



“Shemaroo Entertainment Ltd. Q3 FY15 Earnings Conference Call”

January 21, 2015



MODERATOR: MR. ROHIT DOKANIA – ANALYST, IDFC SECURITIES LIMITED.

**MANAGEMENT: MR. HIREN GADA – WHOLE-TIME DIRECTOR & CFO, SHEMAROO ENTERTAINMENT LTD.
MR. JAI MAROO – NON-EXECUTIVE DIRECTOR, SHEMAROO ENTERTAINMENT LTD.**



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Moderator

Ladies and gentlemen good day and welcome to the Shemaroo Entertainment Q3 FY15 Earnings Conference Call hosted by IDFC Securities Limited. As a reminder all participant lines will be in the listen-only mode. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. At now hand the conference over to Mr. Rohit Dokania from IDFC Securities. Thank you and over to you sir.

Rohit Dokania:

Thank you Margaret. Good morning everyone, we at IDFC Securities are please to host the Q3 FY15 result conference call of Shemaroo Entertainment Limited. The management is represented by Mr. Hiren Gada –Whole-Time Director & CFO, Mr. Jai Maroo – Director and New Media Head. We will begin the call with a short commentary from the management, post which we will enter the Q&A. Thank you and over to Mr. Gada.

Hiren Gada:

Good morning gentlemen this is Hiren Gada from Shemaroo Entertainment and thank you very much for joining in on the analyst call today for our Q3 and nine months' ended December 2014 for FY15 results.

Please to report that we had a very-very good quarter, and for a nine month period our total income is up by about 12% to 2037 crores, EBITDA margin is up to 25.7% versus 22.7% and the net profit after tax is up by 37.4% to 28.3 crores. And PAT margin is up to 11.9% versus 9.7% on a Y-o-Y basis. So we had a very good nine month period, for the quarter ended December the total income has increased by 1.5% to 87 crores versus 86.3 crores. The EBITDA margin is up to 23.1% versus 20%. There is a 17.5% growth in the EBITDA and PAT margin is up to 11.6% versus 8.5%. With a 38% increase in PAT for the period to 10.19 versus 7.37 at a company level. Just moving on to the digital business which we have been reporting in the past and on the operational highlights just on the digital business the New Media business has grown Q3 Y-o-Y at it has been at 9.89 crores versus 7.3 crores which is a 36% growth. And a nine month up to December digital the New Media business is 25.86 crores versus nine month to FY 14 of 18.03 crores so that is a 43% growth for the nine months period.

Further highlights on the New Media business:

YouTube has launched an offline feature which is design to help increase content consumption in Indian conditions where the bandwidth constraints are very high. We have started deploying movies on Facebook on a paid basis so a new experiment that Facebook has started a small experiment on which they started deploying and we have got probably one of the largest deployment of Indian films on to that experiment. We have also closed agreement with Samsung for Samsung Club app, for India and the South West Asian markets. So there is a good amount of traction happening from a whole lot of platforms that have been deployed and



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new platforms that are coming up including some of the existing platforms that are adding new features such as YouTube feature.

In terms of the YouTube itself as we have been reporting our monthly views, very-very happy and please to report that in this quarter we have crossed actually 60 million views run rate on a monthly basis, so the graph has consistently been going up and we have don't in December close to about 65 million views. So our daily views which were in the range of 1.5 to 2 million has actually crossed the average of 2 million views in this quarters. So that is a very interesting development.

Overall, if we look at the nine months figures I think this year is looking pretty good till now and we are looking forward to maintaining the overall margins, numbers, etc. In a similar manner, so that is a brief highlight about the operation, I think since this is our second analyst call I think in the previous analyst call we had discussed in more detail about the company's business and operations. For the benefit of some of the people who may have not been introduced to Shemaroo earlier I will just very quickly in a minute just take you through the overall business model which is that we are, one of the large aggregators, owners and distributors of film content copyright. And fundamentally distributing films which are by and large presence wise in terms of films we look at films which have completed 5 to 7 years and more and distributing them into what is called the long tail or the subsequent monetization cycles of films. And distributing into various Medias so the traditional media such as television, physical home video and overseas markets and any other markets are consumption platforms where films get consumed. And the digital or the New Media which is exciting growing opportunity and growth media which is the internet, mobile and all other emerging media such as the various devices and apps and so many different ways in which film content is now getting consumed.

So that is the larger business model and Rohit, I think we can start with the questions with that introduction.

