



“Shemaroo Entertainment Limited
Q4 FY2018 Results Conference Call”

May 16, 2018



ANALYST: MR. NAVAL SETH – EMKAY GLOBAL FINANCIAL SERVICES

**MANAGEMENT: MR. HIRENGADA - CHIEF EXECUTIVE OFFICER & CHIEF
FINANCIAL OFFICER - SHEMAROO ENTERTAINMENT
LIMITED
MS. KRANTIGADA - CHIEF OPERATING OFFICER -
SHEMAROO ENTERTAINMENT LIMITED
MR. JAI MAROO – DIRECTOR - SHEMAROO
ENTERTAINMENT LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Q4-FY2018 Results Call of Shemaroo Entertainment Limited hosted by Emkay Global Financial Services. We have with us today Mr. Hiren Gada, Chief Executive Officer & Chief Financial Officer, Ms. Kranti Gada, Chief Operating Officer and Mr. Jai Maroo, Director. 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Naval Seth from Emkay Global. Thank you and over to you Sir!

Naval Seth: Thank you. Good afternoon everyone. I would like to thank the management for giving us this opportunity. Now I would like to hand over the call to Mr. Hiren Gada for his opening remarks. Over to you Sir!

HirenGada: Thank you Naval. Good afternoon everyone and I am Hiren Gada from Shemaroo Entertainment and with me KrantiGada, Chief Operating Officer and Jai Maroo, Director. Thank you everyone for spending the time and joining us on the call. We are very excited to discuss and share about the results and some of the changes that we have now undertaken.

So quickly first I will start with the results. So as far as Q4 is concerned, the consolidated revenue has grown nearly 20% on a year-on-year basis to INR118.8 Crores, the EBITDA has grown 15.2% on a year-on-year basis and profit has grown by 35.5% on a year-on-year basis to INR18.7 Crores. One small caveat I would add over here is that the base effect was there last year in the demonetization quarter that we had so therefore the quarter growth seems a little bit higher than the annual so let us come to the annual picture.

So total revenue topline has grown by about 14.8% nearly 15% of INR490 Crores, EBITDA has grown by 10.2% to INR143.8 Crores, net profit has grown by 16% to INR71.2 Crores and net profit margin has grown by 19 basis points to 14.52%. The digital media for the quarter has grown to INR34 Crores growing at 40.2% and traditional media has grown by 13.2% to INR 83.6 Crores and on an annual picture the digital media has grown by 41% to INR130 Crores versus traditional media has grown by 7.5% to INR358 Crores, so giving a total overall growth picture of 14.8%.

In terms of certain other operational highlights. With a clear focus on strengthening the organization we have implemented few leadership structure changes, so I am the CEO and in addition to my role as a CFO, Kranti Gada becomes a chief operating officer and Jai Maroo moves to a new role to focus on the organization transformation and excellence. In terms of other aspects so we signed a content licensing deal with Airtel Wynk music, apart from that YouTube that we have been reporting views on, so we have ended March 2018 with views of more than



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630 million views, which is translating to more than 20 million daily views, which is 2 Crores daily views. Again the caveat or what we have been saying all this time is the fact that YouTube revenues have still been very muted, so some brands have pulled their advertising out from YouTube since the ads were shown on hateful content and things like that and that aspect will continue as far as this quarter is concerned. So this is on the performance on the operational part. I would also like to share now that there is a change in the leadership and as a CEO what my thoughts are in terms of how we want to drive the business forward and how we want to change the gears of the Company.

Clearly what we are seeing is that digital media has a phenomenal growth opportunity and so one is the fall in data prices combined with the growth in data infrastructure. Both the combination has actually led to a phenomenal growth in users or user base of digital video and the estimates are that the digital video user base has now grown to about 250 million users in India and of course still counting and growing virtually on month-on-month basis. What we are seeing based on this is some phenomenal opportunity and we have been building towards this in terms of library, but now we see that further taking or leveraging the investments that have already been done. The growth opportunities that we are really seeing from here onwards, so we are looking at highly ambitious change in the track that we have been growing till now and we are overall aiming to grow the vision that we want to lay out for the next five years, is actually to be five times where we are, which is 5x in five years. This is not really like guidance so to say, but it is really the ambition or the vision that we think the opportunity exists. As you can appreciate that there will be a build up phase, there will be execution phase so the next 12 to 18 months we will be looking at actually how we can execute and build up the momentum to achieve this, but this is really that direction and the change that we are aiming for. I thought it is important to begin with to lay out really the thought process how we want to take the business forward. With that to discuss more about the results and various queries that you all may have. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Kashyap Jhaveri from Emkay Fincap. Please go ahead.

