

Shemaroo Entertainment-31/07/2015

- **Moderator**

- Ladies and gentlemen, good day and welcome to the Shemaroo Results Conference Call hosted by Prabhudas Lilladher Private Limited. As a reminder all participants' 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 "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. Now I hand the conference over to Mr. Rahul Jain – Head India Institutional Equity Sales From Prabhudas Lilladher. Thank you and over to you sir.

- **Mr. Rahul Jain – Prabhudas Lilladher.**

- Thank you. On behalf of Prabhudas Lilladher we welcome the management of Shemaroo Entertainment. We would like to thank the management for giving us the opportunity to hold this call. Management today is represented by Mr. Hiren Gada – Wholetime Director and CFO, Mr. Jai Maroo – Director Head of New Businesses. I would request management to give a few opening remarks and then we can open the floor for Q&As. Over to you sir.

- **Mr. Hiren Gada – Wholetime Director and CFO**

- Thank you Rahul. Good afternoon gentlemen and ladies present. I am Hiren Gada – Wholetime Director and CFO. Thank you for taking the time and joining the call. Happy to announce and share with you'll that our first quarter of the Financial Year `15-`16, we closed with a topline increase of around 20.5% to Rs. 78 crores on YOY basis. EBITDA margin has grown from 30.5 to 31% so the absolute EBITDA has grown by 23.9% from Rs. 19.75 crores to Rs. 24.48 crores. And the PAT has grown from Rs. 9.56 crores on a consolidated basis to Rs. 11.67 crores which is 22.1% and PAT margin has grown by 10 basis points from 14.8 to 14.9%. Interestingly, in terms of the breakup of the traditional media and new media so we have seen a very healthy and phenomenal 83.5% growth in the new media business from Rs. 7.3 crores to Rs. 13.4 crores on a YOY basis. The traditional media has grown from Rs. 57 crores to Rs. 64 crores which is 12.3%. So the total income combined is grown at 20.4%. I think with that I would like to throw the discussion open for questions if there are any.

- **Moderator**

- Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press “*” and “1” on their touchtone telephone. If you wish to remove yourself from the question queue you may press “*” and “2”. Participants are requested to use handsets while asking a question.
- Ladies and gentlemen we will wait for a moment while the question queue assembles.
- The first question from the line of Mr. Andre Puroshuttam from Cogito Advisors. Please go ahead.
- **Mr. Andre Puroshuttam - Cogito Advisors**
- I just wanted to understand how to desegregate the new media revenue. So we were trying to do some back of the envelope calculation and we couldn't get the figures reconciled. So could you explain to us how the page views per month multiplied by percentage of inventory that is being monetised multiplied by CPM translates into the revenue figure that you have for YouTube and other properties. If you could just take us through the calculation it will help us understand your monetisation process of new media.
- **Mr. Hiren Gada – Wholetime Director and CFO**
- Yeah. Just to clarify the new media revenue is the total of all the different streams within the new media which is mobile, telcos billing stream, all other platforms which are even the paid platforms such as iTunes etc. as well as YouTube. So YouTube is just one part of the overall total, I will handover to Jai to run us through how it really works so that you get a better sense.
- **Mr. Jai Maroo – Director Head of New Businesses**
- No, sir actually I think what you described in terms of trying to arrive at a revenue estimate is fairly correct. It is basically the number of views that we do every month multiplied by the average percentage of views that get monetised. We typically have seen better than the global average in terms of our monetisable views compared to YouTube's global average. And that in turn multiplied by a CPM that we get. Now the CPM is difficult to report typically because obviously you get a very wide variety of CPM based on the country that views are coming from. But typically we have seen in the Indian YouTube ecosystem if we take a blended CPM on average amongst the top partners atleast, it would have been typically between \$2-8 and our share of that obviously is between \$1-4, typically is what the partners are earning is what you can count. So that would be the YouTube revenue but that however is just one of the components of the new media revenues. So if you do that math you will not arrive at this number of

Rs. 13 crores because the Rs. 13 crores number also includes revenue from all the various other platforms that includes all mobile, telcos platforms as well as all the other internet platforms such as iTunes and so on.

- **Mr. Andre Puroshuttam - Cogito Advisors**

- Could you do the map for me? For example between 1 and 4 let's say, let's take 2 or 3....

