



“Shemaroo Entertainment Limited

Q2-FY24

Earnings Conference Call”

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SHEMAROO ENTERTAINMENT LIMITED

MANAGEMENT

: Mr. Hiren Gada – WTD & CEO

: Mr. Arghya Chakraborty - COO

: Mr. Amit Haria - CFO

Shemaroo Entertainment Limited
Q2 FY24 Earnings Conference Call
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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY24 Earnings Conference Call of Shemaroo Entertainment Limited hosted by Valorem Advisors.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. I now hand the conference over to Mr. Anuj Sonpal – CEO at Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Good afternoon, everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations of Shemaroo Entertainment Limited. On behalf of the company, I'd like to thank you all for participating in the company's earnings call for the 2nd Quarter and First Half of Financial Year 2024.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by information currently available to management.

Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Let me now introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We have with us Mr. Hiren Gada – CEO, Mr. Arghya Chakravarty – Chief Operating Officer and Mr. Amit Haria – Chief Financial Officer.

Without any further delay, I request Mr. Amit Haria to start with his opening remarks. Thank you and over to you, sir.

Amit Haria: Thank you, Anuj, and good afternoon everyone and welcome to our earnings call for the 2nd Quarter and half year of Financial Year 2024.

Let me first start off by giving some of the key financial highlights after which our CEO Mr. Hiren Gada will give you some of the operational highlights.

For Q2 FY24, the revenue from operations stood at 199 crores which witnessed a growth of around 36% on YoY basis. EBITDA for the quarter was around 17 crore representing the growth of 121% with EBITDA margins standing at 8.65% and net profit was reported at approximately 5 cr with PAT margins standing at 2.45.

For the first half of the financial year, the revenue from operations stood at around 352 crores, representing a growth of 45% YoY and EBITDA stood at INR 25 crores which was up by around 19% YoY and EBITDA margins stood at 7.08% while net profit was INR 3.6 crores with PAT margins standing at around about 1%.

With regards to new initiatives, in Q2 FY24 the expenses amounted to about 30 crores while for the first half of FY24 it was about 43 crores and if you had to adjust these investments, the adjusted EBITDA from existing operations in Q2 and H1 would have been approximately 47 crores and 68 crores respectively.

With regards to traditional media and digital media division highlights. Digital media revenues for the 2nd Quarter stood at 63 crores, marginally down by 2% YoY while for the first half of the financial year it was around 120 crores witnessing a growth of around 7% YoY.

Traditionally, India revenues for the 2nd Quarter stood at around 136 crores which grew by around 65% YoY while for the first half it stood at 232 crores representing a growth of roughly 78%.

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

Hiren Gada:

Thank you, Amit, and good afternoon, everyone. During Q224, the company achieved robust revenue growth and maintained the positive margin largely due to the strong performance in the traditional business. Overall advertising demand remains subdued due to sluggish consumer sentiment and a persistent slowdown in funding for new age advertisers.

In addition to the above, the company digital business was also impacted due to higher base effect in the same quarter last year. The festive season is expected to bring in slight upswing in advertising spend. However, the prominence of major cricket events during this quarter is likely to absorb significant portion of the advertising budgets.

This, along with the continuous investments in the B2C initiative is expected to keep the company margins under pressure. On ShemarooMe front, we released 11 new Gujarati titles during the quarter, with content across movies, web series and plays, including digital world

premieres of blockbuster movies like Shubh Yatra Kutch Express and the release of original web series What The Fafda.

We also launched the OTT platform in Indonesia via Excel. On YouTube front, with 66 million subscribers ShemarooMe Shemaroo Filmi Gaane is the 23rd most subscribed channel in the world.

In Q2 FY24, we launched original programs across our three-broadcasting channel, Laddu Gopal on Shemaroo TV, **Gouna** on Shemaroo Umang and Jogeshwaricha Pati Bhairavnath on Shemaroo MarathiBana. Shemaroo GEC channels have a viewership share of around 7.4% in the overall Hindi GEC genre.

We also launched a new DTH service Bollywood Masala with Bollywood 90s movies on Tata Play in September 2023. By launching ShemarooVerse we are now present in the official Metaverse platform on JioDive VR Headset and are now officially present on the Web 3.0 platform.

