



“Shemaroo Entertainment Limited
Q4-FY24
Earnings Conference Call”
27th May, 2024



ANALYST:

Mr. Anuj Sonpal – Chief Executive Officer - Valorem Advisors

SHEMAROO ENTERTAINMENT LIMITED

MANAGEMENT

: Mr. Hiren Gada – CEO

: Mr. Arghya Chakraborty- COO

: Mr. Amit Haria - CFO

Shemaroo Entertainment Limited
Q4 FY24 Earnings Conference Call
May 27, 2024

Moderator: Ladies and gentlemen good day and welcome to Q4 FY24 Conference Call of Shemaroo Entertainment Limited hosted by Valorem Advisors.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone.

I now hand the conference over to Ms. Purvangi Jain from Valorem Advisors. Thank you and over to you ma’am.

Purvangi Jain: Good afternoon everyone and a warm welcome to you all. My name is Purvangi Jain from Valorem Advisors. We represent the Investor Relations of Shemaroo Entertainment Limited.

On behalf of the Company, I would like to thank you all for participating in the Company's Earnings Call for the 4th Quarter and Financial Year Ending 2024.

Before we begin, a quick cautionary statement. Some of the statements made in today's concall may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the Company's fundamental business and financial quarter under review.

I would like to introduce you to the management participating with us in today's earnings call and hand it over to them for their opening remarks. We have with us Mr. Hiren Gada – CEO, Mr. Amit Haria – CFO and Mr. Arghya Chakravarty – COO. Without any further delay, I request Mr. Amit Haria to start with his opening remarks on the Financial Highlights. Thank you and over to you, sir.

Amit Haria: Thank you Purvangi. And good afternoon, everyone. And welcome to our Earnings Call for the 4th Quarter and the Financial Year Ended 2024.

Let me first start by giving you some key financial highlights after which our CEO, Mr. Hiren Gada will give you some of the operational highlights. For Q4 FY24 the revenue from operations stood at around INR 199 crores which witnessed a growth of around 21% on year-on-year basis. EBITDA loss for the quarter was around INR 8 crores and net loss was reported at approximately 14 crores.

For the financial year ended 2024 revenue from operations stood at Rs.707 crores representing a growth of 27% year-on-year, EBITDA loss stood at approximately Rs.26 lakh and net loss was around Rs.41 crore. With regards to the new initiatives in Q4 FY24. The expenses amounted to about Rs.10 crores while for the year ended FY24 it was about Rs.81 crores, and if you were to adjust for this investment, the adjusted EBITDA for the existing operations in Q4 and year ended FY24 would have been approximately INR 3 crores and INR 81 crores respectively.

Digital Media revenues for the 4th Quarter stood at around INR 64 crores up by 28% year-on-year while for the financial year ended it was around Rs.249 crores witnessing a growth of around 11% Y-o-Y. Traditional media revenues for the 4th Quarter stood at Rs.135 crore which grew by around 21% Y-o-Y for the financial year ended it was around 458 crores witnessing a growth of roughly 38% year-on-year.

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

Hiren Gada:

Thank you Amit. And good afternoon everyone. Q4 FY24 was marked by a strong performance with robust revenue growth of around 21% year-on-year driven primarily by our B2B businesses. As part of our ongoing commitment to strengthen our financial health, we have initiated a series of measures this quarter, focusing on accelerating inventory charge offs and prioritizing debt repayment. Upon due consideration with various stakeholders, the management has taken a bold decision to change the amortization estimation of the Company's content inventory.

We expect the existing inventory to be reduced by around 40% to 45% in the next two years, this is not considering fresh investments in content. Furthermore, we are also aiming to bring down the overall debt by about 100 crore over the next two years. While these actions have led to subdued margins in the current quarter and are expected to keep the margins under pressure in the near term, it is important to note that these charge ups are purely accounting measures, they have no impact on the monetization potential of our content library, nor do they affect our revenue or the ability to generate free cash flows.

We are confident that these strategic steps will fortify our balance sheet and unlock the intrinsic value of the Company. In our digital segments Shemaroo may continue to gain traction, particularly with our Gujarati content offering. This quarter we released 13 new titles including movies, web series, play, expanding our content portfolio. Noteworthy titles include

the blockbuster movies, Hello, Beti Kyarey Boj Hoti Nathi along with original web series such as Warso and Vaat Vaat Ma - Adla Badli.