- **Mr. Jai Maroo – Director Head of New Businesses**

- Yeah, so it's very difficult to put a hard number on that. All we can do is take a logic through which you can go through it. The reason being that, 2-3 reasons are there, the CPM how YouTube sells, Google sells is actually on the basis of various factors. Now, one is of course the geographical breakup of where do you get your views from. US views for example the CPMs are higher for example, second even within that you have certain premium properties. So for example a text ad versus a video ad, video preroll ad versus video midroll ad so that itself changes the whole this thing. So to put like an average on a blended number is really very very difficult in that sense.

- **Mr. Andre Puroshuttam - Cogito Advisors**

- But it is still possible, I mean I am just trying to get a ballpark idea because you guys are saying you are doing about 70 million page views, right?

- **Mr. Jai Maroo – Director Head of New Businesses**

- Yeah.

- **Mr. Hiren Gada – Wholetime Director and CFO**

- So based on the chat that we have circulated this month with the quarter results, we have closed June with about 78 million views which is about 2.6 million views per day.

- **Mr. Andre Puroshuttam - Cogito Advisors**

- So let's take 80 million views a month, what facts are you monetising roughly in a blended average?

- **Mr. Jai Maroo – Director Head of New Businesses**

- No, Google monetises anywhere between 40-60% of the views.

- **Mr. Andre Puroshuttam - Cogito Advisors**

- So let's say 80 ka aadha monetise ho raha hai.
- **Mr. Jai Maroo – Director Head of New Businesses**
- Probably yeah.
- **Mr. Andre Puroshuttam - Cogito Advisors**
- So let's say 40 million views. If you take 40 million views into you are saying let's say \$2 CPM?
- **Mr. Jai Maroo – Director Head of New Businesses**
- \$2 is at the lowerend of the spectrum.
- **Mr. Andre Puroshuttam - Cogito Advisors**
- Let's say 2.5, so you are getting 40 million page views in 2.5.
- **Mr. Jai Maroo – Director Head of New Businesses**
- 2-2.5 would be from India then there is a difference between how much is abroad and how much is India. Even within that you know there is some content which fetches premium CPM because the targeting that Google offers, it changes based on that.
- **Mr. Andre Puroshuttam - Cogito Advisors**
- I am just trying to get a rough idea so 40 million pages into 2.5 gives about \$100,000 a month which will give me about \$1.2 million a year. So that's about Rs. 7 crores.
- **Mr. Jai Maroo – Director Head of New Businesses**
- I am not able to share with you on the breakups. In terms of logic and thought process is right, the numbers although are not right, that's all I can say.
- **Mr. Andre Puroshuttam - Cogito Advisors**
- But you know the thing is that in trying to understand the business model, understanding new media is so important for any person who is looking at it. And anyone who has some understanding of media, I would like to have an understanding on the desegregated basis, right?
- **Mr. Jai Maroo – Director Head of New Businesses**
- Correct.

- **Mr. Andre Puroshuttam - Cogito Advisors**
- So if you are understanding any media company everything is available. I mean someone knows how much inventory Sony Television has or let's say how much Times Of India has.
- **Mr. Jai Maroo – Director Head of New Businesses**
- Yeah, sure.
- **Mr. Andre Puroshuttam - Cogito Advisors**
- So if you multiply at the appropriate average blended CPM whichever way you look at it you can get an idea of the revenues. So for a company that is new off the block like you are in terms of placing why would you not want to be transparent about this because it could infact help you.
- **Mr. Jai Maroo – Director Head of New Businesses**
- So all I am saying is, so two things I want to say. One is that something that currently we haven't shared the breakup of our YouTube revenue and for competitive reasons we haven't shared it that is all right now I can really say. So that is why all I am saying is that logic what you have arrived at is correct but although the numbers are not right, that's all I am saying.
- **Mr. Andre Puroshuttam - Cogito Advisors**
- Okay so for example again I have some other friends who are also monetising revenues of YouTube. And what they are saying is that typical monetisation is actually at the much lowerend of the spectrum something like \$1 per CPM which is at the lowest end of your CPM rate. So are you saying that you are getting substantially higher CPMs than most competition is doing?
- **Mr. Jai Maroo – Director Head of New Businesses**
- It depends on what content, it depends on the target audience which is what I was saying that a lot of things depend on how YouTube sells the ads. Secondly, what type of content you have, what payment modes of the partner is there, so there are many aspects to that.
- **Mr. Andre Puroshuttam - Cogito Advisors**
- So are there arguments that would help support an argument that you are at the highend of the CPM range as far as the industry is concerned?
- **Mr. Jai Maroo – Director Head of New Businesses**

