“Shemaroo Entertainment Limited
Q1-FY24
Earnings Conference Call”
20th July, 2023

ANALYST:

Mr. Anuj Sonpal – Chief Executive Officer - Valorem Advisors

SHEMAROO ENTERTAINMENT LIMITED

MANAGEMENT	**: Mr. Hiren Gada – CEO**
	: Mr. Arghya Chakrvarty- COO
	: Mr. Amit Haria- CFO

`Shemaroo Entertainment Limited
Q1 FY24 Earnings Conference Call
July 20, 2023

Moderator: Good day and welcome to the Q1 FY24 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, sir.

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 first quarter of the Financial Year 2024.

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's beliefs, as well as assumptions made by, and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's Earnings 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 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 1st Quarter of the Financial Year 2024. Let me first start off by giving you some of the key financial highlights, after which our CEO – Mr. Hiren Gada, will give you some of the operational highlights.

For Q1 FY24, the revenue from operations stood at 154 crores, which witnessed a growth of around 60% on a YoY basis. EBITDA for the quarter was 8 crores with EBITDA margins stood at around 5% and we reported a net loss of approximately 1 crore for the quarter. In Q1 FY24, the expenses related to the B2C initiatives amounted to about 13 crores and if you were to adjust for this investment, the adjusted EBITDA from the existing operations in Q1 would have been approximately 20 crores. Furthermore, the digital media revenues for the first quarter stood at 58 crores, which grew by around 20% YoY while traditional media revenues for the first quarter stood at 96 crores which grew by 100% YoY.

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

Hiren Gada: Thank you, Amit, and good afternoon everyone.

During the quarter of FY24, the Company achieved significant revenue growth of 60% year-on-year, primarily driven by enhanced monetization of its B2C businesses. This growth is in line with our strategic growth plan, driven by our new business initiatives and investments. Unfortunately, margins for the quarter remained under pressure due to both traditional and digital platforms experiencing a decline in viewership. This happened due to the availability of IPL for free on digital along with record viewership on linear television resulting in a large number of key advertisers significantly reallocating their spends towards IPL.

We also were witnessing continued slowdown in funding for new age advertisers, resulting in reduced advertising spend. The Company anticipates margins to continue and to remain under pressure in the near future due to weak advertising spends as well as expenses incurred on the new initiatives.

On the ShemarooMe Gujarati front, we released 15 new titles during the quarter with content across movies, web series and plays. We had the digital world premiere of blockbuster movies like Chal Man Jeetva Jaiye 2, Aum Mangalam Singlem and Anokhee. We launched ShemarooMe with Grameenphone in Bangladesh and Ooredoo in Oman.

On YouTube, our viewership continued to improve and with 65 million subscribers, Shemaroo Filmi Gaane is the 22nd most subscribed channel in the world.

In the broadcasting segment, we launched the Company's fourth satellite free-to-air Channel named Chumbak TV in May 2023. This channel is currently available on DD Free Dish and select cable operator and we expect the monetization to commence from the current quarter, which is Q2. Shemaroo Umang increases original programming offering to 2 hours with the launch of its original productions, Shravani and Kundali Milan, which replaced Raazz Mahal during this current quarter. Shemaroo GEC channels have a viewership share of around 7% in the overall Hindi GEC genre.

We also launched Shemaroo FAST Channel, which is free ad-supported digital television channel in USA, partnering with Sling TV and in Australia partnering with Seven Network. Overall, our growth momentum and viewership of broadcasting channels with the consumer continues to improve. Unfortunately, the industry headwinds of lower advertising spend continue to put pressure on our margins. As per industry estimates, since inflation is cooling off and as FMCG sales increase, we are hopeful of improved spends from advertisers in the second half of the year.

With that, I open the floor for a 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 Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: So, this new channel, so when do you expect breakeven, sir?

Hiren Gada: The monetization has just started in this Q2. In fact, July is the first month of monetization. We expect the full complete inventory filling to happen probably by the end of this quarter. So, two things, we've kept this as a relatively low-cost channel in terms of distribution etc. and content costs both. So, the idea is that there is a certain need gap, which we've identified, which is not a big scale opportunity, but still at that scale it could be a reasonably profitable kind or positive contribution kind of a channel. That was the thought process behind this and it in a way also adds to the bouquet strategically to the overall offering as a network. It's difficult to give at a channel level when we expect this to breakeven, but as I said, this has been conceived as a low-cost and not just conceived, even in terms of its distribution and other aspects it's currently operating at a relatively low-cost kind of a channel.

Rahil Shah: But it looks promising like the rewards of the channel?

