



“Shemaroo Entertainment Private Limited Q4 FY2019 Earnings Conference Call”

May 14, 2019



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Moderator: Ladies and gentlemen, good day and welcome to the Shemaroo Entertainment Limited Q4 FY2019 Earnings Conference Call hosted by Equirus Securities Private Limited. 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. Depesh Kashyap. Thank you and over to you Sir!

Depesh Kashyap: Good evening everyone and thank you for joining the call. I would like to thank the management of Shemaroo Entertainment for giving us the opportunity to host this call. From the management here we have Mr. Hiren Gada, CEO and CFO and Ms. Kranti Gada, COO. I will hand over the call to Mr. Hiren for his opening remarks. Thank you Sir!

Hiren Gada: Thank you Depesh. Good afternoon everyone and thank you for taking the time out and joining us for the Q4 FY2019 earnings call. Very happy to announce or discuss and share a good performance that we have done for this quarter.

The topline has grown for Q4 FY2019 revenue has grown by 11% to Rs.133 Crores. EBITDA margins has grown by 12 basis points to 31.43% and net profit has grown by 11.8% to Rs.20.9 Crores.

For the full year FY2019, revenue has grown by 16.2% to Rs.569.6 Crores, EBITDA has grown 11% to Rs.159.6 Crores, EBITDA margin has come down by 132 basis points to 28%, and net profit has grown 16.6% to Rs.83 Crores. The divisional breakup between digital and traditional media for the quarter is Rs. 44.8 Crores digital and traditional Rs.87.4 Crores, which gives a growth of 29.1% for the digital media and 4.4% for traditional media.

For the full-year digital media is at Rs.171 Crores, which is 31% growth versus traditional media is at Rs.396 Crores, which 10.4% growth is leading to an overall revenue growth of 16.1%.

In terms of key operational highlights this quarter we launched ShemarooMe, which is our OTT video streaming platform with an offering across content genres such as Bollywood, Gujarati, Devotion, Punjabi and Kids etc. We have also partnered with Vodafone Idea to offer ShemarooMe content library or ShemarooMe as a platform to their users.

Thirdly, we are in a process of acquiring 50% stake in Dominiche production, a part of which has happened in April but since the announcement had come, we have included it here. So we have acquired 50% stake in Dominiche production, one of the leaders in the astrology content space and this in a way marked our entry in the astrology market as everyone is aware that we have a strong presence already in the devotional segment, which is beyond the films and entertainment category.



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In terms of YouTube, happy to share that views have continued to grow so the overall digital media growth in terms of consumption continues to be robust and strong, we have in fact for the month actually crossed 1.25 billion for the month of March, we have crossed 1.25 billion views, which in a way translates to more than 40 million views a day combined for all the various channels that we run on YouTube. Specifically our YouTube FilmiGaane has crossed 21 million subscribers and the flagship channel ShemarooENT has crossed 50 million subscribers on YouTube so this overall is the performance on the P&L side.

On the balance sheet side, two to three key highlights so the total debt has remained same in line same as what it was, its gone up of by one Crores from March 2018, March 2018 was Rs.201 Crores, we have now Rs.202 Crores at this time so all of this we managed to keeping the debt same for the debt equity ratio has therefore now fallen by 0.41 to 0.35. Inventory has gone up from Rs.530 Crores to Rs.602 Crores and receivables days outstanding have gone up of from Rs.140 Crores to Rs.159 Crores that's the overall picture on the balance sheet.

With that I would like to hand it over back to Depesh and we can open questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Hiral Desai from Anived Portfolio Management Services. Please go ahead.

Hiral Desai: Firstly congratulations on launch of ShemarooMe. I think the app has come out really well. Kudos to the management for that. I had two or three questions; one was on the revenue momentum in H2 and especially on the traditional media so obviously growth has been much slower in the second-off so any one-off for anything that you would like to call out there?

Hiren Gada: Towards the end of the financial year particularly post January actually we have had the new tariff order being implemented by TRAI and this has industry wide implication for the entire sector in terms of distributor segment, which is cable operators, DTH etc., as well as for all the broadcasters and content distributors as well. So multiple changes have happened so overall towards the end of the year because of that there has been a certain level of question or activity in particularly in this quarters so more to say February, March kind of timeframe

Hiral Desai: But would your assessment be that this is transitional in nature and should come back in next couple of quarters?