- So, I can give you some 1 or 2 different indicators in different ways. So if you look at some of the consumptions coming from say international consumers, international viewers. Now at the CPM level they are typically upwards of \$10. So when you put that into the blended average again there is a big push up over there. There is another factor over there which is time spent so while you may look at some short form videos which are of a minute or two videos which may attract a low CPM because that's the only engagement that is there. But when you put up a long form video, a full film or say a full Gujarati theatre drama bend of the things. So if you look at it in a different way we have a very high time spent factor so views are not the only currency in this ecosystem that's the other aspect. There is also a lot of importance on time spent because stickiness is something that the advertiser also likes as well as the platform also kind of is able to monetise more on. So on the same view probably can earn 2 ads versus 1 so that's what I am saying that there are many factors which play into this.

- **Mr. Andre Puroshuttam - Cogito Advisors**

- As far as old media is concerned you know of course most of your revenues would be coming from different as it is being syndicated in full. In terms of innovative packaging whether it is Dialogues Of Amitabh or Best Of Lata Mangeshkar or whichever different ways you package which is not the entire film. What is that proportion to your traditional media revenues today and is that rising, can you give some kind of indication to what is the sense on that in terms of your repurpose and repackaged content which is not a complete movie?

- **Mr. Jai Maroo – Director Head of New Businesses**

- Well, I can say that it is on a rise and it has been rising because there has been a lot more outlets now for this kind of content, whether it is a lot of film based or programming on certain General Entertainment Channels, News Channels, Music Channels on various aspects.

- **Mr. Andre Puroshuttam - Cogito Advisors**

- So what would be the proportion of that be to your total traditional revenues today?

- **Mr. Jai Maroo – Director Head of New Businesses**

- Sorry, I can't share that at this point.

- **Mr. Andre Puroshuttam - Cogito Advisors**

- Okay, what can you share?

- **Mr. Jai Maroo – Director Head of New Businesses**

- I mean currently what we have shared is really what is in the public domain.
- **Mr. Andre Puroshuttam - Cogito Advisors**
- I am disappointed that you are not sharing enough information, I must say that to you candidly.
- **Mr. Jai Maroo – Director Head of New Businesses**
- Okay.
- **Moderator**
- Thank you.
- Our next question is from the line of Mr. Sunny Agarwal from Aaditya Birla Money. Please go ahead.
- **Mr. Sunny Agarwal - Aaditya Birla Money**
- Thank you for the opportunity. Sir, in continuation with that earlier question on your new media. Just want I mean your insights on what's happening and as far as various monetisation on print is concerned, whether its YouTube or mobile. So what is the industry's trend that is going on and how is the growth and basically what are the, I mean the next disruptive technology or disruptive way of things which can change all this course of action. So just want your thoughts generally on industry?
- **Mr. Jai Maroo – Director Head of New Businesses**
- So, in terms of industry we have of course always been talking about the overall tail wheels that are really helping the new media business. And I will just throw a few things, data points that are of recent numbers. So one is of course the overall device story, India being a very very, is one of the fastest growing device markets in the world. And that is reflecting on consumption as well because the mobile smartphone phablet, tablet is now increasingly become the preferred medium of consumption. What we had seen is that in India on top partners more than 50% of the consumption on digital platforms is now coming from these devices as suppose to traditional PC and laptop configuration. Because the smartphone sales stand of course is, I mean the smartphone growth continues what some of the reports we see in smartphones sales have in this quarter grew by 25% QOQ and 34% YOY.
- And interestingly within that tablet sales grew actually at a faster pace than overall smartphones sales growth indicating that the user preferences now gradually shifting towards larger and larger screens which ultimately

boards well for any of the richer media consumption because the trend towards larger screens is typically driven by you know wanting to consumer richer media on these phones. So that's one trend that continues to play out very well. On the mobile side you know all of the operators has reported a very very strong growth in their data segment. We saw the numbers recently so overall India's data revenue grew by 65% in Q1 of this year and they have added more than 3 million new data customers this year, this quarter taking their total to almost 67 million data customers.