Hiren Gada: So, the opening numbers on ratings are broadly in line with what our estimates have been. So, we should be reasonably in line with our own expectations. And as I said, considering that it's a relatively low-cost need gap opportunity that we've identified, we are quite confident that the cash breakeven on this should not be too far out.

Rahil Shah: And any other plans like new launches, channel wise?

Hiren Gada: So, as we shared on the previous quarter also that overall approach towards building a network state and therefore we will have more channel launches in the times to come; however, our effort has always been that we want to stabilize it in terms of the financial and the cash flow impact and create new additional incremental new base by launching a new channel. So, it's only incremental investment that we look forward to in terms of 2 channel launches. So, to that extent, the idea has been to do this in a way that doesn't really impact the balance sheet in any significant way and that really had been the effort.

Rahil Shah: And on the margins, you said you expect pressure to remain, how long, how long do you think, so do you expect for the full year?

Hiren Gada: So, see two things are there. I think the advertising spends overall have remained tepid since at least about 4 to 6 quarters ever since these input cost inflation challenges have happened because that has impacted the ability of companies to spend, a) and b) wherever the price hikes have been passed on, there have been a demand challenge for the various companies. Now a lot of this is actually over the last couple of quarters has been kind of normalizing, stabilizing, etc. We are hopeful that this translation of this should come back in the festive season. So, this quarter in a way was, from that point of view, a low festive kind of quarter. But we are now headed into the festive season as we...

Rahil Shah: So, that's why you said second half of the year?

Hiren Gada: The second issue is the fact that this whole startup funding winter as they call it, the extension of that now. Unfortunately, at this point, there is no clear visibility on when that kind of will unwind come back or bounce back because if you see the spend this year also on many of the marquee sporting events and things like that. So, year-on-year, if you see the key tenders, advertisers, etc. the startup ecosystem has had a significant churn. So, as a result of which the overall pie or the spending pool, the advertising pool has come down. We hope that, that should not be the case. This should wind down probably again 3 to 6 months down the line if the economy bounces back and you know...

Rahil Shah: But still on a yearly basis overall, where do you see your margins? Can it get to double digit by in second half?

Hiren Gada: So, clearly we are in a scaling focus or opportunity as we have said earlier also that there is opportunity to gain market share and scale up the business further and if you see last few quarters, the real focus and the numbers have also shown up on the scaling front. So, to that extent, this year our aspiration will be to maintain last year's EBITDA margin itself but on a higher scale because obviously, to scale up, we will need to invest and but the opportunity to really take this business to a different scale is existing and we put in lot of things, investments from that point of view, whether it's a business, people, infrastructure, brand, many other things we put in place and that is what really we are playing for. Margin, opportunities are at scale will be significantly better available because there is good amount of operating leverage available.

Rahil Shah: And lastly quickly on just the revenue, so over there you see no problems, you will be able to clock a good growth for the year as you saw in last year?

Hiren Gada: Yes, we are very confident given the way our own business mix has set up, our own organization energy is focused, we are very confident and aspiring for a strong topline growth, I mean while we don't give out guidance, but we are very confident of and as I said there is a huge amount of organization energy and momentum around that.

Moderator: Thank you. The next question is from the line of Kunal Patel from Equilligence Capitals. Please go ahead.

Kunal Patel: My first question is regarding our debt reduction. So, are we sticking to the plan of 30 to 50 crores reduction in debt for this year and coming year?

Amit Haria: Yes, as of now the debt has picked and we are on course for the investment which we had committed or indicated in the beginning of the year.

Kunal Patel: Sir, the second question is regarding our burn rate. So, it is roughly around 75 crores, around that number. So, what is our plan on that front, whether it will go up because of new launches or do you see this number steadily declining over the period of the next 5, 6 or 8 quarters?

Hiren Gada: So, you're talking about investment in new initiatives, right?

Kunal Patel: Yes.

Hiren Gada: So, last year this number was roughly about 55 odd crores. During the beginning of this year, again at the end of the previous quarter's call, we had indicated that this year's plan for us is in the range of about 75 crores for this current year. Now in this quarter, we have spent roughly about 12.5 thereabouts. I mean, if you simply annualize it, that itself works out about 50-55 odd crores kind of indicator. Right now, as of now, we will hold the 75 number as far as this current financial year is concerned and considering that, we are looking forward to a strong couple of quarters as we go forward. Definitely, there will be an investment, but yes, it will be backed by better growth in revenue and profitability and things like that. Actually, this number according to us, we should be able to manage within this, in fact well within this rather. And how this unfolds over the next financial year, right now it's too early to say because this is just the beginning of this current financial year.

Kunal Patel: Sir, one question is on our viewership. So, it dropped from 9 to 7. Is IPL the reason for that or this year do you see the ratings going back to 9 or more again?