On YouTube Shemaroo Filmi Gaane has achieved a remarkable milestone becoming the 22nd most subscribed channel globally and with 68 million subscribers, reflecting our growing digital footprint and audience engagement. In our broadcast segment, we launched the original show Chahenge Tumhe Itna on Shemaroo Umang, further enhancing our content offering. Our general entertainment channels continue to perform well, with GEC channel securing a viewership share of approximately 7.1% in the overall Hindi GEC genre.

With that, I would like to now open the floor for questions, the Q&A session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: So Hiren, my first question is about this inventory charge off. And you guys have changed the amortization policy. But as you say it's more of an accounting entry. So given that, how will it help or in terms of lightening the balance sheet and the reason I am asking this is that, I have been following your Company for many years. And for various internal and external reasons the debt reduction has not taken place including this year very well aiming for at least 30% kind of debt reduction. So, why would it happen now, what has changed or what will change? If you can talk a bit about that, because more than P&L the concern is surely on the balance sheet side.

Hiren Gada: Sure. Thanks Dhwanil for the question. I would, before we get down to answering I would first like to clarify that this year we had targeted not at 30% debt reduction, but a Rs.30 crore debt reduction.

Dhwanil Desai: Yes, sorry.

Hiren Gada: And so, as you know and which we discussed in the last quarter that so, first let's quickly finish off why that has not happened and then we will move on to what is the thought process for this. So, basically we had targeted a 30 crore debt reduction from around 320 crores to 290 crore that is what we had aim for this current financial year. As you all are aware that Q3 was a extraordinarily bad quarter for the entire industry including us and we had a reported a heavy loss. And that loss in fact has held us back from this number. I would also like to draw the attention that the debt in December Q3 December 23 and was 362 crore which by March we have already brought it down to 338 crores. So, there is a strong underlying cash flow generation which is happening. So, now coming back to the question on why, or firstly I want to give a little context on what we have embarked and why we have embarked on this is that, last two to three years and even probably prior to that also, but particularly more in the last two to three years we always had this question in terms of the overhang that debt and

inventory, both these questions kept and there was a third linked question, which was free cash flow generation, which we kept having for last two to three years particularly, so we kind of looked at that this whole and that has been one of the impediments to the value discovery, so today we are at 700 crore topline which for our industry puts us into a certain league or not a small player kind of league but that is not reflecting in our market cap or the kind of valuation that we believe should be happening. And when we reflected back or even did some research on why this is the case, our clear understanding came out to be that this combination of balance sheet correction which needs to happen, is something that is likely to do that. Now, balance sheet correction is not one thing, it's not just debt repayment, it's a combination of inventory and debt because they are both opposite sides of the balance sheet. So, that is really what we have attempted to address this, in a way I would say take the bull by the horns, and over a period of discipline execution, bring it down to a level which kind of makes the whole balance sheet and underlying business financial, in a comfortable position, that has been the thought process and in doing so, we are obviously demonstrating free cash flows. Now, the whole idea here, we believe that, over a two year period, if the existing inventory can come down by 40% to 45%, if the debt can come down by about 100 crore, that makes the whole financial outcome extremely strong, and that can help the value discovery process.

Dhwanil Desai:

Right, Hiren my question still remains that this, with this more of an accounting inventory charge off with an accounting entry. So, what is the plan to reduce this 100 crore debt, because those kind of things have not happened in the past. So that is what I want to understand, are you going to reduce the investment in the new initiatives going forward, hence expecting better cash flow and then debt reduction, what is the kind of guiding part for the debt reduction?

Hiren Gada:

Sure. So, I am just coming back. I was trying to answer the question on the inventory part, but yes debt part also I will come. So, we have good visibility on the content monetization already. In fact, in this quarter itself we have been able to generate a certain amount of cash flow, which has helped bring the number of the debt itself from 362 to 338. If I have to put it, brick-by-brick, there are multiple different triggers and aspects. Firstly, on our investment businesses, the expected investment now that the businesses have reached a certain stage is definitely not, is going to be significantly lower than what we have invested last year. In fact, it would have last year also the budget was lower, but there were some extraordinary events. This year, we have actually built the investment plan and the annual operating plan in a way that the investment in a way stays fairly stable at a much lower number than what we had last year. So firstly, there is a lower investment which is a combination of, so which is a lot to do with the progress of the business itself, and few other market forces combination that we have expected. Second is that, the cash flow generation on the content library has been growing for last few years that we have expected, so, there is a certain growth in the cash flow generation itself. So, it's a combination of maturing of the investment and growing of the cash flow that is

expected. So, based on that itself last year also we had estimated, but as I said this year we have a fair visibility on the numbers.