Hiren Gada: Ultimately new tariff order is transitional. Currently we do not know timeframe in which this will come back and I mean if you ask me intuitively we feel that it should be back in couple of quarters overall because there has been a lot of change at cable operator level, DTH level etc., and translating back to broadcaster again because rating etc., in fact BARC issued advisory to all advertisers not to use ratings for literally, there was rating embargo for almost two months period so in that sense we believe that it is transient impact.



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- Hiral Desai:** Other question was on if I look at ShemarooMe, you have a lot of recent content like Vodka Diaries, famous Sharato Lagu. I wanted to understand do you have like blanket right for this content or it is restricted to a particular platform?
- Hiren Gada:** Movie to movie will differ, but at a broad level there are two ways to look at it, one is Gujarati overall as a category, we have focused and we have building out and have a very, very strong possession on that regional language and as a part of that we have been acquiring content and also creating a lot of theatre, drama shows, televising that etc., and Sharato Lagu is a part of that overall strategy.
- Hiral Desai:** Some of the Hindi content like Vodka Diaries,famous and some of these movie content?
- Hiren Gada:** One part was Gujarati. On the Hindi part we by and large as we earlier also shared stuck to this point out not taking pre-release risk so at this point we do not have any prerelease exposure in that sense, but for example on DTH we ran a new films which is on Tata Sky and Tata Bollywood premier services for example so there is natural acquisition pipeline that we anyway have access to and many times as a part of that if you are getting good deals on many of these films, which may not necessarily have performed very well on theatre, but they are not bad since they have a certain star cast, certain appeal for home viewing audience so that is something that we have been it is only that kind of content which we looked at and of course, our core 18% IRR etc., is an evaluation anyway we work within those parameters so it's that and to further answer your question again what rights we have depends on movie-to-movie it will differ, but by and large I would say we would have digital rights not necessarily all perpetual right kind of thing.
- Hiral Desai:** This would be for a specific period like in case of the Tata Sky premier it is for a specific period of time; this would be largely for five years, is it?
- Hiren Gada:** Deal to deal it may depend five years; you can safely say that five years in some cases it could be even 10 years kind of scenario.
- Hiral Desai:** Lastly on this partnership with Vodafone where you plan to offer Shemaroo Me to the Vodafone customers, I am assuming that you already had an old content deal with Vodafone so what happens to that?
- Hiren Gada:** Vodafone serves various kind of VAS services so the telcos particularly the traditional telco, which is Airtel, Idea and Vodafone. They are different kinds of VAS services so it started right from things like ring tones and ring back tones etc., caller ring back tones etc., wallpaper, imagery etc. those who are audio based products, but on video based, they had VAS services, WAP based products so now that is something that we have been working with our offering. Now what is happening with bandwidth now being so freely available and so much infrastructure available for bandwidth that content the WAP service model, which is more feature phone based product is being replaced by these services such as Vodafone Play etc.. Also one major

difference was that none of other services that we were doing on or any of the other contracts had any full movie part of it, it had always clips and shorter format content essentially. This is now for the first time these are services that are being rolled out, they are other full movie services.

Hiral Desai: Just lastly on the digital side can I have the number of employees as of FY2019 and the same number as of FY2018 on the digital side?

Hiren Gada: Off hand, I do not have it right now. But if I have to put overall in terms of growth of headcount it would have been at least 40% roughly could have been.

Hiren Gada: No problem. Thanks and all the best.

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

Neeta Khilnani: Thank you Sir. Sir firstly we have seen decent inventory addition for FY2019 so going into FY2020 what is the guidance? Will it grow in line with the revenue growth or can we actually see inventory remaining stable at these levels?

Hiren Gada: It is very difficult to say what will happen by the end of this year considering one is this new tariff order has come in, but my own sense is that given the overall development on ShemarooMe etc., I think we could have marginal growth in the inventory.

Neeta Khilnani: My second question is if you can throw some colour on your digital revenue so the revenues share of the telecom, YouTube and OTT vertical and also how have they grown in this quarter and what are the prospects that were looking at?

Hiral Desai: Overall, the syndication has grown a lot this year so we now have roughly if I have to break it up YouTube is at roughly about between 20% and 25% of the total, syndication is around 35% and telco business which was earlier bit more than 50% is now below 40%.

Neeta Khilnani: Going forward one would imagine the YouTube and the OTT verticals the share of these two verticals should be growing further right?