Arghya Chakravarty: So, this is Arghya here. So, there's an overall viewership numbers have come down in this quarter obviously due to IPL. But this you are asking question about the viewership share within Hindi GEC. So, that is not really a function of IPL that the IPL overall numbers have come down but the share has come down because of primarily 2 reasons. In the quarter 4 of last financial year, BARC, which is the Broadcast Measurement Council, they have reindexed the base so that keeps happening at frequent levels, so the base has got re-casted in terms of the homes that they measure. In that recasting, the pay universe has gone up and the Free Dish universe has come down a little bit. So, if you look at not just us, if you look at even the largest Free Dish player in the GEC scenario, is they also have come down. So, hence as a result, what happened is pay universe has gone up compared to the free universe. So, that is one of the reasons why our viewership shares in the overall GEC scenario has come down a little bit. And secondly, also our marquee content, which was there in Q4, which is Ramayan and Shri Krishna, they also ended, their term ended and that also had an impact on the shares coming down. So, I think these are the two main reasons why the viewership shares would have been come from 9 to 7%. And as we keep going up, I mean the shares will keep going up, but of course that recasting of the base will have its impact for a couple of more quarters.

Kunal Patel: The first reason is not in your hand, but when it comes to content, are you planning to launch some serials or that will help you to gain market share again?

Arghya Chakravarty: As I have made comment in the beginning Shemaroo Umang is the leading GEC channel, we have increased the original programming to 2 hours right now, right? So, there is a host of launches. So, we have launched 2 shows in the first quarter and more launches are planned as we go forward. So, that is obviously something which is part of the process which is happening. So, hence I said there will be corrections, but that index correction will take its time to play out.

Kunal Patel: So, lastly, we have had quite senior guys over the last 6-8 months. So, where do you see employee expenses going forward? And secondly, what is our plan of action here because if you look at the kind of people we have hired, I'm sure we are aiming much higher than what we are right now.

Hiren Gada: So, I mean, I'll talk about the expense part, but yes, I think fundamentally two or three parts and which I even said earlier in fact in my earlier reply also was that the fact is that why this confidence of growth is so high is because there is a multifold investment that we have done right from the business front to people front to infrastructure, to brand, to content, many other aspects and it's all of that coming together. Now obviously we believe that people is the biggest investment and biggest way to encash on the opportunity that comes up and if I were to take a step back, media entertainment. So, if the economy which is expected to grow from whatever 3.5 trillion to $5-$7 trillion over the next 10 years or 6 years or whatever, we believe that the resultant growth in consumption will drive large revenue for media sector because of advertising as well as subscription. If we have to participate or rather ride that whole wave and growth, we really need obviously to have put in place all of these investments, people, business, infrastructure, etc. and putting this whole people aspect first has been the approach and we believe now that we have a fantastic leadership team and in fact next level execution team in place. So, there is absolutely no doubt about that. Now coming to where this expense will go? In this current quarter, we have spent around 26.5 crores if you see that, but this is not yet fully loaded on the people because we've had few more joining in this quarter also. So, we believe that simply annualizing itself this puts us at about 105-110 crore kind of annual number which is against the last year's number of around 85 crores, but we believe that considering the fact that the team will fully be in place or largely be in place only by July or August, I think the full year expense should be marginally higher than that. So, again difficult to give guidance at this point in time, but yes, we should be looking at somewhere in the range of about 115 to 120 odd crores as a full year expense on people, right?

Kunal Patel: Lastly, when do you see all the things coming together for us and Shemaroo becoming a much bigger, much better business than what it is right now?

Hiren Gada: I think this year definitely is an inflection year from that point of view, I believe because last year we demonstrated the fact that where what we embarked on in 2020, FY20 we saw that in spite of COVID, we were able to build our business, 2 businesses, in fact B2C revenue, the whole revenue mix, business model changed and still bounced back on the revenue and with a completely different revenue mix and cash flow mix as well as not really cause any major impact on the balance sheet and funding everything from internal approval. So, we set the base extremely well in the last financial year, and I believe this year is an inflection point for us from that point of view because we have a very solid leadership team, in fact, the whole professionalization, we have kind of dialed up in a very significant way with some really very solid, industry leading veterans and very dynamic team to be in place.

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

Maan Vardhan Baid: Sir, recently there was a case that we had with T-Series which I think in the concerned court didn't go away. Could you take us through exactly what was the matter and what was our stance and what didn't play out for us?

Hiren Gada: The matter is sub judice and we have already filed an appeal on this because we believe that we are on a strong footing and basically, where we own some of the rights where T-Series owns music rights, there is a dispute on who owns the music video rights. So, currently we are anyway not monetizing that. Our claim based on the paperwork and documentation is that the T-Series doesn't own it. T-Series has been monetizing it for the last 2 years and we believe that, that is wrongly being monetized and that is what. And so apparently it is sub judice. So, beyond that, it's very difficult for me to give you more details.