Dhwanil Desai: Okay. So, two follow up on this. So, essentially what we are saying is that 100 crore debt reduction in couple of years which means, 40, 50 crore deduction every year is that a right assumption to make?

Hiren Gada: Correct.

Dhwanil Desai: Okay. And second question you are saying that we will reduce the inventory by 40% to 45% in again two years. So, we are almost charging of 280, 300 crore in over two years so, roughly the accounting charge of will be around 35 to 40 crore a quarter again, is that a right number to look at?

Amit Haria: Yes.

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

Shivam Agarwal: Sir, I have couple of questions. First, whether there is any completion of our tenure two Independent Directors. So could you provide insight into our strategy for reconstituting the Board and like till when the appointments will be complete?

Management: So, we have already announced for the appointment of the new Directors.

Shivam Agarwal: Okay. So, the Independent Directors are appointed?

Management: Yes, two new Independent Directors have already been appointed.

Management: See the outcome of the meeting it clearly states the appointment details.

Hiren Gada: Yes, this was filed on Friday itself, the details of the two Independent Directors.

Shivam Agarwal: Okay, sir I missed that sorry. And sir second thing, considering the annual salary in-house Shemaroo is 1.5 crores approx. So with our recent progress on hiring top tier management.

Management: Your voice was cracking a little bit; can you please repeat the question?

Shivam Agarwal: Sir considering the annual salary expensive 1.5 crore, and the recent focus on hiring top tier management, so can you please provide me on whether we are currently hiring initiative a complete or any other, what are the projected salary for expense, like in FY25?

Management: No, our overall hiring broadly is in place. And now any further hiring would be broadly incremental in nature, not the kind of upgrade we have done over the last two financial year. The additional costs or the number for this year, while I am not in a position to give it to you I can just say that two components which will lead to an addition in FY25 one is of course the normal salary increment that we would have given to the team from effective 1st April onwards and second is that we had some of the talent join us midyear say, June, July to almost October, November, there annualized so there we may have had prorated pay out which will kind of get annualized from henceforth onwards.

Shivam Agarwal: So we are not looking for a massive increase in number?

Hiren Gada: It would be incremental, as I said combination of normally increment and some manualization of some of the existing numbers.

Management: Just to answer, most of large part of the, entire part of the top level hiring is now complete. So anything now happens will be all incremental versus normal.

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

Maan Vardhan Baid: I just wanted to understand that sort of, because we have now embarked on this drive of writing of inventory. And sort of even this year we have written off almost close to 50 crores of inventory. So, just wanted to understand the process behind writing off this inventory. And sort of what slightly maybe if you could sort of explain as to why are we writing have more inventory, then what our P&L kind of permits. So, that actually weakens our net worth, erodes our net worth, the moment we start showing losses. So, just curious around that point?

Hiren Gada: So, again, coming back to what I said earlier, so I will answer it in two parts. First, I will try and answer the second part. So, as we discussed, this has been a question or challenge or kind of feedback constantly from various stakeholders that we have received, in relation to the overall size and financials, the inventory is higher and debt is also high. And this debt has been taken to kind of correct that, there is a onetime kind of an accelerated charge of that was, that has been embarked on and that has been envisaged. Now, yet in the short term, while it will definitely lead to P&L losses, we expect that once that is done with, the underlying profitability and more lighter balance sheet will kind of throw up far better opportunities, far better ratios and far better visibility of the intrinsic work or the intrinsic value of the Company. That's the thought process and the confidence with which we have kind of embarked on this. Now, to answer your other question on what is the process so, typically we have been charging it off so, for price which we had for longer period, which is 10 years and above we have been charging it off in two five year cycles broadly. We are able to cover the monetization in a time frame, in a 10 year period, what we have now done for certain portion of the inventory is to accelerate that and reduce that tenure into a lower number. So, that's the broad change that.

Maan Vardhan Baid: And, sort of just also wanted to understand the impact on taxation of this measure that when we aggressively write off, are we permitted to carry forward these losses?

Management: Yes, you are allowed to carry forward the losses as business losses.