KashyapJhaveri: Congratulations for good numbers and thanks for the opportunity. First wanted to reconfirm this numbers now this time in the SEBI format we have now given the operating cost number as total about INR58.6 odd Crores if I were to look at that is more like the content acquisition cost I just said stock changes right?

HirenGada: Yes acquisition so it is a net of basically opening stock purchases, consumption and closing stocks. Different way if you look at it, it is consumption really speaking.

KashyapJhaveri: So if I look at then sort of try to deduce the number the gross acquisition of content in this quarter is about INR35 Crores and amortization was about INR 58 Crores, are these right numbers?



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- HirenGada:** Actually I will confirm this later.
- KashyapJhaveri:** Then you can give me the full year number of gross acquisition cost and net acquisition cost net of amortization for the full year?
- HirenGada:** So if you look at the inventory really, the inventory opening was INR 500 Crores and closing is INR530 Crores roughly and for the full year consumption is INR278 Crores so what you need to do is INR278 Crores plus INR 30 Crores so that is total acquisition of this.
- KashyapJhaveri:** About INR308 Crores or INR310 Crores?
- HirenGada:** Roughly.
- KashyapJhaveri:** Thank you very much for that. Second question is on your traditional media if I look at quarter-on-quarter there is early steep decline from about INR100 Crores about INR84 odd Crores. I am just looking at historical numbers on Q-on-Q basis that sharp decreases have been witnessed, so any particular reason why this Q-on-Q numbers slow down?
- HirenGada:** No in fact we have been discussing about this earlier also that this number is not actually you cannot look at it on Q-on-Q basis, you have to look at it on year-on-year basis because there are certain seasonality involved.
- Kashyap Jhaveri:** But let us say on a full year basis we did about INR360 odd Crores, which is INR329 Crores now if I look at FY2017 that also included demonetization. Despite having a favorable base or let us say a base, which included demonetization the growth over there is just fairly about 10%-11%, so what is your estimate going forward, what could that number be?
- Hiren Gada:** To reiterate actually if we rewind back a bit, the major impact of demonetization was in the March quarter and it actually continued in the June quarter at least where the traditional media actually was flat so March was actually declined quarter, but June quarter was a flat quarter, so therefore if you see that even in this quarter actually on a year-on-year basis as a 13% growth, but the final full year figure translates to 7.5% because of first and second quarter were relatively tepid.
- KashyapJhaveri**
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- Okay.
- HirenGada:** If we look at so to answer your question again not giving any guidance, but what is going on in the industry if we look at it overall the expectations where the industry is to grow at low double-digit, which is around between 10% and 12% and our aim will be to do better than that.



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KashyapJhaveri: Just one last question it is on your operating expenditure if I able to exclude this content acquisition or let us say if you are going to look at your other opex that has gone up to about INR 7.5 Crores about INR12 odd Crores any particular reason for such sharp increase, we have been doing like about INR5 Crores, INR6 Crores, INR7 Crores, suddenly it went up to about INR 12 Crores?

HirenGada: This is we are referring to, consolidated results?

KashyapJhaveri: Yes.

HirenGada: Which number are you talking?

KashyapJhaveri: So let me just if I look at SEBI format other expenditure number is about INR7.76 Crores, about INR11.7 Crores, so any particular reason for that such sharp increase, in the previous quarter it was just about INR5.7 Crores in Q3 why such sharp increase?

HirenGada: So this included some expenses and there is combination of some few one time expenses more towards content itself, but these are normal part of the business expenses I do not see that as a very alarming thing because if you see the full year figure it is probably about less than 15%.

KashyapJhaveri: That is it from my side. If I have anything further I will get back in the queue. Thank you very much.

Moderator: Thank you. The next question is from the line of Sachit Khera from Smart Equities. Please go ahead.

SachitKhera: Congratulations on good set of numbers. I just wanted some more clarity on the growth that Shemaroo that you talked about in the beginning, are we essentially talking about entering into new areas may be in content creation or what exactly where we talking about at the beginning?

HirenGada: Well at this point content creation is not part of what we are really thinking about. There are quite a few various things that we are working on, cannot really talk too much about many of them because there are a lot of things, which are either under development or certain confidentiality complete kind of scenario involved, but we are working on various initiatives internally.