Maan Vardhan Baid: So, while I understand it's sub judice, but since the High Court has delivered, can you at least enlighten us on what the High Court's opinion was and where things didn't go our way?

Hiren Gada: No High Court has…

Maan Vardhan Baid: I mean, I understand that you appealed, so I'm not, I mean, but since there is…

Hiren Gada: No, as I said this High Court has refused to stay the monetization that T-Series is currently doing, which we believe is wrong and therefore we have the whole premise to file the case itself was that and we have gone for an appeal for that.

Maan Vardhan Baid: And I think from whatever little I read about it, there's something about link documents not being produced. So, what exactly are these documents?

Hiren Gada: Link documents are underlying agreements between their producer and music Company etc. Ultimately, we are not the producer of that work, so we would have inherited the movie as a part of our purchase of that. Now there could be some underlying documents which would be missing in that.

Maan Vardhan Baid: Fair enough. So, because we have such a large repository and that way we also had this concern whether this particular aspect is applicable to the rest of our thing as well?

Hiren Gada: No.

Maan Vardhan Baid: And can others.…

Hiren Gada: All agreements are treated individually as separate agreement.

Maan Vardhan Baid: Fair enough, understood. Sir, just wanted to understand one thing. This is more in the larger context of things, since obviously one notices that the organization is making a lot of efforts and is kind of in a transition mode. Just wanted to understand who are we benchmarking ourselves or against and what is the end game in mind or what is that aspirant model that we can look for Shemaroo, just wanted to understand?

Hiren Gada: So, couple of things. One is the whole B2C aspect of the way forward is something that... So, if we extend what I just replied to the previous question, clearly this is the opportunity ahead for the media entertainment industry. Then we obviously feel the best way to write that or participate in that is through a strong B2C play and that is something that we focused and decided and have built over the last 3 years, which now forms about one-third of our overall topline. So, that was the first step. Now if you see how the entire media space is now evolving is that finally the lines of traditional and digital beyond the point are blurring and why I'm telling you this is that it is at one level, it is the media brand, whether it's leading TV channel or it's a leading digital brand etc., it's the media brand that people or the destination that people or consumer or audience goes towards. And second is there is a content or IP brand. It could be a show, it could be a reality show, it could be whatever it may be. If that is the way things are moving, then the line between traditional and digital have already started blurring from that point of view. So, to give you an example, the top viewed category on broadcaster OTT is catch up TV. So, then it doesn't matter whether the show people are seeing on television or they are seeing on OTT, there is a viewership as an affinity or consumption of that show irrespective of traditional or digital. Now if that be the case, the way forward for us also obviously is to build that combination for us, which is to build a strong network brand which innovate helps translate on digital and all other media. So, that has been in the first step. Now where this, what can happen, I think the opportunity to scale up and gain market share is significant. We believe that there are lot of need gaps that are still underserved and we would be actively from time to time evaluate and work towards filling up those need gaps. I think the ability or the opportunity to scale up is very much there and I wouldn't want to hazard a guess right now and as to what is the end game, I think if we are able to continue to gain market share, I think anyway, there is a significant opportunity available to scale up.

Maan Vardhan Baid: Fair enough. Sir, one last question, when we sort of look at some other listed players on the digital side or sort of were beneficiaries of sort of media going on the digital side, we tend to see that there is a certain or there is a large portion of the topline that can continue even if they stop making any incremental investments. So, for us, would you be able to sort of bifurcate that sort of, how our sort of revenue especially on the digital side, what is that portion that is sustainable even if we stop making any investments? And sort of which will give us some sort of idea about how strong is our content sort of base that is there and obviously I understand that over the longer run, investments are required to sustain that run and that way the funds is 5, 10, 15 years ahead, but..?

Hiren Gada: I think it's very difficult for me to answer that question in that way. But I will try to give you a slightly different perspective on this. In the last 3 years, which is FY21, FY22 and FY23, we invested a cumulative of nearly 180 crores in new initiative. Out of that 180 odd crores, about 80% of that was funded through internal accruals, which is approximately 145 odd crores, which in a different way if you look at it, it is in a way steady state business revenue, right? So, while it's very difficult for me to answer the question straight up the way you have put it, but I'm just trying to give you a different way to look at that. So, there is a significant internal accrual or underlying cash flow being generated which is from past investments or existing content library kind of a thing. It's just that we have given the opportunity ahead of our scale of opportunity, we have decided to invest and go after that opportunity and that's really what the whole thing is about.

Maan Vardhan Baid: Understood. So, of this 180 crores of new investments that we made, we write off everything or?