Maan Vardhan Baid: Okay. If you could also update us on the GST matter, there was a provision that has been made this year and sort of where do we stand on that matter, with the authority?

Management: Sure. So, as far as the GST is concerned as on date we don't have any further update or communication from the authorities, there is no demand, there is no show cause or any such thing. We have been providing details that they have been asking us for. And then when we receive any show cause or something we will definitely anyway, would need to update and we will update, so there is no change on that in any case. And, I would just like to, so financially the matter is subjudice and continues to stay. But I would just like to do two things, one is of course reiterate that we believe that all the statutory dues and compliances have been duly paid and filled by the Company. And secondly, as a matter of prudent according practice, the amount that we have paid, which is the 12 crore under protests which have been paid to the department that we have charged off as a provision or we created a provision under other expenses in both years.

Management: So, we believe the amount is fully recoverable, and hence there is a provision made not a write off basically.

Maan Vardhan Baid: Understood, also a broad comment on the advertising environment, this quarter top line was strong. So?

Management: Okay, so our top line growth as you see we have indicated in the call itself has come on the back of some strong B2B revenues. We have had some, as we have indicated in the past, these B2B, syndication revenues are lumpy in nature and some of those revenues accrue to us in this quarter. So, that has come to us in this quarter. Advertising revenues in a while, at an overall level we can see that FMCG advertising revenues are showing some signs of revival not yet fully up there, but definitely better than the last quarter, it is moving positively, the indications are positive, hopefully after the election, certainty in the market things would be better. But there are signs of some revival in the FMCG business, not so much in the e-com and the other parts of the business. And it is visible in the GAC, but more so in the regional space and in the news and sports. But it is very strange, but it is much better definitely compare to the last couple of quarters.

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

Sakshi Chhabra: I just wanted to understand that on your accelerated inventory write off. So even on the fresh content that we will be acquiring this will be applicable. And if so, in the first year what is the percentage of write off which we will be doing on fresh content?

Management: So you mean to say is that is the policy applicable for the fresh content?

Sakshi Chhabra: New content, yes that's my question.

Management: Yes, so wherever as I said, certain type of content, if the fresh content falls into that bracket of that it would be applicable.

Sakshi Chhabra: So, can you explain that a little more in detail?

Management: Depending on certain type of content and certain aging of content, we had earmarked say a 10 year kind of charge off policy which we have shortened to two different timelines based on the aging and other criteria. So any content freshly acquired which falls into that same category will be applicable?

Sakshi Chhabra: Okay, but how is that categorization defined like, I wanted to understand that?

Management: As I said, so there are some parameters have been applied which are based on the aging of the content and the monetization.

Sakshi Chhabra: The estimated life of the content?

Management: Yes, so that estimated life of that content which earlier was estimated at 10 years has been brought forward, it has been reduced.

Sakshi Chhabra: So, to be reduced to about on an average?

Management: It has been reduced literally from two years to, between two and 10 years, but some of it has been brought, lot of it has been brought forward basically.

Moderator: Thank you. The next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: So, in this quarter how much inventory write off have we done, as I missed that?

Hiren Gada: As a result of the policy?

Rahul Jain: Yes, the incremental inventory write off, or the amortization?

Management: Approximately around 10 odd crore incremental write off would be there.

Rahul Jain: And that will be included in the operational cost?

Management: Yes, it will always be there.

Rahul Jain: Because I was unable to locate that properly, because neither could I look at it for the cash flow.

Management: Rahul, all content consumption will always come under operational costs, it's a direct operational cost.

Rahul Jain: Agree. So, you will have one effect on the operational cost and since you mentioned it is a non-cash item. So, are we also putting it accounted under the cash flow?

Management: See the accounting charge off doesn't have a cash flow impact, what it has is the second effect of that goes into stocks.

Management: So, the flow there is.

Rahul Jain: Okay. So, in the cash flow it will be accounted under inventory part?

Management: Yes, correct.

Rahul Jain: Okay, got it. And secondly on the business side, you have a traditional media in last three, four quarters again, digital media. In last three, four quarters has remained kind of flattish or I would put it even for last six, seven quarters right from September 22, we have been coming in the range of 60 crores odd 60, to 65 crores range. So, how do you look at this new media sales to grow ahead, what are we trying to do over there, just to understand this?