SachitKhera: Main reason is because you expect some sort of saturation curve to come in somewhere down the line or is it just because opportunistic nature?

HirenGada: It is completely opportunistic because if I were to just look at two thought processes I will just kind of lay out to give you the sense of what kind of opportunity in front of us, so currently there are about 250 million digital video consumers and the industry projection is that in the next three



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years this will grow to about 500 million, so already it is very, very good base and looking to double within three years, which itself is a fantastic thing and at that number the kind of opportunity and scale that is possible for various services is completely different, so the idea is how can we monetize or how we can participate in that phenomenal growth. Other way to look at it is recent report put out by FICCI at FICCI Frames. The relevant segments for us, which is television, digital and film that is currently at a scale of roughly about \$12 billion and that is projected in the next five years to grow to about \$21 billion, so there is a massive opportunity the whole sector is expected to grow and we definitely want to and intend to grow multifold in that.

SachitKhera: Fair enough. Second question Sir the employee benefit expenses are we sort of completed all the new hires for the leadership team that we were expecting or is there still some growth there?

HirenGada: I would say we are not fully done yet, but there is a large part of it, which is in place, so still some more to go not the pace of scale at which it has grown in the last 12 to 18 months.

SachitKhera: Great. Thank you so much.

Moderator: Thank you. The next question is from the line of Ashi Anand from Allegro Capital Advisors. Please go ahead.

AshiAnand: Congratulations on a good set of numbers as well as for your promotion. I just wanted to understand 5-year vision a bit better. When you are speaking of going 5x in 5 years, so obviously it is a very aggressive target should we assume that this would involve significant up fronting of purchase of additional rights and given the kind of quantum of increase that we are looking at any kind of an indication in terms of how much we should look at in the entries moving up by and how you are really looking at funding this and understand is the 5x largely going to be driven by the traditional business model of buying inventory and actually selling that we forward or are we really looking or being able to increase the monetization of existing assets?

HirenGada: Ultimately have to be a combination of both so you cannot grow business without content, but the advantage we are having right now is that we have gone through the whole investment pace over the last four to five years and we already are sitting on a good number of assets, so there is therefore to that extent a very good starting base or starting point. Now what we are currently short of unfortunately I am not able to share too many details, but there are many opportunities available with existing what we have and probably using that as a starting point and build out something beyond what we have currently, but more importantly how we look at moving further into each of the categories that we are currently operating in.

Ashi Anand: Just to understand a bit better, a couple of quarters that you were speaking about keeping inventory at the current levels and therefore actually moving towards the phase where we are really becoming free cash flow positive as well as improving ROEs, given the fact that we now



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looking at more aggressive growth strategy, which is up fronting of additional inventory, should we say that particular phase has been postponed by 12 to 18 months?

HirenGada: No at this point overall as I said this is the ambition that we have quite recently put in place particularly after more in the last few months I would say. Having said that we are looking at various opportunities in each of the areas that we are currently operating in. Based on various things that we are currently doing there is a certain momentum that we would be able to build. Now beyond that at this point is very difficult for me to say that whether, so at this point there is no immediate major inventory investment or inventory acquisition plan if I have to put it more simply and plainly. What we are working on and as I said earlier also that over the next 12 to 18 months we will be looking to really get into the whole execution part of this and depending on how these plans pan out if needed we may look to invest, but at this point I am not really seeing that need at least for the next 12 odd months.

AshiAnand: Thanks for clarification.

Moderator: Thank you. The next question is from the line of Neeta Khilnani from B&K Securities. Please go ahead.

Neeta Khilnani: Thank you for the opportunity and congrats on great numbers. Sir just wanted to understand so since you are saying that we are in an inventory consolidation phase will it be fair to say that in the next probably 5 to 10 years our portfolio will be relatively older movies and if that is the case then will it have relevance with the current demand?

HirenGada: I like to clarify at this point, which even in past we have with us is that at no point we will stop acquisition right, so acquisition and without that obviously we cannot do business, the question was that the capital needed for acquisitions will be generating it out of the free cash flow or will be need to do the external capital. I think that is really the question that we are discussing and not really about whether the library will ever be refreshed or not. Library refresh is a continuous process because even as we said right at the beginning this year also there has been acquisition of about INR300 odd Crores so at no point the library refresh will be slow down or compromise.