In regards to the ongoing GST case, the matter is subjudice. However, we would like to update the following. The case is primarily related to transactions of FY17-18, 18-19 and 19-20. The company is of the opinion that there is no offense committed by the company and the input tax credit that is claimed by the company is proper in all respects and is in regular course of the business.

Further, the company denied the claim demanded by the GST department, and the same will be contested by the company as the company believes that all statutory dues and compliances have been duly paid and filed by the company.

Further, the company also submitted new records as per the GST officer and deposited Rs.12 crores under protest with the department and cooperated in their ongoing investigation. With that, I opened the floor for question and answer session.

Moderator:

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

Dhwanil Desai:

So, the first question is I think in the last quarter we had indicated that because of the fee basing of the viewership share under BARC I think ad rates were slightly lower than expected and the demand was also subdued. So, with festive season setting in, do we see any increase in ad rates happening for us and continuing with that since we continue to invest in original content and eventually want to take it to 4 hours, 5 hours in each of the channel, if the ad rate increase does not happen will we kind of revise our investment guidance of 75 crore going forward for the current year?

Arghya Chakravarty:

See, I would say the festival season is just the corner and the last quarter had seen, I mean, if you look at the way our ad rates have moved, but I will not give us exact numbers, but there has been a positive movement in the ad rates in the last quarter compared to the previous. Having said that, it is also a function of our channel maturing and some content sticking in the consumer. In terms of the festive, we hope for a better ad market, but the ad market continues to be not to the best as in terms of what we expect. So, it's very difficult right now to comment on exactly how things will plan out by the end.

In the month of October, we saw some improvement, but again I think it is largely being muted compared to expectations. Having said that, going forward we will continue to build our channel and our investment in original programming will continue and we hope it's a matter of time before ad rates starts normalizing and that is not going to in any way impact our investment. We will continue to build our channels and as Hiren spoke in his opening comments, we did launch 3 original contents in three channels.

In fact, Shemaroo MarathiBana that was our first original GEC content. In fact, our second original just started sometime back. So, that investment will continue and we hope that it will keep improving. However, as of now the outlook seems to be a little weakest compared to what our expectation here.

Hiren Gada:

I will add one couple of points to the question. This rebasing of the universe actually which was your question and that has more impacted, of course, it has impacted to a good extent the channel share itself and that therefore affects the ad rate. That in a way we feel has now in this quarter stabilized the rebasing by the BARC.

Second is to further add to offer point on originals. While we are fully committed to build the channel and grow the original pipeline. We definitely from time-to-time do take tactical calls in terms of if a show is not delivering and performing, we have been taking those calls of spilling it off and taking it whatever I would say take a step back and then come back. So, there is a clear strategy that we will -- the intent is not to, I mean, the intent is to keep a hawk eye on the investment cash flow and the financial impact of that also.

So, to the last question that you had on investment, I think so right now we will hold the projection or the expectation of 75 crores and we are hopeful and that we should be able to manage within that. I hope that there is no overrun on that. There could be, but we will try our best to retain that 75 crore investment.

Dhwanil Desai:

I think till last call I think agenda is we had kind of faced that we will be well within that number and I think today probably we are saying that we may even kind of surpass that. So, is it because the revenue growth on the ad rate improvement is not up to the level?

Hiren Gada: The market has not supported to an extent that has been one of the challenges which has that the overall spend in the market, the ad revenue itself has been muted as far as the industry is concerned and therefore to that extent, the projection on the revenue has been a little lower and I mean for us the question was that therefore should we continue the investment or not, and I think I mean having invested we don't want to pull back now because that will set us off by at least 12 months to 18 months. So, therefore we have kind of as I said within that taking tactical calls of pulling off shows which are not working, but still directionally we are committed to path.

Dhwanil Desai: So second question is on the balance sheet side I think in the start of the year we said that one of the key KPI for this year is to reduce debt by 30 crores to 50 crores. So, last quarter we treated that are we kind of staying strong on that this year?

Management: We are committed to as in terms of our again this is what we have intended to do and as of now we are fairly confident that it should happen and we had indicated last time also if that some of the cash flow investments, I mean, so a lot of this will be back ended in the second half of the year.

Dhwanil Desai: And I'll come back in the queue after this question. So this 12 crore amount that we paid to the GST, so that is not appearing anywhere in the P&L and cash flow. So, it is after September 30th that we have made payment?