Rohit Dokania: Yes, sure. So Margaret can we please take the Q&A.

Moderator: Sure. Thank you very much. We will now begin the question and answer session. The first question is from the line of H R Gala from Panav Advisors. Please go ahead.

H R Gala: I just wanted to broadly understand your business model you did say that we are one of the largest aggregators. So basically can you explain in a layman's language that how do we approach the business like there will be film studios or the producers of the film who will have the IPR of the film.

Hiren Gada: Yes.

H R Gala: So we buy the rights totally or how do we go about it?



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Hiren Gada:

Okay. So what I will do is, there is a short answer which I will give on this call and maybe we can follow it up with a longer answer or deeper understanding in a subsequently. So basically what we do is essentially, ultimately the creator of the content is the producer and so we will buy the various rights from the producer for distributing the film content across all the various media and platform so television being one of them, physical home video being one of them, Digital Media being one of them and by and large what we do is we buy a bundle of the rights and that is then unbundled across different platforms we sell in as many slice and dice as many platforms as possible. What we also do, so there are two types and two ways in which the film content, the content library built up happens. First is in the form of what we call perpetual rights, so where we have bought out the producer interest completely lock stock and barrel perpetually. So we have stepped into the shoes of the producer for those films. And then there are the limited rights or the aggregate rights where we have partial rights and not the entire film ownership. So there are many films in which we have a partial right so it may be partial either in terms of the media of consumption or in terms of the geography or in terms of the period.

H R Gala:

I understand. So sir in terms of the content library that we may be having how many films you would be having in the library?

Hiren Gada:

It is close to about 3,000 based on our disclosure in September 2014.

H R Gala:

Okay, out of that how much would be perpetual rights type and how much would be the partial right very roughly.

Hiren Gada:

Roughly about 750 out of that would be perpetual and the remaining would be partial and this is again broken up into three categories. So this number of titles which I said about 3,000 is, there are three categories in which we have broken it up first is the Hindi language, then there is a regional language and then there is what we call special interest or non-film kind of content. So all combination of all this put together we would be having close to 3,000 titles, 2900 plus some number. And out of which 750 odd is perpetual and the remaining is aggregate or partial rights.

H R Gala:

Okay. The second thing I wanted to understand was from the September results, our total receivables are almost of the same size as what our turnover was last year, so I just wanted to know that why payment cycles are so long?

Hiren Gada:

Actually this was a question which had also come up in the last call also. So by and large given the nature of the business that some of the key clients are some of the large broadcaster and there is an industry practice in terms of the overall receivable cycle. So our normal receivable cycle is in the range of between 180 days to 200 days receivable cycle. So in the September quarter however we had some scheduled payment which were falling after the quarter which actually has been received subsequently so currently for, so while we are not statutorily we are not supposed to give the balance sheet on this December quarter results. But all I can say is



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that, the receivable number is, in terms of number or days outstanding we are kind of in that 180 to 200 days range we are back in that range. It has normalized.

H R Gala: Okay. And as far as the inventory is concerned I think the valuation of the inventory you must be doing at the cost?

Hiren Gada: Yes.

H R Gala: Of this titles that we have?

Hiren Gada: Yes.

H R Gala: Okay. Now just one question, going ahead how do you see our operating profit margin before other income behave. Right now we are at consolidated level in the range of around 24%. So how do you see the margin grow as we go ahead?

Hiren Gada: In general as the ROI, IRR on our deals were content acquisition is the guiding principal in general for us. However given that we look at achieving a certain ROI on most of the deals that we do, the margin range that we normally would pursue or fall under at a EBITDA level could be somewhere in the 23 to 28% range. That is the general range that we would target.

H R Gala: Okay. So right now we are 24 so there is scope for improvement?

Hiren Gada: Yes. There is one more part to it which is that the digital business has a high operating leverage so as it is growing faster than the traditional business the contribution or the margin over there is obviously.

H R Gala: Insignificantly higher.

Hiren Gada: Growing faster and we are hoping that kind of continues in that manner.

H R Gala: And revenue growth you expect in the range of 12 to 15%?

Hiren Gada: So if you see the industry projection by and large so there are two parts the traditional business as a traditional media, industry projection is in the range of about anywhere between 14 to 17% kind of growth and digital business is about 30 to 35% by and large. And our target would be to outperform on both the accounts.

H R Gala: Revenue growth could be much higher than 12% what we have seen in this nine months?