Neeta Khilnani: This would be tariff rate number INR 300 or INR 200 sort of investment is that what we can build in?

HirenGada: I would look at it in a different way what I am saying is that the way we are positioning right now the thought process is that whatever content investment is needed for our growth. The target is that how we can achieve it from our internal accruals and funded from the cash flow that is generated from the existing business so that we are dependent on external capital is negligible or actually we do not.



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- Neeta Khilnani:** Just wanted to understand so these Amazon Prime and probably other OTT players when they purchase a new movie right for how long are those rights generally?
- HirenGada:** Normally the current practice is not yet fully in place, but normally what we are seeing currently is that the platforms that are acquiring this on an exclusive basis typically some like Amazon or some of the other platforms they are acquiring it for three to seven-year period.
- Neeta Khilnani:** Practically that movie would be out for you right from the market because somebody already has that right?
- HirenGada:** That movie anyway I am not targeting right. New movies is anyway not my target.
- Neeta Khilnani:** Right, but since then have three to seven years license?
- HirenGada:** It kind of coincides with the completion of the first cycle where anyway we do not have a play.
- Neeta Khilnani:** Could you help us with your net debt numbers or your gross debt numbers?
- HirenGada:** First debt so overall number is that if we add up the borrowing, which are noncurrent and current that was about INR 188 Crores and further if you add to that other financial liabilities of about INR13 odd Crores so that will be roughly about INR 202 Crores.
- Neeta Kilnani:** INR202 Crores?
- HirenGada:** Yes.
- Neeta Kilnani:** Just one last question, on your digital piece how large would be the OTT is currently or YouTube is still a major force or how would you see this shaping up in the coming year?
- HirenGada:** So YouTube definitely is a large portion and given its size and overall impact let us not forget the fact that YouTube is roughly about one-third market share of video consumption in India even today. So YouTube by horizon has to be the one of the top accounts in this business, but the point is that there are so many other accounts now, which all of them add up so that is really the whole aspect that we are working on. Unfortunately I am not in a position to give you that level of breakup, but definitely there has been a good contribution from that segment.
- Neeta Kilnani:** I will come back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Raghav Bihani from Dalal Street Bulls. Please go ahead.



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RaghavBihani: Congratulations for the great set of numbers. You have repeated the breakup of INR 490 Crores of revenue that we have done. Could you just once again give me the breakup for INR490 Crores of revenue?

HirenGada: Between digital and traditional?

RaghavBihani: Yes Sir digital and traditional.

HirenGada: So digital is INR 130 Crores and traditional is INR 360 Crores. Actually INR 358 Crores and the total works out to INR 488 Crores.

RaghavBihani: Sure I will take that. Got the other income. So assuming that the digital continues to grow at 40% plus for at least another year or so or more so we do see the growth rate the overall topline increasing by let us say 16%, 17% the total revenues for the firm?

HirenGada: So there are two parts here unfortunately I am not able to give a guidance here, so the traditional way of looking at it was what we had discussed earlier past so many calls also is that the traditional media is growing at roughly about 10% to 12% and if we see the digital media projection now they have been now at about 25% earlier the base was low so they were at around 30%, but the new industry projections are talking of roughly about 25%.

RaghavBihani: 25% Okay.

HirenGada: So we would look to grow better than that I mean that was traditional way of looking at it and may be in the next 12 to 18 months while we are building out this vision of our, this may be a way to look at it also, but ultimately we will see how the other newer initiatives or newer services and things like that we work on, all of them we will need a gestation period and as and anywhere of them scales up they will obviously contribute to the trajectory changing.

RaghavBihani: Just one more question on the cash flow front so at the end of the year have we made a positive cash flow from operations?

HirenGada: Yes definitely.

RaghavBihani: Going forward you expect that the cash flow from operations will be sufficient enough to meet the inventory requirements that we will have and as well as keep reducing the debt in the balance sheet?

HirenGada: Yes ultimately that is a target and at least as I said in this pace of building out the vision for the next 12 to 18 months, we are holding that target and then based on how various initiatives that we work on, how they pan out, we will see how we take forward the whole overall financing and cash flow aspects of that.



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RaghavBihani: Just a final short question is that we continue to look at 18% as the hurdle rate for all the new investments being made like other new projects that we take?

HirenGada: Yes.

RaghavBihani: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Hiral Desai from Anived Portfolio Management Services. Please go ahead.