Management: No, it would be appearing in the balance sheet item as an advance paid to the government of authority. This is under protest. There is actually no demand raised by the department as of now. It would be standing in the asset so we had an input tax credit of around 10 crores where we pay from the same. So, it is just from one account to another account, it's shifted.

Dhwanil Desai: So, there is no P&L impact of this/

Management: As of now no.

Dhwanil Desai: But cash flow it should have been impacted. So cash flow is lower by that extent is what we should believe?

Management: So if we look at the full year, it will play out that way. It will be lower by that extent. In the immediate it was a credit lying in the account, but that credit would be consumed in the rest of the year and to that extent the cash flow will be lower.

Moderator: Thank you. The next question is from the line of Yogesh Bhatia from Sequent Investments. Please go ahead.

Yogesh Bhatia: Sir, actually I'm new to the company. I wanted to know on our slide number 4 we have mentioned that profit and loss includes new initiative expenses of 426 million. So, this is what we are talking about the 75-crore budget that we have made for the new initiatives, correct?

Management: Sorry, which slide are you referring to.

Yogesh Bhatia: On the Slide #4, there is a small note which says first half FY24 profit and loss includes expenses on new initiatives net of revenue?

Management: This is the 75 crores we are referring to. Yes, you are right.

Yogesh Bhatia: So, this budget has been made for FY24 upto 75 crores, correct?

Management: Yes.

Yogesh Bhatia: And going forward how is this going to be in FY25-26 or that call we will take as and when?

Management: That call we will take on a year-on-year basis based on how these initiatives progress and their respective error operating plan for those years. So, right now we haven't yet made those plans for FY25.

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

Yash: So, my question is regarding the growth in the traditional media. So, as we have observed 78% YoY increase. So, sir in Q2 FY23, we had 3 channels and now we have 4. So I wanted to understand the comparison of growth like how much have these three channels contributed and how is the new channel contribute that is my first question?

Management: So, firstly, I mean, last at least two to three calls we have been eluding to the fact that this year's growth will be largely driven by traditional media itself and various reasons, of course, new channel launches etcetera. So, two things I would say here. One is, of course, so it's difficult for me to give that breakup, but one of the things is, for example, last year Umang had just started monetizing in July and so we didn't have a full blown Umang monetization in last year's base, so that is one of the things. Even Chumbak has started this year. So, in this quarter we have partial revenue of the Chumbak channel. In fact, Arghya wants to add some points.

Arghya Chakravarty: Let me answer that, Yash. So the main channel with the fourth channel which has been launched this year is just about two, three months old and it's in natural space. We are still figuring out the right combination themselves. So, while that channel revenue right now is too small to really contribute to the large part of the growth. The significant part of the growth are coming in the existing channel business.

Yash: And sir my second question is regarding the viewership, so our viewership now stands at 7.4% and our target is to reach by more than 15% by 2026. So, are we still on that guidance?

Management: Yeah, so that is of course an aspiration that we have put out.

Management: It's an aspiration and is the target that we are chasing internally as a Company, of course, it will depend on various factors in terms of how the market plays out and so on and so forth and all that, but in terms of putting in the right inputs. Honestly that viewership share is finally is an output metric, I mean, the output metric is the function of various things competition and all that, but in terms of our and they're clearing the target for sure that's an aspirational target we are seeing. But in terms of putting in the inputs to have that kind of a share in the future in terms of Hiren said in his previous answer if you would recollect. We are taking prudent calls, we are very, very careful in monitoring shows, we are adding shows, we are also changing shows. So, there is a large focus on increasing the content as well as selecting the right content. So, yes. while we are 7.5 today and we are aspirationally changing the target of looking that number continues, but more in terms of more inputs towards achieving that number is consistently going on quarter-on-quarter.

Yash: Sir, my last question is, as our viewership was 9%, now it is 7.4%. So sir, how is it impacting ad rate and what is the outlook for this?

Management: Yash the ad rates is the function of two things. One is obviously your viewership share in terms of your position in the entire network and also, it's a function of what is the demand in the market, right? It's a function of two things. So, while yes, our viewership shares is at 7.4%, but we have also seen a steady as I said I would have declared in the first question, but there was a rebuilding of the universe so that resulted in some initial changes in the near future, but that does not stabilize.

So. we have gone past that and now the ad rates are functioned purely of in terms of what the demand in the market is. We have seen, as I said in my first response, slight increase in ad rates, but going forward it will all depend on how the ad market plans out. So, that's what the impact in ad rate.