Hiren Gada: That would be our target definitely we would look at doing better than that.



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H R Gala: Okay. Is there any capital expenditure requirement because I think our fix asset base is hardly anything at 30 crores.

Hiren Gada: By and large so the only CAPEX that we would have and which is currently not really in a big thing, it is some amount of technical equipment that we keep adding for some of the technical facility of restoration, conversion, etc that we have. But given the overall nature of the size of the balance sheet and all of that I would say that is very-very insignificant. The real focus of the investment at any point in time is on content, in building up the library, growing it, adding significant more titles and things like that. Or significant important titles.

H R Gala: Okay, and this IPO we had issued at how much, Rs.165 or something?

Hiren Gada: IPO there was institutional price was at Rs.170 and we had given a retail discount of 10% so that was at Rs.153. So the non-retail price was 170 and the retail price was 153.

H R Gala: Okay, that is why the weighted average comes to something like 165.

Hiren Gada: Probably.

H R Gala: Thank you very much Hiten and wish you all the best.

Moderator: Thank you. The next question is from the line of Vikash Mantri from ICICI Securities. Please go ahead.

Vikash Mantri: Sir just an update on the, we have said that 70 crores is what is left with us in terms of cash to be utilized. So can you help us with the IPO proceeds usage till now, you have said working capital so can you help us from last quarter onwards how was the working capital lines moved also the debt?

Hiren Gada: What we have done basically is that and that was stated even at the time of the IPO that, since we had working capital limit the immediate deployment of the proceeds of the IPO would be to reduce the draw down on the working capital and anything access over and above that we would park it into liquid funds which is what we have done. And second part is that along with that considering that we have, our debt equity ratio and overall gearing has improved significantly post the IPO. We are looking at reducing the overall cost of borrowing along with that so, we are in that process and we are just got an credit rating upgrade from Crisil to A minus so, we are in that process of pre-negotiating and getting the overall cost of the borrowing lower down so that is on the debt front. On the overall utilization front basically what we have done is essentially there is a as we have earlier also being putting is that the investment in the content or the inventory has definitely been going up and we have acquired few libraries as a part of the investment in this period. So that is really where the bulk of the investment or the cash deployment has gone.



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Vikash Mantri: Sir can you quantify it, I am looking for numbers here. Our receivables went up by close to 100 crores last half year, so that would have come down so would have generated close to 100 crores of cash so how would have that got utilized into payables and inventories is that way as what I was looking at.

Hiren Gada: Okay. So we had certain payables also earlier prior to that so the payables have come down so part of the cash has been deployed in the payables and secondly the stock would have gone up by the remaining amount. Right now I am not in a position to give the exact number but basically...

Vikash Mantri: No, sir last quarter we were at 140 crores of cash and now we are at 70 crores of cash and 100 crores are receivables would have gone now. So around 170 crores we have deployed in the last three months is that.

Hiren Gada: So out of that some part of it was IPO refund and cost of the IPO and things like that. So there is about probably I do not have the exact number right now but probably more than 35 crores would have gone into that. And remaining about of that as I said a combination of payables going down and inventory going up that is really.

Vikash Mantri: But has our inventory gone up of more than 75-80 crores.

Hiren Gada: Inventory has gone up, would have gone up by about offhand I cannot recall the figure but it could be up by more than 70 crores.

Vikash Mantri: Okay. That explains it. On the P&L line our other expenses if I look at sequentially you have jumped up by 10 crores and if you look at by Y-o-Y it has jumped up more than 22 crores. Can you explain that line item please?

Hiren Gada: Other expense is in fact jumped by about 3 crores in nine months.

Vikash Mantri: I am looking at quarter sir. Okay, sorry that is 4.7 to 5.7 sorry my error.

Hiren Gada: Yes.

Vikash Mantri: Okay. And other income given that we would have around 70 crores of cash with us should have been higher just generated 38 lakhs?

Hiren Gada: No, as I said that the majority of the deployment was in the drawdown of the reducing the drawdown, so if you see the finance cost has real impact of the cash inflow is on the finance cost. So that finance cost has come down from 6.26 to 3.41 in this quarter.

Moderator: Thank you. The next question is from the line of Jay Gandhifrom Antique Stock Broking. Please go ahead.