Hiren Gada: Yes, this is all amount which is written-off. This is the amount which has gone into P&L, not on the balance sheet.

Maan Vardhan Baid: This is not on balance sheet. And I see a very large inventory that is on our balance sheet. What is the thought process? When do we and how do we intend to write that off?

Hiren Gada: That will happen as per consumption. Inventory, there is a clear-cut consumption and the link to consumption there is a charging of inventory. So, this year itself you will see a significant lowering down. Already in this quarter, it is slightly lower, but I wouldn't go on quarterly kind of number. If you look at it annual number, you will see this year's reasonable lowering of the inventory. And the inventory is not a static thing. So, the breakup or the composition of that keeps changing because you add content and...

Arghya Chakravarty: So, I will just add to what Hiren is saying, if you look at it on a tiny basis, as of today, whatever inventory is there will be a reduction and that would be here, but it's a variable thing, right? We will also acquire some, make some shows, acquire some stuff and so it will be a moving thing. There is an aging factor also. There are a lot of users inventory will get consumed by this year. Some part will come down but it will keep rotating.

Maan Vardhan Baid: I understood. So, again my thought and what I needed some sort of insight on was does this also provide a kind of a taxation buffer to us that in the future maybe we will see stronger progress on the cash flow front and not on the profitability front because we have so much inventory on our books, is that also…

Hiren Gada: That could be one way of looking at it.

Moderator: Thank you. The next question is from the line of Rishikesh from RoboCapital. Please go ahead.

Rishikesh: Sir my first question is if you could provide the bifurcation for digital revenues?

Hiren Gada: Digital and traditional, I'll tell you. For this quarter, digital revenue was 57 crores, which was the growth of about 20% and traditional was 96,00,00,000 which was the growth of 100%.

Rishikesh: And within digital, could you please bifurcate?

Hiren Gada: Broadly, what we have earlier given, those shares are not significantly different, which is YouTube is more than 60%, Telecom is approximately 10% and the rest comes from syndication and ShemarooMe.

Rishikesh: And Sir, regarding your B2C business, which is the TV plus OTT, what is the revenue contribution from that?

Hiren Gada: See what we have said also at the last meeting and we will give this number on an annual basis because within a quarter there could be some fluctuations particularly in the B2B side if there is lease-based business. But I can say that that number is higher than what it was in the last financial year.

Arghya Chakravarty: First way to look at it would be at an annual level because B2B part of the business can be lumpy. So, in some quarter it can get overloaded and so on and so forth. So, it will not be right; however directionally we are moving towards as we had envisaged and having said that, while we will look at it at an annual level, but also at some point in time, there will be an equilibrium, right? I mean, it's not that B2B business is contributed **(Inaudible) 42:49,** but the growth on B2C contribution is significantly high and it will continue to grow. We will be able to look at the numbers with a much better clarity at an annual level rather than quarter level.

Rishikesh: No problem. Just follow up on the B2C side, so few weeks back in the newspaper article, I think in some interview I think you said that B2C is like one-third of the total revenue, this is still like ongoing for one of the...

Hiren Gada: Yes.

Moderator: Thank you. The next question is from the line of Sakshi Chhabra from Swan Investments. Please go ahead.

Sakshi Chhabra: Sir I wanted to understand that with a drop in the viewership, how do the ad rates get affected?

Arghya Chakravarty: So, there are two things. So, viewership, obviously there is ad rate linkage to viewership as well, but ad rate largely also is the function of the demand in the market, right? I mean finally ad rate is a function of demand and supply. So, viewership, yes, if overall viewership goes up, that has a different impact, but viewership share within also is something which we have been holding on. In fact, we have improved upon it. So, for about Free Dish Universe point of view, this viewership will have not so much impact on ad rate but the ad rate will completely demand the demand which is there in the market. So, in this quarter for example, as Hiren talked about in his initial break, a lot of viewership have moved to IPL because it had some extraordinary, it was a little bit of an extraordinary event because of the fact that digital was free, so a lot of viewership moved there and also the new age advertisers that pressure continues and hence this increased viewership, a lot of demand will move towards IPL, which hopefully things will normalize post-season things come back on track, we should see the ad rates coming back. Ad rates have not really dropped so much as the viewership share, but it was primarily a function of demand and supply, not really these shares that you see.

Sakshi Chhabra: So, the ad rate that we've been receiving till now, you are saying that will not be affected to a great extent.

Arghya Chakravarty: It should improve going forward if the demand improves in the market.

Sakshi Chhabra: Right. And sir I wanted to understand that on the international side, how are we growing and what is the revenue potential?