Management: I would add also Yash is that the rebasing effect if we have to put it, it's probably between 50 to 100 basis points of market share viewership share loss because of the shift away of the free FTA audience to the pay audience. So, in that sense, we are not very much off from where we were a year back. So, we are broadly in that similar ballpark. So, for that therefore that input side of the metric on viewership share is not so not so much off is what I would say and of course the market demand is the is the major question.

Moderator: Thank you. The next question is from the line of CA Nihar Shah from Crown Capital. Please go ahead.

Nihar Shah: I'm fairly new to the company. So, can you please help me explain the new channel plan if possible?

Management: Sorry, your voice cracked can you just repeat the question.

Nihar Shah: Yeah, I was just saying that I'm fairly new to the company. So, can you please help me understand the new channel plan going forward?

Management: I'll actually give you a little history. So, we launched this business we launched in January 2020 with our first channel Shemaroo MarathiBana and then right in the middle of COVID. So, we had launched the test signal for Shemaroo TV, which is our Hindi channel, which is a flagship channel and March 2020 was when we had launched the test signal and the channel itself got launched in May 2020 in the middle of the lockdown.

Post which we two years period, we stabilized of course COVID had hit us and revenue itself had not kicked in and things like that. So, it took us two years to stabilize all of that and April 22 was when we launched the third channel which is Shemaroo Umang which is also a Hindi GEC and this year May 23 is when we launched our 4th channel Chumbak TV.

So, in terms of indication on the way forward that we have given at the beginning of this year itself is that there is one more channel in the pipeline which is likely to be launched in the second half of the year and right now we are not able to give a further guidance beyond that. In this financial year there is one more channel that is planned to be launched.

Management: So, we'll have to wait for a couple of months for us to come back on that.

Nihar Shah: And one more small question. I just read that company aims to capture around 25 lakh subscription for 'ShemarooMe. So, what numbers have we reached till now like in case of subscription?

Management: I mean where you have read that because that we have not put that out anywhere.

Nihar Shah: I found it in the note of last concall, but it's fine no problem sorry.

Management: So that may have been just a derivative way to derive at what could be a potential addressable market kind of thing. So short answer to that is to your question is that right now we haven't put numbers out for ShemarooMe. All we can say is that our viewership the mindshare and overall share in the Gujarati market that we enjoy tremendously high and we believe we are literally the single largest player in the Gujarati segment on the OTT business. Once the business reaches a certain critical mass is when we would be sharing more data on the numbers and things like that.

Nihar Shah: So, one small question is, would you like to give any outlook for H2 going forward on the console basis like entire thing for top line and EBITDA margin?

Management: So I mean we don't give guidance, but indication we have given in the operational highlights itself that and I'll reread that festive season is expected to bring a slight upswing in advertising spend. However, prominence of major cricket events during the quarter is likely to absorb significant portion of the advertising budgets. This along with continuous investments in B2C initiatives is expected to keep the company's margins under pressure. This is the overall outlook that we have given, but to give a slightly different flavor. I think last 3.5 years we have been investing in building the B2C businesses. We've actually if you add up everything, we've invested probably close to 225 crores in our B2C business initiatives in the last 3.5 years and that if you see the impact has already put us on a on a firm growth path. So we are even in FY23 we kind of bounce back strongly on the top line side and that trend continues in this first half also and along with that we have. So, there's a major business investment that has happened. Second major investment we've done is on the people side in terms of bringing in thoroughbred professionals and putting in a lot of systems processes. In fact, the whole professionalization aspect which is separating ownership and management right from the senior leadership down that has been another very major investment that has we have done over the last about 15 odd months, which is now you can see playing out in terms of many of the metrics and this is a trend that is we are I mean not only we are committed, I think it's irreversible now for us and this is something that we know will be a very important driver of future growth. So, I think this whole combination of business investment, B2C side investment, people investment etcetera is what will we expect put us on a significantly faster growth trajectory.

Moderator: Thank you. The next question is from the line of vibrate Viraj Mehta from Equirus PMS. Please go ahead.

Viraj Mehta: So, first question on the digital thing. Our revenue is significantly come out in terms of growth that we saw post COVID and that is probably understandable, but now it has started like flattening out or declining. So, where is this happening like either YouTube suffering or like ShemerooMe we are not getting new subscriptions, where is this entire like this quarter we are down 2% on our YoY basis not even a quarter-on-quarter, it only started like 60 crore, 62 crore a quarter. So, can you please elaborate on that?