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- Jay Gandhi:** My question is more pertain to the New Media. Just wanted to know what is the number of YouTube views this quarter and nine months?
- Hiren Gada:** So, as I mentioned we have crossed the run rate of 2 million views a day in this quarter so as a result if you see the graph also the numbers we have crossed the line of 60 million views a month.
- Jay Gandhi:** 60 million views a month?
- Hiren Gada:** That is what we have crossed in this quarter. So each of the month we have done up wards of 60 million views.
- Jay Gandhi:** And what percentage of views of these are monetized?
- Hiren Gada:** I will hand over to Jai to share that.
- Jai Maroo:** So the percentage of views monetized we are not reporting it month-by-month but in general the range has been upward of 40%, it has a small variation from months to month this quarter typically has a higher percentage because seasonally Diwali and Christmas both fall in this quarter so monetization tends to always be higher in this quarter. But overall we have seen that the monetization percentage has grown for the last few years from when it was just in the range of 20% to upwards of 40 going as high as 50 in certain month.
- Jay Gandhi:** Okay, so 40-45 is the safe number to build in.
- Jai Maroo:** Safe number.
- Jay Gandhi:** And in New Medias I guess M VAS and YouTube revenues are the only two revenue lines that you have right?
- Jai Maroo:** Yes.
- Jay Gandhi:** So just in this quarter if I have to split between M VAS and YouTube.
- Jai Maroo:** I will add that it is not only M VAS and YouTube but there are a couple of other things particularly on the DTH side that we also have. DTH VAS also.
- Jay Gandhi:** Alright, but then the chunk the major chunk comes from M VAS.
- Hiren Gada:** Yes.
- Jay Gandhi:** If you could give me a spit between the two for the quarter if it's possible.



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- Hiren Gada:** But we are not giving that split.
- Jay Gandhi:** Okay, fair enough. Sir one more thing.
- Hiren Gada:** All I can say is that traditionally, I will just add to that, that traditionally it is being in the range of 50-50 and it depends on quarter-on-quarter like Jai mentioned that in a quarter when the ad spends are high the YouTube would tip over 50 versus if it is lower the M VAS would be above 50 so you can say roughly 50-50 on an average. And second point is that it is not YouTube and M VAS, it is internet and M VAS because there are many more interest service and YouTube is one part of internet.
- Jay Gandhi:** Okay. Well that brings me to the next question actually. So have we managed to push more of our content on paid platforms, in the sense subscription based?
- Hiren Gada:** Yes. Absolutely, so we already have a presence on many upcoming services, services that have already launched as well as services which are up coming, which have a paid presence whether it be transactional based or subscription based. And even on international services we have been increasing our presence in fact that is why we in the highlights also reported a couple of those points as well. So we are now deployed on iTunes, we are now deployed on Google play, like we said we have just started with Facebook on a paid platform basis, and these are some of the international names but we are also present in our existing client base we also have customers like a Box TV, Big Flicks and many other such customers, other such services which are have subscription based income as well.
- Jay Gandhi:** Alright. Also you have recently just produced a movie Hunter right?
- Hiren Gada:** Yes.
- Jay Gandhi:** So I just want to have a view of what could have the cost been?
- Hiren Gada:** Couple of things. Hunter is an extremely low budget film, I cannot give the numbers parse but it is an extremely low budget film and actually we are one of four co-producers in that film so to that extent we are, it is a small participation that we have and the content which gives us two advantage one is of course it is an extremely good content and the kind of co-producers in this include people like Anurag Kashyap and Vikas Bahl who made movies like Gangs of Wasseypur and Queen. Secondly, as I said it is a low cost participation but more importantly the content is extremely digital, friendly in terms of kind of subject and genre which is very-very strong on the Digital Media already our trailer has crossed one million views on YouTube within about a week or so of launch so that is the kind of traction or the kind of response that it is been gaining. And to give you a larger sense on the overall involvement, all I can say is that Shemaroo involvement on this project is less than 1% of its balance sheet.