Hiren Gada: International presence overall, so I think there are multiple fronts on which internationally we are working one is over telecom apps. So, if you see the last couple of quarters, we have been announcing newer and newer apps. That is one. Yes, including this quarter we have a Grameenphone and Ooredoo Oman. So, that is one area. The second is the US piece of the business where we have had a significant tie up and launch with the largest digital platform in US called Sling where we launched combination of linear and video on demand content and so that is the second thing. And third is the overall presence and syndication in various international territories, whether it's Southeast Asia, Middle East, Russia, CIS, MENA. So, multiple areas that is being by dialed-up in fact again we were not there, there's a significant people investment that has happened. So, as the teams are settling in, the business over there is kind of getting dialed up on a continuous basis.

Arghya Chakravarty: It's a very strong growth trajectory, but it is a significant upward rate, but obviously the plans are even higher.

Hiren Gada: And the starting scale base has been very low. So, we obviously see a larger potential.

Arghya Chakravarty: We also opened up, you know, tied up with the FAST channel in Australia with the Seven Networks. So, multiple actions are happening and I mean the trajectory is very high, but it is in a low base. So, I think you will have to wait and watch over a few more couple, at least three or four more quarters to see what is the real potential.

Sakshi Chhabra: But any indication as to what percentage of revenue it might contribute in this year or in the coming year?

Hiren Gada: As I said, the base is too low, so this year it's not obviously significant, but we are setting it up. This year for this business is a much more base building here and therefore setting it up for the next couple of years. So, this is a large opportunity. Obviously, we have to execute and put many things in place because while it is a large opportunity, it's also a complicated opportunity. So, we have to manage the opportunity to scale.

Arghya Chakravarty: So, this is slightly long term, I don't think we should look at it as contribution this year, next year and all that. It is as Hiren said, it is a very large opportunity has been identified as such. We have put in place manpower, right. I mean as we're still building on it actually. So, it will all settle in and we were building it, so growth and all that is irrelevant because it's very small at the end of last year. And this is a longer place. I really can't comment right now because it's in a completely built phase right.

Moderator: Thank you. The next question is from the line of Rohit Trivedi as an individual investor, please go ahead.

Rohit Trivedi: Hi, Hiren. So, my first question is about these three channels, Shemaroo TV, Umang and MarathiBana. We are substantially investing in these three channels kind of for now quite some time. So, if we keep the aberration of IPL out kind of right of two months, April and May, then how is the volume till date and competitive intensity in this 3 channels specifically, and when do we expect as a pack kind of like broadcasting to breakeven?

Arghya Chakravarty: So, let me answer that. So, we have to look at all these three differently, okay, while it is a bouquet of 3 channels. Shemaroo MarathiBana, we have not really invested in too many original shows yet. It is still to happen from August, September on sometime in that time onwards. We had invested a lot in Umang and Umang has also as you remember it has not seen a full year of completion, it will see a one full year of completion sometime in July this year, it will see one full year because it has started sometime in July last.

Hiren Gada: So, the channel was launched in April, but the monetization started in July, full-fledged monetization impact probably by August, September onwards.

Arghya Chakravarty: If I remove these two months of IPL and even during this month of IPL also, there were not too many issues in terms of fill rates**.** The fills were there, but as I said, it is all a function of volume and value. The fill rates because a lot of demand moved away from there, hence the pricing obviously with the challenge because of also the fact that the new age advertisers also, there's a slowdown there. There's a funding winter there. But standalone business, I think both the channels are on strong growth momentum. In fact, MarathiBana is also on a growth momentum, but not to the extent that because there's a new original content will start happening from sometime in the second end of this quarter or the third quarter onwards. So, the first two channels are on pretty strong momentum as we speak. In fact, lot of viewership have also started coming back; from IPL went away and from June onwards, viewership started coming back. So, no issues there. And as Hiren has been said in the past, also Rohit, broadcast, we should not look at it channel by channel profitability, we are looking at...

Rohit Trivedi: So, I'm really sorry to disturb you because I'm attending these calls for a long period of time, so I really appreciate the qualitative positive commentary that always comes up from the Company that's really great, right? But if you could really provide some concrete information if not in terms of number, but then in terms of direction kind of like that, how the ad rates are shaping up because this is very important from overall directional perspective as well as kind of right from bottomline perspective. So, let's say whether ad rate has kind of improved 15%-20%, whether it is stagnant, whether it's going down because still volume is possible for every broadcasting channel, right? But the ad rate determines the overall profitability. I'm really sorry again to disturb you, but if you could provide some concrete details that would be very helpful.