Hiral Desai: Hi Hiren, I actually on the vision statement that you just made wanted to sort of also get your thoughts on capital intensity because one of the challenge for at least the model as of now is that if you have to grow fast, you will need significant amount of capital. So is there are a thought in terms of making the balance sheet far lighter and still be able to drive growth?

HirenGada: It is too early days as I was just sharing with the previous caller, previous question that so therefore at this point for the next 12 odd months, we do not want to significantly alter that thought process, but we want to really focus on building out the various components of this growth plan and in terms of execution. So I think these two are the key focuses and if any of the...it is a different structuring or some kind of thing, we will see at that time and at this point I will not able to comment beyond that frankly.

Hiral Desai: And the crux of this 5-year vision will still continue to remain Hindi movies, Hindi songs, there are other sort of categories that you are exploring right now?

HirenGada: So unfortunately due to competitive reasons I am not able to share more in terms of the crux question but what we will do is as and when we have things, we will keep sharing with you all in terms of either some new foray and some new launch etc., so that is something that we will keep obviously coming back to you all in terms of as we take it forward.

Hiral Desai: Where are we in terms of the YouTube for brand issue resolution I mean will it take about couple of quarters more what is the thought on that?

KrantiGada: Internationally what we hear now from big digital agency and media buyers is that YouTube is on its way to recovery and we hope that soon it will also reflecting in actual numbers, but what we hear is that they seem to have sided over the issue at least the brand has gained confidence with everything that YouTube has shown action etc., and the results are yet to be seen, but the sentiment has definitely moved towards positivity.

Hiral Desai: Had globally the fill rates have recovered on YouTube?

KrantiGada: The fill rates have improved, the CPM still remains a huge challenge.



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- HirenGada:** To be cleared fill rates have improved from substantial decline something of that base there is some improvement.
- Hiral Desai:** It makes sense.
- HirenGada:** I will just add one more thing over here on this YouTube, Hiral, very relevant question and see if we look at it, the media planning and buying cycle is far more longer in terms of the planning cycle, is that 12 month out planning kind of thing for this consumption and if I go back to early days of television for example where viewership has started, people were attracted and many channels had launched etc., but for ad dollars or ad rupees so to say to shift from print to television so had some lag, but what gives us a lot of encouragement is the fact that consumption has exploded it and that really ultimately in a medium to long-term no advertiser can ignore that.
- Hiral Desai:** Right and Hiren there is no one of fill the balance sheet in terms of inventory receivables or debt for this year right? So there is nothing which was specific to the year end which will sort of again come back in the first half?
- HirenGada:** The only thing that I would like to maintain is the receivable days, so the trend is definitely downwards but still that number is... the traditional media business still continues to have overall high receivable day numbers, but growth in new media has helped the overall trend to come up.
- Hiral Desai:** And what was the cost of debt for FY2018?
- HirenGada:** Average was at roughly about 11%.
- Hiral Desai:** 11% and just one last question on the Bollywood premier that you run for Tata Sky, the rights are owned by you for the movie?
- HirenGada:** There are normally licensed by us for a very short period. Normally that window of 14 or 15 days only.
- Hiral Desai:** Okay there is no exchange of rights per se?
- HirenGada:** There is a license for use for that period, but it is only limited to that service and rather the platform and the period.
- Hiral Desai:** Got it perfect. Thanks Hiral and Kranti.
- Moderator:** Thank you. The next question is from the line of Amish Kanani from JM Financial Services. Please go ahead.



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Amish Kanani: If I observe the quarterly run rate of digital media in the last three quarters so basically stable at INR33 Crores –INR34 Crores and if I observe quarterly trend it generally steps up from Q1 to Q2 and then it is stable in the last two years, the question is that trend or is that now finding on a higher base difficult to grow and in that context I think you covered, but how do we look at the digital media growth versus overall growth in the company and I think you partly tried to address that but it was not very clear how should we look at?

HirenGada: Sure as I said at least the way we are looking at this year given the fact that many of the newer things that we are now putting in place and planning out. We will have a certain build out gestation, we will have a certain build up phase, in fact it could even lead to some directions here or there we do not know at this point in time, but if you were to take a normal traditional view of how we have looked at the numbers in the past so if we have to look at it that way traditional media projection for this year is low double-digit which is 10% to 12%. So we hope to target to do better than that and so digital till now the industry segment was growing at roughly about 30-odd percent and we grew between 38% and 48% almost kind of thing. The new projections that are coming up are considering now that the base has grown to this level. The new projections are more in the line of about 25% odd, which is roughly about 5% points lower than what projection used to be earlier and we also definitely... there is a base effect plus the fact so if possible that these new projections are also born out of the fact that YouTube is end of facing these challenges and therefore the largest video platform if it is not growing It definitely would have an impact on the overall sector. So considering that I think the segment would look at slightly more tempered growth and of course we will target to do better than that, but definitely it should be lower than what we have been traditionally growing.