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- Moderator:** Thank you. The next question is from the line of Ankit Kedia from Centrum Broking. Please go ahead.
- Ankit Kedia:** Sir this quarter we have seen a decline in traditional media and services revenues. So could you highlight the reason why we have seen a decline in our core business?
- Hiren Gada:** Two things happen, if you see the overall nine months there is a decent growth, sometimes it is, basically two things happen one is that we have some of the deals are high margin, low turnover and some deals are low margin, high turnover so all I can say is that on the previous year we would have done some lower margin high turnover deals this year so to maintain the ROI either you go up on the top line or you go up on the margin one of the two. So that is really the whole thing.
- Ankit Kedia:** So would everything be accounted to a higher margin turnover or there would be certain proportion of business last year which would have been high volume, low margins so could you throw some more data points on that?
- Hiren Gada:** A large part of the difference or the flattening of the top line that you are seeing would be accounted for the fact that we would have done some low margin high turnover business in the same quarter of the previous year.
- Ankit Kedia:** So going forward what would be the mix of low margin, high volume deals is it seasonal in nature, does it happen?
- Hiren Gada:** It is more opportunistic I would say than seasonal because when we take up some content we understand that whether this is a long call content or a short call content, if it is short you understand that the margin is going to be lower but if it is a long holding content you know that, you obviously market on the basis of the ROI.
- Ankit Kedia:** So are we seeing some pressure from the broadcasters too actually pay less for the same content in last few months?
- Hiren Gada:** Not really.
- Ankit Kedia:** Okay, and sir what is the strategy on movie production given that Hunter you put in a low capital, so going forward is there a certain percentage of our balance sheet we would want to go in movie production or it would be on ad-hoc basis?
- Hiren Gada:** Even at the time of the IPO we had made this and this is something that internally also we are quite clear and we maintain that. So fundamentally we are in the business of content aggregation ownership and distribution. However, being a part of the ecosystem there is a very small amount of strategic presence that we have been maintaining in terms of film production so we have produced some films earlier also but that is not our core business or core focus.



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And at any point in time we do not envisage that more than 10% of our balance sheet would be expose to film production business per se.

Moderator: Thank you. The next question is from the line of Nitesh Khatavkar from IndAsia Fund Advisors. Please go ahead.

Nitesh Khatavkar: Sir couple of questions. First thing, the EBITDA margin at the current level going ahead do we see the sustainable thing?

Hiren Gada: On the EBITDA margin our target would be as I said earlier also during this call the overall range we see is between 23% and 28% EBITDA and our target would be that we should be able to sustain or in fact do better because as a Digital Media business grows operating leverage offered by the Digital Media business is substantially higher.

Nitesh Khatavkar: Okay, so that should be the growth driver for EBITDA margin?

Hiren Gada: Yes.

Nitesh Khatavkar: And sir another question, the benefit that we had with Orchard have you seen any benefits coming from these areas MENA regions?

Jai Maroo: So overall our partnership is Orchard has allowed us to get a presence for our content on services and in regions where otherwise the presence would have been limited or would have been slower for us to achieve directly and the Middle East participation is one example of that where we are now present on multiple services including for example something as simple as iTunes itself because of certain restrictions in the region a lot of content does not get deployed on iTunes in the Middle East Region and it has to get sort of **waited 33.14** for those reasons and only then it can get deployed. Our partnership with Orchard is ensure that our catalog as an expedited basis has gone through that kind of a process and has seen deployment in that region on iTunes for example and that is just one example. So it helps with your overall presence and speed of deployment in various regions. The Middle East is one good example where there are multiple other consideration in terms of how content can get deployed or what kind of content can get deployed as well.

Nitesh Khatavkar: Okay, so you mean to say that the growth is coming in?

Hiren Gada: Yes, I will just add a little more perspective to what Jai said, globally if you see there are two types of platforms – one is platforms which are basically targeted to the Indian diaspora and then there are the other platforms which are what we call what would be main stream platforms in those markets. So iTunes is actually one such platform if you look at globally Indian consumption on iTunes would be extremely small. So what Orchard does is that it specializes in actually partnering and deploying content on whole lot of these platform so there are many platforms where the entry for a non-mainstream catalog like us would have been slower or



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probably even in some cases not possible. So Orchard has helped us open those over there. Some of these platforms may not be too significant in terms of the kind of money that is generated but I think more importantly for us is that you have to be present on as many shop front as possible so that as and when there is consumption uptick, that revenue kind of kicks in. So it is more of wider width and reach kind of strategy that was thought behind Orchard tie up.

Moderator: Thank you. The next question is from the line of Amit Kumar from Espirito Santo Securities. Please go ahead.

Amit Kumar: Two questions of mine. One with respect to, actually we have been reading a lot of news reports on the fact that broadcasters given the way new film pricing is moved in the last few years just about for a A list movies from 10 to 20 crores, now to upward 50 crores you have just pulled back from that side of the market, so two parts one is that how is the repeat film business and the new film rights business sort of moving and what is that ratio for you?