Arghya Chakravarty: So I think there are two, three issues. I think one which Hiren touched upon in his initial statement. This quarter there is a one-off base effect a certain adjustment that happened last year in this quarter. So, I think that is one impact of that, but, however, the size is if you look at it differently. There are other issues as well. I think YouTube as a platform there is a bit of a stress on the platform. As you know YouTube enjoys significant amount of share. We are serious player in the YouTube ecosystem and overall there is a bit of pressure on the views. So, what is also happening is there is a shift of views happening from the long form video to short

form. So, that one it is playing out big time in the overall digital markets there. Also we have a reasonably strong base of Facebook in our business and that platform has not while our new market shares, our new shares in Facebook in all-time high. But that platform has not been delivering the best in terms of overall views for the platform itself. So, these are the two things. In terms of ShemarooMe I got any changes which ShemarooMe is doing well even in this quarter and currently I think overall there's a continuous illusion of huge advertisers which will impact the digital business. If you look at the YouTube, there seems to have been quite a bit of stress in the 2nd Quarter, which seems to be reviving a little bit as we go forward. But these are the three, four reasons for which YouTube has been a bit of a softly paid out the digital business. I don't think the negative will continue. We should be at a growth trajectory hopefully in the next quarter so that what it is I mean it's a combination of....

Viraj Mehta:

Sorry to harp on this a little bit a longer-term strategy question on this is with some of the platforms like Hotstar and even JioCinema they're becoming free, even Hotstar can access matches for free, JioCinema is free. So, with some of these platforms becoming free Netflix reducing their prices. Is it a time that it start it has put a lot of constraint or a lot of competition for free views which is essentially YouTube for us and Facebook for us because people have newer avenues of entertainment for free which were not there earlier, which means either then we have to be present there or otherwise the platform as a whole like a YouTube and Facebook will start losing clients and views.?

Arghya Chakravarty:

Viraj that is largely social activity of YouTube and Facebook to actually solve for and there would have been definitely some impact, but if you look at it in the last quarter, there were not really too many events. Going forward this quarter, for example, there's a World Cup which is happening free. So, it has an impact not just on views, but it also impact on the ad rate. So, ad rate projected for our earlier views, the outlook that we have given. When we've talked about view some part of the advertising money will be absorbed by the cricketing event. So, those kind of stuff is there, but also remember those platforms are also gravitating towards short term. So, hence it is not complete while some part of what you say may be playing off, but I don't think it isn't completely that could be the result also movement of long term short term those platform.

Management:

Also, I would just add Viraj couple of points here. I mean, sports is a very big viewership driver. Sports is event based. So, we don't have such a big event calendar ever in sports or cricket rather that will absorb the consumer time and viewership throughout the year and that is the fact even on television. I mean sports on television also commands the overall viewership share of between 5% to 8% only in spite of each at a math level, it will be the highest viewed event on that day, but when you normalize it over a full year period, that comes down in less than 8% or thereabouts. So, I believe that would also be the case here because the need for entertainment. The fact that there are whatever few 100 million people logging into various entertainment platforms on a daily basis that need is there every day irrespective of whether there is a sporting event or not. So, to that extent I don't think that this really is the case. Yes,

this gravitation towards shorts and we in fact have a very, very strong play on the short side we continue to maintain in fact actually we have higher viewership shares on the short side on both YouTube and on the Facebook Instagram kind of platform, but the monetization model over there is yet to fall in place. So, for many of us this is on that side of the thing, it's more of an investment story where there is strong investment. There is a certain amount of viewership gravitation happening over there, but the monetization he will probably still take up few quarters to kick in itself and then we'll see how it's playing out in terms of current versus. So, if I have to Viraj summarize actually, I mean these are all passing phases from time-to-time where few factors converge and give a impact of low or low growth or those kind of things. The trajectory of digital growth will continue to remain higher and this is something we have shared in last few quarters calls also that we expect that the trajectory will now be lower in terms of, I mean, those gone are the days of those 20%, 25% kind of growth rate because the base effect is very high now. We all read about the fact that digital spend advertising, overall, digital advertising and surpass TV and all of that right. So, the digital spend from here onwards is going to be a more normalized story and with our viewership shares on all these platforms, I think we are fully geared to participate in all of that and actually do better than what the industry grows. So, that I don't think is an issue.