Hiren Gada: Okay. Sorry, Arghya is outstation so, we are not in the same room. So, sorry about that. So, let's understand the context for digital media. So, in digital media consumption post the COVID surge that has happened, there has been some plowing back or reduction and that probably has still, still playing out or maybe towards the end of that playing out cycle. So, probably COVID took something which was at 100, maybe to 200 or thereabout. Post COVID, things have normalized back to 150, 130, 160 somewhere there. So, there is a and obviously COVID created a high base impact for everyone which kind of caused the slowdown or optical at least slowdown kind of a thing and that is across the digital Inquisition particularly in video consumption we have definitely seen that. And whether it's, all platforms and this is documented if you see the latest industry reports from most of the experts also they talk of a similar kind of a thing. So, the overall underlying landscape itself is kind of seeing a tempering of that growth which is a post COVID adjustment. We expect that probably that adjustment period may be nearing it kind or may take one or two more quarters to finish that adjustment, post which the normal growth will catch up and in fact coming back. However, now that the base itself has grown so large and this I am talking Rahul at a industry level of course. So, at an

industry level, since the base has itself grown so large now, now there is +20% growth rates and all of that are not really going to be, they are going to be very difficult to replicate and achieve in the visible future. So therefore, you expect that or in fact, the industry reports also suggest that growth rate coming down to somewhere in the 13% to 15% kind of number. In fact, last year also calendar 23 it has been around some 15% kind of a thing, we have in fact done better than that and our effort will be since we also, I will add one more factor is that we command a very high viewership share on all the categories that we operate in YouTube particularly on the Bollywood side, films, music, et cetera. So, for us also to move the needle, our dependency on the underlying growth is very high within that we have been growing faster. So, maintaining or gaining our viewership share and so, that is broadly and we have a strong content pipeline lineup and content plan as usual which has kind of given us already a good growth number and we are confident that, that should be fairly doable.

Arghya Chakraborty:

I will just add to what Hiren said. So, there are two aspects obviously one which is viewership led with Hiren just talked about and the factors contributing to the viewership shares and where the viewership standards. Also important to note is that the last year has been pretty soft on the ad expense. So, how do we get our digital revenue, there is a function for viewership and the ad expense on largely on the channel like YouTube. So, the ad expense is also been reasonably soft in the last year compared to it was some two years back it had grown very heavily. And which is climbing a heavy base, so, that also has contributed, to address that always been very strong in the last year, obviously in our channels because there are lot of sports and other events which happened, we had IPL and the World Cup and so on and so forth and all that. Always money has moved, so while we are on an upward trend, and the trajectory looks okay, but the growths have been soft on account of what Hiren said and also on the account of the added.

Rahul Jain:

So, Hiren basically, do we understand that somewhere digital media, traditional media has done much better for us in last three, four years compared to the digital media?

Hiren Gada:

Particularly last about four to six quarters, it has done better prior to that digital has been growing equally strongly. And also, the reason, let's not forget is the fact that there has been a significant underlying investment in the broadcasting business initiative itself. So as the channels have grown and matured, and all of that, there is a new stream of revenue that has come up, and which has grown robustly and contributed well to the overall picture.

Rahul Jain:

No, so reason why I am saying so is sir, now we have sitting on almost 450, 460 crores of traditional media business.

Hiren Gada:

Correct.

Rahul Jain:

So that, again has built up in last three, four years. So here this base has become larger so how do you see this particular segment of the business doing in next two years?

Hiren Gada: So, see there are two parts to this one is, so firstly if you ask me frankly beyond a point it doesn't matter because the content that we are, whether it's for broadcasting what we are creating, or whether it's Bollywood content, Gujarati or anything else, it's ultimately the content which works, where the consumer comes from it really doesn't matter. Whether the consumer is coming on television platform or on digital platform, it doesn't matter because either way we are well placed to monetize it and earn out of it. Secondly, in the way forward industry estimates on television advertising are somewhere in the low single digits, 3% to 5% in terms of growth, and digital as I, as earlier somewhere in the range of about 13% to 15% advertising growth. Within this, given our the fact that you have been overall gaining viewership share on the television side, so we have obviously grown faster and taken away some revenue or added and grown from there. So, frankly as I said in the earlier point that it doesn't matter, we have to be firstly where the consumer is. And secondly, we have to have a monetization mechanism available, that is probably more important. Now, Jab We Met whether people are consuming on television or on the digital media, how does it matter we are there to capture the revenue on either front.

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

Rishikesh Oza: Sir, can you please tell the adjusted EBITDA for this quarter, and how much expense was for new initiatives and how much was for inventory write off?