Hiren Gada: Yes that is right. So the telco business as I just alluded earlier also which is still the main business for the feature phone led product. That it is now as a market as moving to smart phones and broadband led or 4G led offering so that transition is likely to happen over the next couple of years and in the light of that OTT syndication and YouTube business should be gaining higher market share.

Neeta Khilnani: Last question so in the previous answer did you sort of, you were trying to say that you are participating in the first cycle of monetization I understand post-release I mean not pre-release, but did you sort of mean that?



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- Hiren Gada:** If you recall we run a service on the DTH platform, which is a Bollywood premier service, which actually showcase movie in its first cycle so some of that we licensed very short-term rights from the broadcasters, but some of it such as smaller movies like these movies like Vodka Diaries etc., we would acquire again similar shorter term rights from the producer, but I mean not in necessarily 14 days, would be five year kind of thing minimum five years or sometime even more.
- Neeta Khilnani:** Thank you that is all from my side.
- Moderator:** Thank you. The next question is from the line of Nikhil Vaishnav from VD Investment. Please go ahead.
- Nikhil Vaishnav:** Thanks for the opportunity Sir. Sir my question related to OTT platform that almost all the content you are providing to ShemarooMe we can see the same content in YouTube for free, do you think this will reduce our subscriptions in ShemarooMe?
- Hiren Gada:** I do not think it is true that you can see all of that content on YouTube. In fact we have mapped out very clearly considering that ShemarooMe is paid service, we have actually mapped out clearly the content and there is lot of differentiation between that. There is likely to be some overlap because some content will be available, we will be putting it on multiple platforms, but there is fair amount of content, which is on ShemarooMe and not available on YouTube.
- Nikhil Vaishnav:** Okay right now what percent revenue ShemarooMe generates?
- Hiren Gada:** Right now it is next to zero because we have just launched in middle of February and by the time we have got the marketing and Vodafone integration etc., we were already almost towards the end of March, so the revenue is next to Zero as far as last financial year is concerned.
- Nikhil Vaishnav:** In FY2020 do we see some revenue increase?
- Hiren Gada:** Definitely, there is likely to be some revenue now, it is too early right now because our core focus on ShemarooMe as we have discussed earlier is more B2B to B2C so we are working on various B2B tie-ups like VodafoneIdea being there so similarly other tie-ups both within India and internationally, in both places we are working on different kind of tie-ups. So this year actually more than revenues our focus is much more on the distribution, making it available on as many platform is possible because each of integration has its own process commercial closure, legal closure, technical closure, launch, marketing and various aspects the core focus this year for ShemarooMe is a year for distribution in that sense.
- Nikhil Vaishnav:** Can we say like till FY2020 as there will be no revenue in this year?



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- Hiren Gada:** There will be positive revenue, but it is not zero or near zero. It would definitely be there but right now I do not want to hazard a guess and secondly the core focus for this year is to build the distribution so that then there is good platform for taking ShemarooMe to the next level.
- Nikhil Vaishnav:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Sachit Khera from Smart Equity. Please go ahead.
- Sachit Khera:** Thanks for the question. Sir I wanted to discuss about the potential for us Retro Bollywood song library, do you believe that going forward as digital music is also becoming a very big revenue stream for a lot of people it carry some potential for us?
- Hiren Gada:** Definitely, it carries a good potential and currently we have been monetizing it primarily on YouTube. It is in fact FilmiGaane as I said earlier also it is our most subscribed and most viewed channel on YouTube and therefore a consequence of that there is certain decent amount of monetization also so it definitely carries decent potential.
- Sachit Khera:** We can also simultaneously sort of out license to these entire platform like Gaana?
- Hiren Gada:** Yes we can license it. One small difference, I would like to highlight so that understanding is correct, is just the clarification is that what we have is the video rights not the audio rights, audio rights for most of these songs would be with either Saregama whoever is relevant audio company Universal or Venus, T-Series or some other audio company.
- Sachit Khera:** It makes sense. Sir I would just like to talk about broad trend as we observed that lot of platform and lot of players are actually developing in their own new content whether it is films or TV series, going forward as all these contents increase and when these contents step into their second cycle, do we believe that pie for us to acquire content will reduce because a lot of these are original rights so they probably would not be up for grabs when the second cycle comes, and other pie would only be let us say restricted to movies or this specialty content like devotional, astrology or these things I mean we do not really look actively at TV series or anything like that right? I mean this is sort of from long-term point of view. Will that sort of restrict those in terms of acquiring content?
- Hiren Gada:** Even today we are not really dealing in TV series business our core content library even today is primarily films and of course all these other categories that we have developed. As far as films have concerned we are not seeing any such movement at all, so most of the arrangements typically are anywhere between 3 years and 7 years nature and many of these film in fact which are currently already licensed are likely to come into the market for the second cycle.
- Sachit Khera:** Okay Sir even the original developed by others?