Hiren Gada: For us primarily our business is about catalog films so new films we have virtually very-very low presence typically in any given year as far as broadcasting is concerned it is actually less than 20% or even less than 10% sometimes. Yes what you are saying on the new films front is definitely happening in the as far as the broadcast area is concerned because what had happened was there was some overbidding on some of the new film content and I think revenue not having match to that obviously everyone has to fit in their content acquisition cost to the viability of revenues. So as far as new films is concerned definitely that is something that has been happening.

Amit Kumar: But you have not seen that overbidding scenario happen on catalog side?

Hiren Gada: Catalog, the predictability is far-far better, new film is where the predictability is not there. So what a film will do how it will continue so, there are many aspects how much it will sell on the premier release and how much on the premier window it will deliver and then how it will carry on in terms of further telecast and therefore what kind of recovery scenario is possible. These are many of the questions that are undetermined or unknown plus a lot of this deals actually have been happening on a prerelease scenario. So what the box office fate of the film will be and what the content cost would be is unknown, versus that two things – catalog is a stable food of virtually every movie channel because new film acquisition is hardly 10, 12, 15, or 20 films that they would do but they need probably close to a 1,000 films to run their overall yearlong programming that kind of library access they need so, catalog is a far more predictable and therefore the numbers are kind of which films are delivering, sustaining, etc. So catalog never got overbid up and therefore it's not really even in that kind of scenario.

Amit Kumar: I got this one sir. My second point was with respect to your digital business, so if I got the figure right about 60 million views a month?

Hiren Gada: Yes.



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Amit Kumar: And about 40-50% of that monetize going from 20%. The other piece of this is what is the CPM that you typically get on a video ad and how is that trending and the final piece is that, YouTube has a platform and you as a content provider what kind of revenue share arrangement you have on that side?

Hiren Gada: I will hand over Jai to answer it.

Jai Maroo: The specifics of individual ads, CPMs, etc., that is a very wide range and really we are not best place to give that answer, I will give you an indicative range of how it transit but to understand that there is a very wide variety in terms of ads formats from text to videos, capable, not capable, etc., multiple formats of ads and multiple ranges the way in which the packages are sold and that is primarily Google's responsibility and they are today by far the world's largest seller of digital ads.

Amit Kumar: Who would that be?

Jai Maroo: Google. So Google sells the ads on YouTube so the way the partnership works is, we are responsible for driving consumption, building identity around the content, building focus TG, building subscriber base and consumption in general and monetizing that consumption selling the ads is primarily Google's responsibility and they are after all the biggest seller of ads in the digital space. So there is a very wide range of CPM that gets sold. It also depend on country, it also depends on TG and so on. And the trends on that you will be far better getting from Google or from a digital advertising industry report. What I can tell you and what we have been telling people even when prior to the IPO what we have been telling people is that, in general the translated revenue what we call as a blended, effective CPM that is YouTube partners enjoy and so I am talking about what the partners derive the top YouTube partner in India derive a blended CPM between \$1 and \$5. And globally the range has been \$10 to \$40 and that is the kind of gap and in fact we may not ever tough 40 but at least 10 to 20 is what ultimately is projected that we will even if you see global standards and overall digital advertising has been growing at upwards of 32% CAGR year-on-year by all industry forecast.

Amit Kumar: Jai, this is exactly what I am trying to understand that how is this shift going to happen, is it that market CPM for Google or whosoever platform that you are present and are going up and your share with Google sort of remains at a constant level. Or is it the case that because you are a larger platform and becoming increasingly larger your share within whatever is the CPM that gets charged to an advisor is increasing?

Hiren Gada: No, I think I will just try and answer your question in a slightly different way, so there are two parts to it. One is finally ad gets delivered on views, so our role in this partnership is to create inventory by creating viewership and basically opportunity for Google to serve an ad. Now part two is that, how does the CPM gets determined that is what Jai was alluding to that it is a little complicated but generally, finally CPM actually gets done based actually what rates the



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advertiser is willing to pay for that target audience that he is getting. So it is a lot dependent on a combination of the product. The consumer and the content.

Amit Kumar: Let me sort of clarify my point, how do you deal with Google is it a revenue share arrangement or that every time that video gets viewed Google pays you sort of an amount irrespective of whether they sell the inventory or not. Is it that once an ad actually goes on as part of your content so you get paid?