Amish Kanani: Okay are we done with worst of the phase of this YouTube phase stability or may be de-growth if we were to assume because of some digital was equally split between internet OTT versus mobile internet stuff and within that we have a large pie that is YouTube so the question is or we done away with that stability/de-growth within that and hence this run rate could improve from your on or there are still some challenges here?

HirenGada: I would say that at this point it is stabilized, so as Kranti was sharing earlier the fill rates have kind of stabilized and CPMs have also stabilized. These are the lead indicators really and we still have to really see significant improvement from there now all of us are currently hoping that it does not worsen from here and as what Kranti and Jai were sharing earlier that what we are reading through in global comments is that probably we have seen the worse now.

Amish Kanani: Okay so hopefully starting from here on this should improve, is what we can expect?

HirenGada: Yes hopefully that should improve.

Amish Kanani: Okay thanks a lot and all the best.



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Moderator: Thank you. The next question is from the line of Anand Dubey, an Individual Investor. Please go ahead.

AnandDubey: Sir I just have a couple of questions Sir first question how much growth you are expecting in FY2019 Sir?

HirenGada: I actually just put that I answered that question to the previous caller. We do not give guidance so I am not in position to give you any guidance but the indicative what I was giving was the traditional media segment of the industry is expected to grow at around 10% to 12% at an industry level and digital media is expected to grow at about 25% at industry level. We are targeting to do better than that on the both the front.

AnandDubey: Okay Sir how do you see the EBITDA margin in FY2019, what sort of index Sir?

HirenGada: So about margin I have been discussing this that there are certain cost push pressures overall while there is some operating leverage available to us, but there are cost push pressures and therefore our target will be to maintain margins within 200 basis point range.

AnandDubey: Okay Sir related to borrowing that your gross debt is INR 202 Crores, INR188 Crores plus other financial liabilities INR13 Crores. So how do you see, do how much debt you are repaying in FY2019 Sir? any planning for reducing the debt?

HirenGada: So the target definitely we would look to repay some amount of debt. I am not able to define to give you the full picture because there is a certain amount of investment we would be making towards the newer growth initiatives that we are envisaging. So overall we are happy that this year there has been fair amount of repayment which has brought the debt equity ratio to below 0.5 and in fact to 0.4 almost 0.4 so in that sense is the comfortable situation and our target will be that some of the cash flow generation would be used to repay debt definitely, but there would also be certain needs to invest.

AnandDubey: Okay Sir. Sir would you do any capex in FY2019? Any plan Sir on that?

HirenGada: So there would be some if at all there is a marginal investment on content if net investment so there is gross investment happening, but additional capex on content if at all would be marginal, but more importantly we would attempt to build out newer initiatives as we laid out in the beginning of the conversation.

AnandDubey: Thank you.

Moderator: Thank you. The next question is from the line of Dipankar Sati from Magadh Capital. Please go ahead.



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Dipankar Sati: Hi I am going to ask from the YouTube that if you could please explain how do you generate the revenue on the YouTube so on per view basis what kind of money what we make and if there are any cost associated to them?

HirenGada: I will try and cover it in brief because it has been covered fairly adequately in the previous calls and meeting. Basically we get a revenue share as a preferred partner of Google YouTube on any ad that is displayed on a content or any of our channels so every time when you view our content whatever ad gets displayed in whichever format whether it is a video ad or other format, whatever Google makes, you get a revenue share out of that. There is no specific cost on tax because the video serving has been done by the YouTube platform and the ads sales is obviously being done by Google and they are the number one digital ad seller in the world. The cost associated with us for that is during the ramp up phase whatever the content you are putting out, there were obviously operational cost in terms of slicing and dicing, packaging and putting out to the content and that continues to be the cost, but the large chunk of that is done because there is fair amount of content billed out that is happened on YouTube from our end. So now is only ongoing whatever is being pushed out as on ongoing refresh on each channel, which is a minor cost and which is taking in normal operating expenses.