- Hiren Gada:** Originally is serialized content but that is some segmented we have not really playing it so for that matter TV serials is very large segment, but we have no play over there.
- Sachit Khera:** Not even the digital series are coming up or other players, which are developing them for these people?
- Hiren Gada:** Not really. See if we look at films format, content format, there is a serialized episodic format and then there is a film format, our core business it was evolve around film format not the episodic or serialized format.
- Sachit Khera:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Sir one question if I see the last three financial years of course there have been some one-off events like demonetisation and recent TRAI ruling but if I see the revenue growth rate has been roughly around 15-odd percent and in spite of we have been helped on our financial cost side, our PBT growth rate has also been primarily in that range only 10% so the main reason for that has been the employee cost and the opex, which has grown up by almost 30% so there has been 1:2 relation in growth for revenue versus the cost so there is some sort of lag effect which is coming up in terms of your revenue growth and the cost growth and this lag looks like it is on the increasing trend so is there someway to arrest this thing and when do you think we can in both of these metrics can grow 1:1 instead of 1:2?
- Hiren Gada:** Actually, we have been investing in two or three areas so one is we have looked at the whole overall growth trajectory and how we can grow and particularly the digital space what more we can do and beyond the current monetization etc., that we are doing how we can building the business. As a part of that we have been investing heavily in people so we have been recruiting many of our recruitment, none of these we have actually announced on exchanges because that is really not good practice, but we are making industry announcement in fact we again have few one or two announcements lined up over the next couple of weeks also, but the short point is that there is heavy people investment that has happened in the organization building with beyond that building capacity for future growth and building growth driving initiatives. Secondly, other expenses includes the build out and marketing costs for ShemarooMe, which has been entirely charged to revenue account in this financial year, it also includes in this financial year we actually changed our brand logo, identity refresh we had and there have been a lot of various activities, which is generating business momentum in different way so all of that actually so if I have to reverse it at least our approach to the whole thing is that there is certain front ending of many of these costs whereas the revenue on many of these likely to be back ended.
- Sarvesh Gupta:** Understood and by when can we expect these two growths at similar growth numbers revenues?

- Hiren Gada:** I would give it about two years more because many of the initiatives that have been taken and there is always slow build up and after a certain tipping point that acceleration could happen so many of them are just in proof of concept those kind of things so there is various different activities that are underway all of which requires certain amount of bandwidth and people, resources etc., and many of these actually may not actually go beyond a proof of concept stage, but unless there is cost that we are incurring for it.
- Sarvesh Gupta:** Around two years is it?
- Hiren Gada:** Yes is what I expect.
- Sarvesh Gupta:** Second question is that are you also measuring the productivity of older employees and on the traditional media side because there the growth rate has been a bit low so one consequence, of course one reason which can be attributed can be environment and other is that has there been any dip in the productivity levels of the employees engaged in the traditional media?
- Hiren Gada:** Yes so we have fairly robust HR internal performance management system and that has strongly been followed in fact in this financial year we have actually invested on the HR front also in terms of having from senior talent join, anyway that is different point, but people productivity I do not think this is the issue, lot of it is overall what we have been saying is that the traditional business is growing at roughly about 8% to 10% and our aspiration to grow 2% higher than the industry growth.
- Sarvesh Gupta:** Understood and our guidance for the debt at the year-end for FY2020, any thoughts on that?
- Hiren Gada:** It is early days, but our attempt will be to about 10% lower than where we attempt or may be 10% to 15% lower, but it is early days, it is just beginning of the year, there are many variables parallelly happening including ShemarooMe, which is an important initiative as far as next three to five years are concerned.
- Sarvesh Gupta:** Thanks a lot and congratulations again.
- Moderator:** Thank you. The next question is from the line of Ashi Anand from Allegro Capital. Please go ahead.
- Ashi Anand:** Thanks for the opportunity. I just wanted to understand ShemarooMe content cost to be a bit better, now given the fact that we are buying digital rights and from what I notice from our past conversations, a lot of digital rights that we sell to OTT, it is nonexclusive. Does it basically mean that we have certain digital rights you were selling to other digital OTT players and therefore effectively for ShemarooMe at least for the Bollywood content that we already have the content really comes free, is that the correct way you can look at it or is there some other base?