Hiren Gada: Yes, so that is something that we have said it is actually a fairly standard practice that they enjoy globally actually what YouTube does, it is a revenue share arrangement, whatever Google makes on in terms of ads delivered on or around our content, whatever Google makes we get a revenue share out of that and it is a standard practice globally that they follow and it is a standard sharing also that they follow across all partners in the ecosystem.

Amit Kumar: So my final actually point on this, what would be that revenue share between Google and yourself, would you have some sense on that?

Hiren Gada: It is between 50 and 55%.

Amit Kumar: Okay, so you get 50-55%?

Hiren Gada: Yes.

Moderator: Thank you. The next question is from the line of Miten Lathia from HDFC Mutual Fund. Please go ahead.

Miten Lathia: Could you split the digital and non-digital revenues for this quarter and it would be useful if you can do that going forward?

Hiren Gada: Yes, in fact we have done so I can read out the number. We have uploaded the number on the Earning Release also.

Miten Lathia: No, the BSE Release does not seem to have it.

Hiren Gada: I can read it out right now. In last quarter also we had done it, but Miten for your benefit I will just read it out right now. So Q3 2015 was 9.89 crores Digital Media and traditional was 77.39. Q3 2014 was 7.30 New Media, and traditional was 78.35. Nine months 2015 New Media is 25.86, traditional 210.87. And nine months 2014 is 18.03 New Media and 193.16 traditional.

Miten Lathia: Okay, so if I read it correctly the New Media growth is also about the same 10-12% Y-o-Y in this quarter?

Hiren Gada: No, it is 36%.



Miten Lathia: Q3 last year you said it is about?

Hiren Gada: 7.3.

Miten Lathia: Okay.

Hiren Gada: 9.89 versus 7.3, is 35.6% actually.

Miten Lathia: Okay. Secondly there was this media article about a content deal that you had with NTT Japan on the Playboy content, could you elaborate a bit us to what exactly we are trying to do that with that content?

Hiren Gada: Yes, sure definitely Jai you want to talk about it.

Jai Maroo: Yes, so we basically we have licensed imagery and video content in the glamour category which is from Playboy via a company called (NetM-48.29) which is there, which is holding the rights for this region overall and within that we have taken the rights actually for not just India but South Asia for a period of almost 17 months and it is basically all the exclusive rights for use on mobile devices, mobile applications, mobile platforms, including the rights to use the Playboy brand and trademark so we would now we have already deployed this content across all of the various operators. And monetization has already started on that this has already started contributing to our WAP consumption on imagery and videos. We have also sublicensed content and overall you will see this content being deployed across small mobile platforms and applications.

Miten Lathia: Okay, and there is an MG so the cost is fixed irrespective of whether you make some money or no in this?

Hiren Gada: The cost is fixed.

Miten Lathia: Okay, and finally we see a very sharp reduction in the interest outgo. Could you share the net debt number for December '14 and September '14?

Hiren Gada: December '14 net debt offhand I don't have it right now if you want I can separately give it to you.

Miten Lathia: No worries. Going forward on the digital side just one more question. YouTube is one thing where we probably present in a meaningful way and monetizing it well enough. 3 to 12 months horizon any large streams that are now visible evident and that could make it convertible into revenues to your mind?

Hiren Gada: One is in terms of monetization on the mobile internet we are actually seeing very strong growth on WAP consumption, it's been fast growing revenue stream and we also see that



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reflected if you see the trend with the operators themselves, they have also been reporting very strong growth in data revenues overall. And we see that translating into growth of consumption on WAP and app basically mobile internet based consumption so that is definitely one trend that is already been playing out and we see that continuing to play out, if you see how the industry itself is talking about in terms of data revenue growth and mobile internet usage growth over the next 3 to 12 months.

Jai Maroo:

And Miten just to add there are many more platforms that are coming up like one is Reliance Jio is kind of you can say prelaunch thing where there are different conversations happening with them in terms of how they are going to play out the content piece on their overall bigger picture. So there are conversations, there are many different platforms like just to highlight the Star TV is just launching, they have started the marketing campaign I think this week or about four-five days back only they are launching a platform called Hot Star. So again there is some licensing kind of a thing happening there. So there are interesting and many different options coming up now in fact if you see the plans of some of these players I think they are phenomenally strong. Right now I am not, we don't know which of these will actually break out or will take that next YouTube scenario but definitely one or may be more of these are looking very promising.

Moderator:

Thank you. The next question is a follow up from the line of Amit Kumar from Espirito Santo Securities. Please go ahead.