- Idea similarly has reported a very healthy growth in its mobile data customer base as well for this quarter. And we have seen that trend overall playing out across all of the operators so their data revenues continue to grow at a very fast pace and that ultimately is reflective of the increased consumption of all of these various kinds of services including richer content consumption as well. And we have seen that reflected in our monetisation as well which is why even in last quarter and even in this quarter said that you know consumption which is through the mobile operator's data pipe and through the mobile operator's billing integration continues to play an important role in data consumption. For larger number of consumers the mobile operator mails plans or mobile internet continues to be their first point of contact for this. So these two trends are continuing to play out and on top of that of course overall if you see the landscape there are all of the various services which we had been speaking to and which were all waiting in the wings all now are gradually starting to launch. You are also starting to see now the emergence of not just edge supported platforms but paid platforms are launching and we see that that trend will continue to play out over the next two years as well.

- **Mr. Sunny Agarwal - Aaditya Birla Money**

- So if my understanding, you mean to say apart from advertisements subscription driven content monetisation will start and that will play out in next 2 years time?

- **Mr. Jai Maroo – Director Head of New Businesses**

- Yeah, that is an expectation that over the next 2 years as a bandwidth issues get resolved the overall subscription ecosystem will get further fillip.

- **Mr. Sunny Agarwal - Aaditya Birla Money**

- Okay. And sir my next question pertains to our library of content how many titles we have added this quarter and what is the pipeline looks over the next 2-3 quarters for that?

- **Mr. Hiren Gada – Wholetime Director and CFO**

- Overall the library is upwards of 3,000 titles. There has been a good pipeline flow into the library. Infact, we have also made an announcement that like for television we have tied up with Red Chillies. One of the significant tieups we had is with the Red Chillies library with beky titles like Main Hoon Na and Om Shanti Om etc. So this is one of the few tieups that we have had during this period so overall we have been able to grow the library in line with our overall plans.
- **Mr. Sunny Agarwal - Aaditya Birla Money**
- So, can you throw some numbers for that, I mean whether in terms of percentage or absolute number how much you have added...?
- **Mr. Jai Maroo – Director Head of New Businesses**
- So overall as earlier I had said that the expectation on an annual basis is that the next addition because there are aggregate rights would be, there would a certain renewal factor in that. That addition expectation would be about 8-10% in terms of numbers at an annual basis. Now quarterly it is very difficult to give because...
- **Mr. Sunny Agarwal - Aaditya Birla Money**
- Hello.
- **Mr. Jai Maroo – Director Head of New Businesses**
- So, I am saying on a quarterly basis it is difficult to give and on annual basis the net addition would be about 8-10%.
- **Mr. Sunny Agarwal - Aaditya Birla Money**
- Okay. And sir in terms of movie production what is the plan for FY `16 and `17?
- **Mr. Hiren Gada – Wholetime Director and CFO**
- Well, at this point we have nothing on the floor and really you know there is nothing which is atleast in the next 3 months there is nothing which is looking like going on the floors.
- **Mr. Sunny Agarwal - Aaditya Birla Money**
- Okay. Thank you and all the best.
- **Mr. Hiren Gada – Wholetime Director and CFO**
- Thank you.

- **Moderator**
- Thank you.
- A reminder to our participants if you wish to ask a question please press “*” and “1”.
- Any participant who wishes to ask a question please press “*” and “1”.
- As there are no further questions, I would now like to hand the conference back to Mr. Keyur from Prabhudas Lilladher for closing comments. Thank you and over to you sir.
- **Mr. Keyur Pandya – Prabhudas Lilladher**
- Hello.
- **Moderator**
- Yes, Mr. Keyur go ahead.
- **Mr. Keyur Pandya – Prabhudas Lilladher**
- No participants as of now.
- **Moderator**
- No sir, there are no further questions.
- **Mr. Keyur Pandya – Prabhudas Lilladher**
- Okay. So we thank the participation from the analyst community and from the management and thank participants and management for joining the call.
- **Moderator**
- Thank you. Ladies and gentlemen on behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.
- **END.**