Management: This quarter the expenses for the new initiatives are 10 crores and the adjusted EBITDA for the quarter was 3 crores and for full year it was 81 crores.

Rishikesh Oza: Okay. And what was the investment for new initiatives in FY24?

Management: 81 crores.

Rishikesh Oza: Okay. And what investments do we see for FY25?

Management: We are estimating that investment to be approximately in the range of about 50 crores.

Rishikesh Oza: Okay. And how do we see these investments or new initiatives going ahead, can we say that FY25 let say you said 50 crores, in what year can we see that they will go down significantly, let's say below 10, 5 something very miniscule number?

Management: See there are two parts to the investment, one is the television broadcasting investment and the other is the Shemaroo ME these are the two key components of the investment. Television broadcasting, we are looking forward that probably somewhere in the next four to five quarters we should be significantly nearing a breakeven kind of a situation. As far as Shemaroo ME is concerned. OTT industry still in fact, currently the OTT industry is not doing that well. So we

are actually slowed down even in this current quarter gone by and way forward also we have toned down the investment. We believe that this business is likely to stay in investment mode for at least a couple of years more till it doesn't achieve a critical mass on consumption, viewership and adoption kind of numbers. So our effort has always been to be as frugal as possible and manage the overall investments within a certain amount on an annual basis rather than overspending or over paying on things.

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

Yash Kukreja: Sir, we have seen around a 20% growth in business for Q4 and most of it was driven by B2B transaction. So, sir I wanted to understand the performance of the four channels that we have. So, I wanted to understand like the revenue realization growth from the first channel and also the update on the most recent, so how are we seeing this revenue realization growth and also sir how long does it take for a channel to break even?

Arghya Chakrvarthy: Yes, so I'll answer because this question keeps coming. The four channels are on different kinds of revenue trajectory, because of obviously one is the duration of the channels in existence, and the kind of competitive spaces they operate in, and the kind of viewership shares that we have been able to generate out of it, if I look at it and it's difficult, we will not be able to give numbers to it. But split point of view and from a completely stabilization point of view Shemaroo TV, the first channel that we launched is quite way, it's very recently on its way forward. And, we see that trajectory continuing the way it is, without any too much of challenges and problems. Then we have Shemaroo Marathi Bana, which also was in a very earlier channel of course it operates only in Maharashtra, and has been doing reasonably well with some ups and downs, because we have been investing fresh content when it was the second half of last year. And it was going quite okay, but as you would might know, coming from April, this year we have brought it out from the free dish space, for various reasons, largely, being the license cost being too high for the kind of space that it was in. So obviously, Marathi Bana we are starting relatively afresh with now completely in the pay world, we are re-assisting what content or readjusting our programming in order to, it's almost a fresh start Marathi Bana, though it continues to play in, it was in the previous part with a part of Maharashtra it's only 15%. And it continues to be in the favor, but obviously the strategy and the content programming, et cetera will go through some changes. The fourth channel which is a very new channel, which was Chumbak, which was launched in the middle of last year. It has stabilized and it's really doing well. Considering the time that it has spent and we have reasonably strong hopes in the channel this year, the way it is trending also looks good. So four channels are in four different spaces, Shemaroo, as I said, Umang which is our main channel for original shows, went through a bit of a up and down kind of a situation. That channel, we had launched quite a few original shows which we had brought down in the last quarter. Because some of the original shows were not doing well. We still continue our focus on the original there with right now having a couple of original shows. And we have plans to dial up

again in the next couple of months there. So that channel is the one which we have a lot of plans and hopes for in the future. But it's going through a slightly rocky phrase because it is largely dependent on original stage. And in terms of profitability, this question has been asked many times, it's a question of different channels are in different states at an overall level as Hiren said somewhere in the four, five quarters down the line we hope to have an overall but with different channels in different space. Hiren you want to add anything, you can add.

Hiren Gada: No, it's fairly put, just one point I would like to add is that, one of the factors which actually put the free universe a little behind by what happened last year which was a rebasing of the sample universe with by done by the rating agency BARC and that has in a way shifted out certain numbers and that has, so one of the impact for last year definitely has been this rebasing effect which we are fairly hopeful that, that correction that should happen during next few months is what I think and that will of course definitely change a certain amount of the revenue that has been given up.