Amit Kumar:

Sir actually my question was on the Reliance side Jio, this is just a small follow up to the previous discussion. Do you have any sort of clarity on when do you expect the monetization on that platform to begin?

Hiren Gada:

So there are two ways and I will handover to Jai to address it in more detail if you need me, I would say there are two ways in which the Reliance Jio is panning out, one is what happens on the Reliance Jio platform itself. And as publically available information Mr. Ambani has put out in the last AGM their launch is definitely planned for the current calendar year. So there are different ways in which they will be looking at deploying the entertainment or movie or content services along with their overall larger deployment so that is one thing that happens and the other of course is the impact that high speed broadband will have on overall video services because today the buffering that happens on a YouTube or some of the other things suddenly that whole scenario goes away and considering that we have a wider pipethat impact on many other platforms in terms of smoother and richer customer experience is phenomenal and that is something that we expect that, so how people will transact and how people will consume and interact with many services will depend on many factors such as which services they are comfortable with, which plans they are subscribe to, whether they go for a paid service or an ad supported service, and so on and so forth. But the very fact that, suddenly the pipe that delivers that service is becoming substantially fatter and therefore is able to deliver a



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substantially a higher quality service. If you see globally also the impact of broadband on video consumption has been really phenomenally high.

Moderator: Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak: Sir I want to better understand this content and deal that we have with Playboy, I understand that certain content for India and South Asia you have licensed for mobile platform.

Hiren Gada: Yes.

Dheeresh Pathak: Just to understand if somebody through the iPad is using YouTube and watching this content so you will get all the ads based on that will come to you just explain how this will work through the mobile platform.

Jai Maroo: So YouTube is not part of this deal and actually Playboy in general does not have much of a presence on YouTube. But for example we have already deployed this content through all of the operators so it is available on multiple packages which on our own platform, so our own WAP platform for example M.Shemaroo.com as well as through the operators. So through Airtel, through Vodafone, and so on. There are different package, there are different products that we have put out where people are downloading there are individual videos, and then there are subscription packs for example where it is a package of videos for a month and for a different fee and so on. There is also subscription products where they month-on-month get more videos, more images so that is one example. Sorry you had something?

Dheeresh Pathak: Yes. So on the mobile if I type your website address then I access this content that is licensed but on YouTube if I directly go or if I go to their own website that then you are not involved in any revenue in that stream right?

Hiren Gada: Yes.

Moderator: Thank you. The next question is from the line of Rohit Dokania from IDFC Securities. Please go ahead.

Rohit Dokania: Just two questions from my side, one is if I look at your year-on-year results I think, the associate company I think there was a profit last year but this time there is a marginal loss, so what is driving that?

Hiren Gada: Yes. So that was a onetime over there actually so that is really the explanation, if you see the full year on that associate it is actually flat.

Rohit Dokania: And lastly you also talked about YouTube launching an offline model, I was just wondering how does the advertisement get monetized on an offline model?



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Jai Maroo:

I will give you a simple version the details obviously Google is a better place to announce. The reason why we are very excited about this offline initiative is because the way in which Google has rolled out the feature they have done it in a way that gives a good consumer experience while still protecting the interest of the content partner and the advertiser. In simplistic terms what happens is that when you chose to make a video offline, the video and some ads are also made offline along with it so there is some amount of advertising that gets displayed while you are offline. The data gets collected in terms of what advertising, what you viewed on the ads and so on the same data that would have been collected in an online environment gets collected offline. But it gets sent to the server on a delayed basis so basically whenever you connect next. So that is the idea which includes all the analytics that Google themselves need as well as all the reporting that they have to do to partners where partners include both advertisers and content owners. So all of that data gets uploaded, whenever the person connects next and if you actually see the announcement the features says that, you can be offline for a maximum of 48 hours which is fairly reasonable as a use case because typically most people are only offline for about 12 to 24 hours.

Rohit Dokania:

Sure. So Mr. Hiren Gada would you want to make some closing comments?

Hiren Gada:

Yes. Thank you very much everyone for joining in on the Analyst Call and spending time to understand how the quarter has been. We are very-very excited given the various developments that are happening in the overall digital business and the film and entertainment media space. We have had an excellent year so far and really looking forward to taking the whole business to the next level. Thank you very much.

Rohit Dokania:

Sure. Thank you everybody.

Moderator:

Thank you. On behalf of IDFC Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.