Viraj Mehta:

And my last question in India is if you remember at the start of the year you had mentioned that we will reduce the debt by 40 crores, 50 crores now our debt is up by 15 crores, so if we have to stick to that guidance we have to reduce our debt from here point onwards from September onwards by 50 crores, 55 crores net of investments which would mean our existing business, excess investments has to generate a cash flow even if it is 30 crore burn of over?

Management:

Viraj I got your point. I have just replied to Dhwanil also on the same and I will search firstly two corrections I want to make 40 crores, 50 crores is not what we added 30 crores to 50 crores is what we had said. Secondly, Q1 which is June quarter, the debt was at 341 crore which we had that time shared is that we believe this is the peak from 330 to 341. We've already come down to 332 which is higher than what it was in March. I understand that. As of now we are holding that this thing and something we had said at that time also that this will be back ended, not in the first half because there is a channel launch and other investments in the first half of the year. So, we are hopeful that in the second half that should be playing out.

Moderator:

Thank you. The next question is from the line of Hiral Nandu from Kalpvruksh Capital. Please go ahead.

Hiral Nandu:

I just heard in the beginning in your commentary that you are talking about some mishaps.

Management:

We can't hear you, can you come closer to the line or.

Hiral Nandu: So, just wanted to understand I heard about some meta and Web 3.0. Is there some new line of business or and what is the revenue potential or future growth potential of that? I just wanted to understand.

Management: Hiral, I mean right now Web 3.0 and the metaverse is very much in the initial phase, I mean, everybody is experimenting the model, the business models are not very popular, but it is something for the future. What we are doing, and we are obviously keeping our investments also to our minimum. It's a very careful rated look in terms of what we are building. We are actually what we are doing right now is keeping Shemaroo ready for the future. So, we have built our own metaverse called Shemaroo verse which is all built in house with in-house talent, and that is just get ready and get launched it with JioDive VR just a couple of weeks back. We are keeping ourselves ready., we are also in touch with meta whenever their opportunities come up we will also be partnering with them. So, it's a very initial phase right now. We cannot don't have any revenue projection in near future, the business model itself is not developed, but we are keeping ourselves future ready. As and when this arena in the media entertainment is open up, we will be ready to plan that is what we are doing.

Management: I'll just add to that Hiral, I mean, if we look at the various phases of the Internet itself where phase one was text and image is kind of a thing. Phase two has been about video. Now phase three is a deeper immersive experience which kind of leads into the metaverse and we believe that whatever we have understood till now that the whole definition of entertainment can undergo significant changes with that kind of technology that Web 3.0 is able to bring in, and this is still the Web 3.0 itself is at the very initial stages of experimentation. So, what we have done is while keeping the investment as low as possible, trying to ensure that we have a strong participation in that so that when the future arrives and this has been a pattern for us. I mean we were among the first 5 to 10 people to sign up with YouTube when it came in India and that time our revenues were we didn't know the revenue model because we were selling DVD's for Rs. 200 and Rs. 300 and YouTube said we will show for free. So still we were we did not shy away from experimenting and participating and that has helped us build today the business where it is and therefore, we believe that an early start on this will help us to participate as and when this scales up.

Hiral Nandu: Basically, keeping us with future ready.

Management: Yeah, this is about being future ready.

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

Dhwanil Desai: So two more questions. So one question Hiren bhai we have always kept 18% IRR as the benchmark and I think we have indicated that even for the new initiative that is the benchmark. So, we have invested 225 crore over last three years. So, if this benchmark anywhere close to

this benchmark was to be hold we need to generate next year 50 crore, 70 crore kind of a profit and then 100 crore. So, are we on track to that or are we lowering our benchmarks and what are the three or four KPI's that you guys internally look at when you invest such a large amount of money, what are the three or four key things that you need to see to continue to invest? Can you talk a bit about that because we don't have any quantitative information on this. So, please elaborate on that?