Yash Kukreja: Okay. Sure, and sir my second question is, what is the update on the launch of new channel?

Arghya Chakrvarthy: As of now we are again, in the state of evaluation of the launch of channels. That's something which we will always be able to because we want to have a network of channels. As of now we are still evaluating when and how to launch the next channel. Hiren sorry.

Hiren Gada: No, so while we are in a certain state of readiness for that, but even the last couple of quarters events on the external front which is the advertising landscape and all of that, we have ourselves gone a bit slow on that and are evaluating the viability and things like that.

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

Dhwanil Desai: I have two questions. So first is, if I look at our GEC viewership share, even if I adjust for the rebasing effect that happened last year, we are at around 7.1 to 7.5 which used to be slightly higher. So my question is that, let's say if we don't launch any new channels, and considering that we are running at full inventory like you explained in the earlier calls, the only way to grow is through higher effective ad rates. So without viewership share, increase the only lever that we have is the improvement in the external environment, is that a right assessment. And if so, aren't we too dependent on the external factors on that and how do we see our viewership share growing?

Management: So, external factors will always be important, right because we are in the free dish space and in the GEC, in the Hindi GEC space. And free dish space, as you know the revenue model is completely advertising rent. So there is an externality, but at the end of the day they remember that free dish Hindi GEC caters to a very large audience, which is not catered by the free audience, it's like a very large incremental audience. So there is enough and more space for

advertising money's to come and advertising money will come and so it is a function where a lot of it is a function of demand and supply you are right. And as I was just indicating, showing some screenshots of opening up again in this quarter, and hopefully post-election and everything's stabilizing we also see, we are very hopeful that the coming festive we will see some strong revolve in the advertising revenue, so that is demand that is one. Second is in terms of viewership share. You are right, our viewership share is slightly suppressed when compared to what we should have been. And as I said in the previous answer, there are some of our original shows which did not work as well as we wanted. But as you know, or if you don't know let me just let you know that, what happens is in Hindi GEC, normally the strike rate of our shows succeeding is normally in the range of one or two, or maybe three max out of 10 shows. So it's not that none of our show succeed in the beginning, the first show that we had launched, Kismat Ki Lakiro Se did reasonably well. But subsequently, some of the shows did not do well, we are right now also working with some of the top producers bringing in newer shows, we are also being very quick in replacing shows which are not working. So we have a cogent and well thought out programming strategy in place to drive viewership share. Irrespective of the fact whether the advertising market opens or not, we have to continuously strive to drive our viewership share through smart programming. So that's where we are, we are also taking quick calls. And from this last quarter we have actually saved a lot of our investments by shutting shows which are not working. At the same time, we are also commissioning shows with just a producer with the best of thoughts. So it's going to be a combination of both it is not just relying on external factors, but which are very true, which external factor is important, but also at the same time running shows, with smart programming and smart work handling our more content.

Dhwanil Desai:

Okay. The question that I have is and the point that I am trying to kind of arrive at some kind of understanding is that, in the earlier version of Shemaroo, we used to do 27%, 28% EBITDA margin and now the way we are charging of inventory, apparently we were charging on inventory on the lower side content cost and probably those margins were also not true reflection. Today we are in the space where we are still in the flux in terms of scaling up. So as a management when, let's say 700 becomes 1000 crore as we scale up, how do you guys look at EBITDA margin, because from the moving part that they are in the business at the current juncture, and the accounting side of it, we are absolutely know to how the margins really work. So unless you guys help us understand how you guys think, at a scale how this business will have steady state margin, how would we get some sense?

Hiren Gada:

Back, there are two part to this answer, actually. So firstly on the margin, on the traditional business, or on the 12 business model which was the aggregations, indication and content business that I don't think changes, even now if you see the underlying adjusted EBITDA and all of that those margins are in that range only, that cash flow is also in that range, because if you see this year after an investment of 81 crore, the debt has gone up 18 crores. So, there is a underlying free cash flow that is getting generated, but it is being invested now, yes the fair