Hiren Gada: So there are three ways to look at the cost, there is a certain amount of content which has been in a way you can say recovered fully in terms of its cost element and that has been made available in our library and we have put it up on ShemarooMe and there is no additional content investment on that. Second is that when we are looking at each offering of ShemarooMe, we see whether it is a complete offering or rather which are the elements that need to be added, so there may be some amount of investments specifically for ShemarooMe. Third is that sometimes to maintain exclusivity now, earlier we had a question on YouTube for example so that we may have pulled out content from YouTube to put it up for ShemarooMe or we may have held it up out and not syndicated it to other in order to strengthen or have that strong positioning for ShemarooMe, so that there may be either of cost involved or an opportunity cost involved, so we have been making some money on YouTube, but we would have really have to forgo because we are building ShemarooMe for example. So each of these I mean it is a separate thoughts of it in a way title to title it may depend, but yes I would say that the good thing we had was very strong starting point of content where further cash flow investment at least was not needed, some of it was fully return or some of it may be partly return of etc.

Ashi Anand: That clarifies that. Just followup on this; how does this really impact ability to syndicate to other OTT players during the fact that we now also are competitor to them, would this kind of really back commercials?

Hiren Gada: Actually no, two points. One is, actually we are not really competing with virtually anyone because our focus on ShemarooMe in terms of the segmentation that we have done, most of the segments are virtually uncontested or not really occupied by any of the existing players. Secondly, the strategy or the focus, we have also maintained is that for that content or that segment where we do not have the complete strength or 100% strong market position that is the segment or category that we are willing to work with all partners, so today all major platform in the ecosystem we have some dealers and some content or the other in virtually most of the platform, so it does not affect anything. In fact just to extend we have seen in the market also that many broadcasters who themselves run their own OTT platforms have been syndicating their content to many of the other OTT platforms also, so it is not that this whole idea of competition is at least as far as we are concerned, we do not see in that way and we continued to do deal with all these players.

Ashi Anand: Thanks for the answers and wish you all the best.

Moderator: Thank you. The next question is from the line of Dipan Mehta from Elixir Capital Limited. Please go ahead.

Dipan Mehta: Congratulations for a good set of numbers. I just wanted to know that why the tax rate has gone up in Q4, so is that we had under produced in the earlier three quarters?

Hiren Gada: Sorry.



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- Dipan Mehta:** The tax to pretax rate in the fourth quarter has gone up significantly, in the fourth quarter?
- Hiren Gada:** Tax to pretax rate?
- Dipan Mehta:** Yes, what happened was that in Q4, we did tax of 125 million; this is 25% higher as compared to a year?
- Hiren Gada:** Yes, you are seeing it on a consolidated basis, but on a standalone basis that would not be the case; this is because of consolidation that optically it looks that way.
- Dipan Mehta:** Because it depresses the net profits on optical basis also?
- Hiren Gada:** I understand that.
- Dipan Mehta:** What was the reason?
- Hiren Gada:** There is some loss in the subsidiaries because of which the rate is looking higher, so tax on the standalone basis, it is actually higher, but because of the subsidiary loss it is depressing the profits, so the rate looks optically higher.
- Dipan Mehta:** Second question is regarding the acquisition for Dominiche, so I think you had in the public domain mentioned about price you acquired 50% if you could just refresh our memory and explain to us the logic for as I understand it is not yet broken even also this company, so what is the valuation methodology or some overview as to how it will fit in and how you will be able to recoup your investment which were made in this company?
- Hiren Gada:** On an operational basis, revenue share is at a near breakeven, the company has been setup in order to work on various niches, niche category, so they started with astrology as a segment and they are working on couple of more segments, so in terms of astrology the company has access to more than 150 experts and has already created more than 400 hours of content, which has been monetized across multiple platforms. Currently primarily being Dish TV, Videocon and Airtel on the DTH side, on digital side in terms of so Jio, SonyLiv, NDTV, Hop and couple of more platforms are there on the digital side plus they are launching their own astrology based service again more likely to be B2B, B2C and in that sense the company in fact it is expanding on more and more platforms, so in terms of overall potential that the company has been seeing month-on-month growth in terms of revenue and consumption.
- Dipan Mehta:** It is more like portfolio investment. There is not much commonality between what Shemaroo has?
- Hiren Gada:** There is a tremendous synergy, because two or three reasons. Overall for us we have been following a segmentation approach overall, so devotional and many other segments that we have already created so in that sense it fits very well as an extension of that for us. Secondly, this adds