Arghya Chakravarty: Ad rates have definitely gone up from the way in which it was standing last year. I mean, the ad rates are definitely higher, but as I said, the ad rate could have been even higher had there not been this bump in this quarter because of IPL taking away the viewership. So, ad rates have gone up. Percentage wise, this is again very difficult to say because remember this is also very seasonal business. So, the ad rate real comparison will happen in the specific quarter when we climbed over the last year question. So, hence there is a reasonable growth, single digit growth, not in double digits. But that, as I said, as the demand will come back, that also should come back.

Hiren Gada: I will just let add one small part to that. So, breakup is ad rate is one is what is the cost of an eyeball that has gone up. However, considering the fact that viewership has itself gone down by say whatever 20% or 30% due to combination of the rebasing of BARC as well as the IPL thing and all of that. So, the number of eyeballs itself has come down. Therefore, the effective rate obviously would drop to that extent. But the cost of an eyeball has gone up. That's what Arghya was saying that's right.

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

Shikha Mehta: I just have two questions. One is with regards to the World Cup coming at the end of this year, we witnessed such a reduction in viewership due to IPL, our trajectory is quite positive, but the World Cup is coming too and I think there were some news articles about Disney Hotstar showcasing that for free as well. So, are we not expecting some viewership to reduce because of that too, that's number one. And number two is so we mentioned earlier in the call that we are expecting to launch more channels, but do we have some target in mind where this stops because for the last two years, there has been this burn on the profit and loss and any guidance or even on guidance, but if you can just talk about where one can expect profitability to come in?

Arghya Chakravarty: So, I'll answer the first part and I will leave the second for Hiren to answer. Yes, the World Cup is coming and that also will be free on Disney Hotstar. But remember the World Cup is not as hot and as bigger property as IPL, it's quite different. So, also the World Cup will have lot of matches. There will be the India matches are more, will have that much, there will be some viewership stress in the India and probably India, Pakistan match, there will definitely be on that day there will viewership pullup. But apart from that, the kind of impact that IPL has and also remember, IPL is a three-hour match. The World Cup is a one-day match. Hence the intensity of viewership will not be there for that. And also, IPL happens during prime time. So, it's exactly from 8 to 11, which is the core prime time of television. So, hence the impact is significantly higher. Whereas one day happens through the day and the pull and the demand, there will be some stress for sure, but not to the extent that IPL has. They are two very different ball games.

Hiren Gada: The second question that you asked was regarding the launch of channels and all of that. So, at the beginning of this year when at the end of Q4 call, we have put an investment guidance of about 75 crores and we definitely are hopeful that we should be able to manage the year within less than that. That's one thing. Secondly, something that I have shared earlier also on this call and in the past also is that all of these investments that has happened has really helped us gain scale and position us strongly for the opportunity ahead. At the same time, not really impact the balance sheet or cash flows because a large part of it, approximately 80% of it is funded through internal accrual. And I don't see that approach or orientation will change. We have maintained a very strong financial discipline over the years, in fact, if you factor in COVID, I mean, in spite of COVID impact also, throughout that period financial discipline has been maintained. So, I don't see that. So, the approach to any new launch also is that based on a cash flow planning that is there cash flow permitting, what level of investment etc.?

Shikha Mehta: Right. So, then are we saying that we are going to be focusing merely on cash flows and not on profitability because that is what has happened over the last few years?

Hiren Gada: In an investment phase, that's exactly what will happen right. When you are scaling up, you will fund your scaling through cash flow and we have never diluted equity, we've not really gone overboard on the debt side. So, obviously, to maintain that discipline, one has to focus on the cash flow part.

Shikha Mehta: So, how long do we expect this investment phase to last for because investors have already been rather patient over the last three-year period.

Hiren Gada: So, Shikha, I think the idea here is not about how long this and if I have to put a different this thing is that, this opportunity of scaling is the once in a lifetime or a literally one time opportunity that is available and we have clearly at the stated point that we are going to go after it. We have changed the whole business model exactly that and that growth momentum is visible to us across the board. Of course as we grow, we will see operating leverage and better profitability kick in from the earlier investments and ultimately we will reach and we hope that this point should be available in the next 4 to 6 quarters the point where newer channel launches etc. will be funded from internal accruals of the business itself. So, we hope that in 4 to 6 quarters, that kind of situation we should be able to arrive at.

Moderator: Thank you. The next question is a follow-up question from the line of Rohit Trivedi as an individual investor. Please go ahead.

Rohit Trivedi: So, thank you again Arghya and Hiren. So, this is a follow-up question kind of right from my previous one around the channel. So, my second part was cut down. So, how is the competitive intensity shaping up in Shemaroo TV, Umang and MarathiBana, that is number one and number two going forward, how do we see the ad rate shaping up? So, let's say after the IPL got over in last month and a half, how the ad rate has shaped the post IPL, that is my first question. And second is just a bookkeeping one, if you could provide the inventory and debt level data. Thank you.