question is that whether that investment has broken even, what is the visibility on that breakeven and then in a steady state, what are the margins on or what kind of margin business is that. I have two point over there, one is that, as I said earlier that business we are looking forward that in the next four, five quarters that business should reach a steady state against your breakeven kind of position. And this business is known to have supernormal margins, we have enough and more data from a lot of other peers in this industry, who we know are working at significantly higher margins, now we are seeing that may not may or may not happen, and it may take some time to happen, but at least once the business is on a certain path, the way forward on margin free cash flows generation and sustaining the business in its way forward is the important first step that we are looking forward to, to achieving on that and we have lots of levers for that some of which are external, but quite a few are internal also and we have a fairly capable team in place to actually push and drive a lot of those levers, that team has come, been brought in place over the last about three quarters or so, it's now over the last as I said three quarters has stabilized at a certain level and now raring to go in terms of taking the things forward, and we are definitely hopeful and confident that they will be able to deliver significantly strongly on that. And the second part to this is that, this business in terms of its working capital nature is very different from the aggregation business because, this is a relatively smaller working capital business, notwithstanding in fact, the fact that we have been steadily investing, but fundamentally the working capital nature, if you can see on the balance sheet effect also it's significantly different. So, that is, if you ask me the way to look at it, so it will even at a slightly lower margin, this business can improve the return ratios for the Company quite significantly.

Dhwanil Desai: Okay, got it. And just one small request, like you have been giving new initiating numbers separately, if you can give the inventory charge of numbers also separately, because otherwise again, we will have no clue how much of inventory is getting charged every quarter. What is the normal consumption and what is the extraordinary charge off?

Hiren Gada: Sure, we will look into it, I am not able to confirm that right now. But we will try and address it in some way, the idea is not to not give it, so what happens is that, as we go forward there's a challenge on the numbers because fresh inventory, et cetera comes and it all becomes finally fungible in that sense, as in it kind of becomes one block. So to calculate the bids, and all of that is a challenge. We will still try and attempt to give as accurate, we will look into it.

Moderator: Thank you. The next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Hiren, just to understand this. This year if I look at our operating profits apart from adjusting for the 81 crore new initiatives, there is a 12 crore GST provision and there is a 10 crore incremental or excess inventory write off is that right?

Management: Correct.

Rahul Jain: So, if I look at last three years of operating profit adjusted for the new initiatives, those profits have been around 100 crores only, no change. They have not moved up, our margins also, the operating margins again for existed for this new initiatives as well as this current years inventory and GST. They are actually fallen from around 27% to 14%, 15% now. And as the previous participant was talking about, earlier we used to get around 27%, 30% or 25% to 30% range of margins. In last three years, those margins have now come down to 14.5% to 15%. So one, what has actually led to this deterioration of margins and what is the steady state margin for our business now.

Hiren Gada: I don't agree with that, it's a very I would say arithmetical way of looking at it, you have to, so you have adjusted the numerator, but not the denominator, that's my only concern on that. So, this is a separate discussion, you can probably look at separately, but that margin what you are taking off you have to even take off the top line from the denominator then you will find that the margin on that existing business is mended.

Rahul Jain: Applying from the denominator?

Management: Yes.

Rahul Jain: Okay, I will possibly take it offline. So, now, in last five years, we have spent 300 crores on new initiatives and is it possible to understand out of this, how much will be spent in cash or how much it will have impacted the cash flow?

Hiren Gada: So, if you see the debt in that, it has gone up by, I don't have the figures offhand, but my sense is that, debt would have gone up by about 75 to 80 crore, rest is all through internal accruals.

Rahul Jain: Okay, but this 300 crore is roughly spent in cash or the cash flow would have accounted for this?

Hiren Gada: Yes. So, it is visible in the debt number, what I am reporting and how the debt is going you can calculate or adjust based on that.

Rahul Jain: Okay. And so, next two years Hiren by two to three years, how do we look at this number of new initiatives because what happens is here now we have an excess inventory write off being done every quarter. So, are we trying to say that somewhere we are.

Hiren Gada: I never said earlier that this year FY25 we are budgeting for approximately 50 crores on the fresh investment side. Next year visibility right now, I am not able to give because it depends on we are at the beginning of the year. So, I don't know but if things go as per how we have anticipated that we, if we are able to break even in a four or five quarters period on the overall business, then the investment in next year will come up reasonably to stay broadly for Shemaroo ME and some small amount for the broadcast business. So, if you are able to achieve

that breakeven, near breakeven at least situation or then the next two years the investment will come up reasonably.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Hiren Gada: Thank you all for participating in this earnings call. I hope we have been able to answer your question satisfactorily. If you have any further questions or would like to know more about the Company, please reach out to Valorem Advisor our IR manager. Thank you and looking forward to seeing you all with the Q1.

Management: Thank you.

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