Dipankar Sati: So when the ads is played on the video so is that per view bases how does it work out? Is there any number for that let us say 30 or 50 paisa something like that?

HirenGada: It is highly variable number because it depends on the geography, it depends on the targeting of the ads, it depends on the channel of the content on which it has been shown so there is a very wide range in terms of the kinds of CPMs that we get and we have seen everything from dollar all the way up to \$15 literally that wider range depending on the targeting of the ad.

Dipankar Sati: Okay. Thanks so much.

Moderator: Thank you. The next question is from the line of Varun Desi from AU Finance. Please go ahead.

VarunDesi: Congrats for the good set of numbers. Two questions Hiren, one is basically if I understand correctly we are currently into a market where there is B2B or B2C I mean we were routed it to see via some business platform or something like that so the new vision that we are having does it revolve around direct B2C or new product or anything related to that or do you think that there are enough growth opportunity in the area that we are working on to kind of expand the world profit pool by 5x?

HirenGada: So as I said earlier without giving you more specific details I think definitely one important aspect to lay out over a year is this question of B2B versus B2C, the way we are seeing is that there are clearly three ways or three models to monetize now and B2B being one of them and that is something that we have done a lot of in fact even now a large part of the business revenue comes out of B2B kind of business. On the other side there is B2C and in between there is B2C



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and that could be in varying degrees of connect with the consumers. So YouTube also for example is the B2B, B2C where I am not winning the customer nor am I displaying or selling the ads, but still the consumer is coming for Shemaroo channel or 'FilmiGaane' channel or any of the other channels that we may have and so there are all the models the way we are looking at it at this point in time, it is not an either or strategy it is all income present strategy because the jury is out in terms of which of these finally is going to build scale and profitability in the sense. I mean so therefore it will be multipronged approach for us.

VarunDesi: Okay and my second question aim is that I think we have kind of remained absent from the first cycle in terms of movie acquisition. Is that strategy different for regional movies because I get to key some first cycle movie is from regional languages from Shemaroo. Is there any differentiation in your strategy between Hindi movies and regional movies and if so what is your rationale for getting into first cycle movie spend?

HirenGada: Yes definitely regional strategy is extending to first cycle, but the difference being that there is no free release risk still being taken so conceptually we are not changing the core risk aversion that we have. So we think that we acquire even in regional is on post release basis where the result of the films or the film connect with the audience is known and the reason also is that is the way the practice in most of the regional is there at that stage longer term rights so that there is no concept in regional, I would not say concept, but in regional at the early stage in the first cycle itself the writer kind of parted for a much longer period so if we do not participate over where then you do not have an opportunity to participate in five to seven years period the way have in Hindi.

VarunDesi: Okay so a just follow up on that so what you I mean just a clarifications so what are you saying is that even in regional when you participate in first cycle you do not it free release, you always do it post release right?

HirenGada: Yes. We do not buy any movie prior to the release.

VarunDesi: Okay thanks and that explains. All the best.

Moderator: Thank you. The next question is from the line of Anil Sarin from Edelweiss. Please go ahead.

Anil Sarin: I have two questions what was the cash flow this year?

HirenGada: Unfortunately I do not have the cash flow statement in front of me. I will give it to you later if you do not mind.

Anil Sarin: Okay no problems. My second question is regarding the music rights are not bought by you, not owned by you those are sold to somebody else and considering on the digital domain most people when they are enjoying this content on their cell phone, they are going for songs and if you are



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not present in the song part of the digital consumption what is driving your digital sales then or my point is that is valid or not?

HirenGada: So two things are there, fundamentally the value in the ecosystem is of the film and if we see share of music business overall whether a television or even digital at this point in time. If in television the share of music is probably in mid single digit may be about 5% to 7% kind of this thing. So if the film which is the one which really, really makes money and more or less the similar translation is there on digital also. At this point the fact till now was that digital was the broadband and bandwidth was low so the format of...the duration of consumption and all of that was challenge and because of that music being a short form content suited that kind of viewing more, but really what we are talking of is the whole concept of in fact on the other hand of binge viewing kind of things. So when we talk off that is the real value of where the investment and not just investment where the major consumption is there is really on film side, so music share today in digital well I am not able to hazard a guess but my sense it would be below 25% of the business in digital media. That is one thing. Secondly even there we have... so newer viewers songs definitely we are not participating, but we have the largest retro Bollywood destination called 'FilmiGaane' on YouTube so the music video which is where a large part of consumption is there and we in fact have announced in this quarter also that 'FilmiGaane' has actually crossed 8 million subscribers on the YouTube channels so we have certain participation on the music front, but it is more on the retro or the classic, classic is not the right ward, but it is more the retro content.