Arghya Chakravarty: Can you just repeat the first part please, sorry.

Rohit Trivedi: So, for three of the channels, Shemaroo TV, Umang and MarathiBana..

Arghya Chakravarty: So, the competition intensity remains as strong as it is because in fact I would say the competition intensity will keep at the same pace. The same number of channels, there are obviously some new Hindi movie channels are coming in the Free Dish space. In the Free Dish space, the GEC and movies are not really separate because Free Dish is Free Dish, hence the competition intensity in any of the broadcast, I mean broadcast business has been always competitive and I don't see competition intensity coming down. Having said that, we have also geared up, we have also launched a lot of new shows, further new show launches are planned. Hence, I think we are fully aware of it and if I look at the movement in terms of ad rates and TRPs in the last couple of weeks or so, I think we are completely geared up to handle that. That is one. In terms of ad rate movements, it is again too early, but I said ad rate movements is a function of demand also coming back, the demand has to continue to be on the slower side in the month of July as we speak. June has been okay. I think June was a little better, towards the end of June was slightly better than what it was in the past, but a lot in the future will depend on how festive turns out. So, there is a lot of hope and anticipation that the festive quarter will be really good and that's where the ad rates should see a real jump with demand coming back. So, we are hoping for at least a double-digit growth in ad rates in the festive quarter. On the inventory and debt, Hiren.

Hiren Gada: So, on the inventory and debt, our inventory for June 30th is at 723 crores versus 734 crores of March and debt is at 341 crores versus 321 crores of March. And as Amit has indicated this, we are very confident that debt has now picked out from here and Amit is quite confident of the year-end target.

Amit Haria: So, we are confident that we'll be able to achieve the indicated target of debt reduction.

Rohit Trivedi: Thank you. Thanks a lot really. And if I could squeeze in one last one around ShemarooMe, if you could give some qualitative comments around how the traction is, how the subscription is going on that would be very helpful. Thank you.

Hiren Gada: Numbers is difficult, but qualitatively I can definitely add a couple of things. One is the brand share of voice or share of mind is tracking exceedingly well. And we have really grown literally as the default option as far as Gujarati language is concerned. So, that's something which is very good. Secondly, most of the numbers and this is something which in a growing business is bound to happen. Most of the numbers are at their highest in this last quarter in terms of consumption, metrics and things like that. And this is in spite of the fact that for the first two months, we did not have any significant tentpole marquee release. A strong release only came towards at the end of May. So, we just had five weeks, but still the qualitative tracking of ShemarooMe has been continues to remain strong.

Moderator: Thank you. The next question is from the line of Tushar Bornare as an individual investor, please go ahead.

Tushar Bornare: I wanted to just ask about the movie distribution business. Are we having anything in the pipeline for this particular segment?

Hiren Gada: Movie distribution, meaning theatrical distribution.

Tushar Bornare: Yes.

Hiren Gada: No, we've never been in that business.

Tushar Bornare: And what about the OTT business in particularly regional segment? How are we looking forward for this year in this business?

Hiren Gada: So, as I just shared, I mean for us within regional, our core focus of investment, brand building, customer acquisition etc. everything has been around the Gujarati language. And so that is something that we have strongly built the whole consumer proposition, consumer offering and marketed it strongly and keep adding content on a regular basis. We have shared some of the marquee top titles that we have added during this June quarter. So, the focus on Gujarati and we have clearly for us achieving leadership and maintaining leadership in the Gujarati category has been a clear investment and focus for us and that's something that we have been pursuing.

Tushar Bornare: And what about the Marathi segment? And what have we invested in like how much we have invested and what are the profits coming out from this regional segment business or are we still burning the cash?

Hiren Gada: So, Marathi on OTT is not really an investment focus. So, we are not investing anything for OTT. We have an existing library which is available for our OTT audience to view. So, beyond that, there is no specific investment that is happening on Marathi on the OTT side.

Tushar Bornare: And the TV channel revenue estimates for this financial year, can you just share what can we expect in the revenue guidance with related to TV channel revenues for this financial year?

Hiren Gada: Tushar, we never shared that and we wouldn't be in a position to share that. We have given that overall guidance, overall outlook for the business during this call. So, beyond that, it is very difficult and we've in the past also not shared.

Tushar Bornare: But are we at least at breakeven or are we still investing in these channels?

Hiren Gada: Tushar, in fact during the call also and in the release also, we have indicated that during this quarter the investment in new initiative has been around 12.5 crores. That's the P&L gap between revenue and cost for the B2C business initiatives.

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

Hiren Gada: Thank you everyone for attending this quarter’s earnings call and we're definitely looking forward to a great year ahead. And as the investments that we made, they play out in terms of the results. Thank you and all the best.

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