part of that investment has been in the broadcast business, but I'm not in a position to give you a break up.

Arghya Chakravarty:

And we will also be keeping the burn in our OTT business also controlled.

Rishikesh Oza
RoboCapital:

My third question is regarding the channel. So for which channels have we achieved the breakeven level?

Hiren Gada: I guess you missed the call discussion in between. We will not be able to share that. At a portfolio level, it's breaking even, but individual channel level I cannot share with you.

**Rishikesh Oza
RoboCapital:** I just wanted to understand, in broadcasting we are ramping up with and all the investments we have made and we are making more incremental investments. Any sense on what kind of revenue size are we looking down like three, four, five years?

Arghya Chakravarty: It will be very difficult to put a revenue size, it's a question of what percentage of viewership. We are chasing viewership share; right now we are at 9%, we are looking at options how we can make 10% and going forward 11%, 12%. Revenue is a function of various things. It's obviously the function of your shares, it's a function of the ad market, it's a function of what is the kind of creativity that you can bring around in your selling person. So it's a lot of things. Issue is share of viewership and how can we make the entirety thing profitable and that is what the goal is. Revenues will be the outcome of various other things and I will not be able to put a number to it.

Moderator: That was the last question of our question-and-answer session for today. I now hand the conference over to Mr. Hiren Gada from Shemaroo Entertainment Limited for closing comments. Over to you, sir.

Hiren Gada: Thank you everyone for joining and looking forward to seeing you all in the next quarter.

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