Management:

So, the TV business is a long gestation business and if we have stated many times and I would repeat that again. This business will take in investments probably for another four quarters to five quarters before it really stabilizes in terms of cash positive is again something that we have been talking of. Now what is the potential of this investment of this business, what are the KPI's or ROI drivers over here. I think there are multiple. Firstly, the operating leverage on this business is tremendously high. Once you've crossed breakeven level, your investment doesn't grow, but the additional revenue kind of throws in huge amount of profitability or it's highly EBITDA accretive or margin ACCRETIVE. Secondly, this business working capital cycle or the financial gearing of this business is completely different from the trading business because there is a much shorter cycle. So in this business once it is In a cash flow positive kind of situation it would throw out the cash and lighten the balance sheet overall which helps to reduce the overall I mean helps change the overall balance sheet nature itself. Thirdly and I don't want to quote any specific player over here, but to give you an indication, Tier 2 channels, Tier 2 GEC which are not Tier 1. Tier 2 GEC which are well established for more than 8 years, 10 years their annual revenue at the channel level itself is upwards of 400 crores. In fact in the range of ad revenue is in the range of 400 crores to 800 crore with EBITDA margin of upwards of 25% in fact, one of the channels we know is actually has a EBITDA margin of more than 50%. Again, it's linked to the operating leverage that the channel is able to derive from this. So, that is the in a way I won't call it full blown potential, but that is an indication of what kind of business potential this business really has. We are in a fairly I would say now good stage to take that next leap forward once we are able to stabilize on this whole new content creation pipeline . So, some of the numbers you are saying I don't want to comment on that. I thought I should give you a little different qualitative perspective on what potential this business would.

Dhwanil Desai:

Just one request Hiren bhai and if you can share and I'll make this request earlier also if you can share GRP, TRP data which is anyway known to the industry, but because it is under subscription if you can share that it would give us some indication where we are going. I understand you have started sharing the viewership share, but if you can share that would be very helpful. And second question is with respect to so let's say this year, last year there was No Shemaroo, Shemaroo Umang was on a very low days and this year I think Shemaroo Umang will have a full base. We have also started monetizing chumbak. So going forward next year if address doesn't improve and it remains market remains subdued, demand is bad, but we need to continue to invest in original content. So, that will mean that we may not have a top line growth, but we still need to invest in the content. So again, the margin will be under pressure.

So, do you foresee such scenarios when you build scenarios and if so, what are we thinking in terms of countering such?

Management: So, in the short term, for a two or three month, that kind of scenario is possible, but I mean that kind of a scenario for us I would say will not be status quo kind of a thing. I mean as I said earlier also to at the beginning of your question and in a way it's the similar question differently I want to answer or actually the same answer is that we are mindful of the bottom line and the cash flow in this situation. So we have been, as I said earlier also we have been pulling off non performing shows and bringing down that cost structure. So, there are various levers that we would kind of push around to ensure that investment is maintained also and still the investment it doesn't go out of hand, but yeah quarter things could go here or there because anything that you take a decision also for it to fully play out and actually show up on numbers and all that does take a good 2 months to 3 months.

Dhwanil Desai: So, basically on a yearly basis, if you see the scenario, you may recalibrate your investments. What you're saying?

Management: Yes.

Dhwanil Desai: And the last if I can squeeze so if I look at the new channels that you are planning to launch and create a bouquet. So, if I see the positioning wise, you have a very large content of Gujarati title, Gujarati Natak, Gujarati drama, a lot of such things. So, don't you see any white space in the channel side of it in that space event it a natural course for us to kind of capitalize on the opportunity at the lowest cost?

Management: You mean to say to launch a Gujarati channel?

Dhwanil Desai: Yeah.

Management: It is I mean it is one of the options and opportunities right now wouldn't want to comment on that. It is in evaluation.

Dhwanil Desai: So we do think we also can see that, but hence it is part of the evaluation process, but there are various other things also one needs to keep in mind and I'm not saying no or yes or anything. It is part of the evaluation process, but there is a natural ability for the content that own and do that, yes, you're right. But in terms of market and future growth potential, all that is big thing to a decision making process and it is not ruled out, but it is not something that is on the immediate horizon as well.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I now hand the conference over to Mr. Hiren Gada from Shemaroo Entertainment Limited for closing comments.

Hiren Gada:

Thank you everyone for joining in on the Q2 half yearly FY24 earnings call and listening patiently. Looking forward to seeing you all in the next quarter, have a great festival period. Happy Diwali, Happy New Year, prosperous New Year to everyone. Thank you.

Moderator:

Thank you. On behalf of Shemaroo Entertainment Limited, that concludes this conference. Thank you for joining us.