Moderator: Mr. Sarin do you have any further questions?

Anil Sarin: No. I have no further questions. Thank you.

Moderator: Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Hi Hiren, last two years our performance on the traditional media has been very tepid. So FY2017 we know that it was demonetization year, but if I just compare FY2018 with FY2016, we have just grown by around 14% odd and if I have to just take performance of let us say a broadcaster like Zee I know that not an apple to apple comparison, but Zee did ad and subscription growth of 10% in the demonetization year where we grew by just 5% and then this year their acceleration has been 20% in ad and 15% in subscription, but we have done only 8%, 9% odd percent so not only have we underperformed in the demonetization is, we have not been able to accelerate in post demonetization year as well?

HirenGada: Actually it is not an apple to apple comparison because Zee is the large conglomerate with multiple, multiple vehicles and they keep launching new channels and all of that so really I would not look at comparison over there. The way I would look at it is that yes definitely the



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demonetization impact so prior to demonetization even in last financial year, we were actually growing in mid double-digit so about 15%, 16% kind of thing but demonetization one quarter impacted that and brought it down to mid single digit number. This year also when we started year in the first quarter it actually was flat growth and from there we picked up, so we have closed the year with 13% Y-o-Y in the last quarter. So that is really how it is and this is actually reflective of the way the film segment has performed.

Sarvesh Gupta: Okay so is the film segment underperforming the overall broadcasting revenue from?

HirenGada: It is not about film segment underperforming, so film segment is going along with broadcasting revenue more or less, but the fact is that if the comparison is Zee misplaced because Zee is probably growing at market share overall because Zee divested the sports business and they have made investment in other assets including launching new channels or even buying out newer channel so they bought Big for example and many other parts so there is certain inorganic component over there if you add up all of that I think you will come to a similar percentage in terms of the sector. See Zee has if you look at say for example let us differently look at FICCI frame kind of report which is putting out an overall sector report on the industry. So if you look at that then film is more or less in lined with the overall industry trend and we are kind of inline with that.

Anil Sarin: Okay and the gross profit for this quarter was a bit higher as 50% odd so have we made any accounting changes or this is just because we were able to amortize lesser in this quarter?

HirenGada: Gross profit?

Anil Sarin: Gross profit was around 50-odd percent compared to say between 38% to 45% in the last three quarters.

HirenGada: Okay you are saying direct cost as a percentage of sales?

Anil Sarin: Sales...yes.

HirenGada: No I think as I said earlier also there is some amount of operating leverage that has helped in this quarter.

Anil Sarin: Okay and this 5-year based on you have so broadly compared to what cost you were supposed to incur in a normal course of growth that we were planning earlier, what can be the incremental amount at risk that we will be incurring be it in advertising, be it in acquisitions, be it in adding inventory, some broad ballpark number of what is the capital which will be at risk because of the traditional plan?



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HirenGada: So as I said that there are few initiatives that are being planned out and each of them will have its own set of... its own path and its own business plan kind of a thing and the way at this point, I am not in position to give you overall total because that would be like very specific, but if I have to put it there are two or three ways to look at it, one is how we are able to monetize our existing assets more through newer better services, newer products, through various newer initiatives newer market etc., which in a way has a nominal capex requirement. There would be certain opex requirement obviously. Other is how do we align to consumer needs and therefore make offerings in that space and domain. There definitely we would need some amount of capital to be able to reach out to the consumer and to be able to serve the consumer. Now each of the initiatives will have their own respective path and plan and at this point, I am not in a position to give you a total overall picture.

Anil Sarin: Understood Hireen. Thanks a lot and all the best for the future years.

HirenGada: Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments.

HirenGada: Thank you everyone for having spent the time and joining us for the earnings call for Q4-FY2018 and as I said at the beginning of the call and many of the questions that have also come up. This is an overall thought process that we have put in place and overall ambition or vision that we have put in place and we are hoping that we received a support of all the stakeholders in fulfilling this ambition that we have put in place and as you all understand that we will look at the next 12 to 18 months strongly in terms of putting in place the various aspects and the execution aspects of this. Thank you very much for having joined us today. Thanks a lot and I am signing off.

Moderator: Thank you very much Sir. Ladies and gentlemen on behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.