to our own distribution strength so wherever we are offering, so it gives tremendous, it gives us access to that content a) on ShemarooMe and b) on many of the other platforms where we are anyway working with those platforms for other content of ours whether it is internationally or within India and at the same time so as far as Dominiche is concerned, it gives them distribution access and for us it gives us content access.

- Dipan Mehta:** It is nonexclusive arrangements?
- Hiren Gada:** Sorry.
- Dipan Mehta:** It is nonexclusive arrangement right?
- Hiren Gada:** Exclusivity depends on commercial arrangements, but the fact is that because we are 50% shareholder in the company, we have access to that content as a part of the overall operational arrangement that we have with the company, now exclusivity is a very wide term and it depends from deal-to-deal, platform-to-platform and of course finally on a commercial basis.
- Dipan Mehta:** Thanks and one last question, what is the value we paid for 50% stake?
- Hiren Gada:** I am not sure that we have put that number out. Anyway this will be disclosed in the next balance sheets it is Rs.9 Crores.
- Dipan Mehta:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Ashish Kumar from Infinity Alternatives. Please go ahead.
- Ashish Kumar:** Thank you Sir. I had a couple of questions. One was in terms of the revenue growth and EBITDA margin for the last couple of years, if we see our EBITDA has dropped from 30.5% to 28% in the last from FY2017 to 2019. Any specific reasons or do you see this kind of continuing to trend downwards or do you think that this is where it would be let us say couple of years later?
- Hiren Gada:** In fact, this has been an ongoing discussion for the last almost four to six quarters where we have given our view on this EBITDA margin actually being trending on a slightly downward basis for two or three reasons. One is, we have been investing in people, in various other things so overall if you see the other operating expensive have been continuously growing faster. Overall, if we have to look at the picture, we anticipate this to remain in an overall range of between 26% and 30% at EBITDA level that is what we are currently hoping for and that is our effort that we have been working for.
- Ashish Kumar:** But when I look at it in the context of revenue growth, this year our revenues have only grown at 10%-12% if you really look at it and before it was 16%, this year I think it is 14% growth.

- Hiren Gada:** This year revenue has grown by 16%.
- Ashish Kumar:** Despite the new investment that we are making when are we likely to see higher revenue growth, because obviously most of these investments that we are making, so at some point of time result in a much faster revenue growth, but we do not seem to be seeing that, what do you think could be the reason for that?
- Hiren Gada:** Yes, it is definitely too early to see and many businesses as I was sharing with earlier queries also is that many businesses are at a very, very early stage and it takes a certain time to build momentum. Secondly, there are many proof of concept PoCs that are being currently operated or being tested out, there is all the same and expense is involved in all of that. Many of these concepts ventures may actually die out, but the ones which actually succeed and move can scale up, but now all of that will take its own time, digital business, overall if we see it is a very new business if we see the Reliance Jio has been launched little more than two years back, so it is in the light of that that many of these initiatives will have certain gestation time and certain growth trajectory.
- Moderator:** Thank you. The next question is from the line of Keyur Shah from Emkay Global. Please go ahead.
- Keyur Shah:** Thank you for the opportunity. Sir I would like to know what is the reason for such a low growth in your traditional media business.
- Hiren Gada:** Overall, if you see the full year, it has grown at about 10.4% and this is the point that we have been making, this is roughly 8% to 10% growth segment, our aspiration has been to grow at 2% is higher than the industry growth, so that is the larger picture, as far as this quarter is concerned, we definitely had some little bit deferment or slowdown because of the new tariff order which kicked in somewhere in the middle of the quarter, so towards the end, so there was certain amount of churn uncertainty in the industry during this period.
- Keyur Shah:** When I see your digital media revenue, what I see is that your March, June is almost flat and then there is a spike in September then again December is almost flat, December, March is flat from September and then again after June there is a spike in September and June, so like why is it so, is there some seasonality there or?
- Hiren Gada:** There is a certain amount of seasonality definitely. To give you one to two examples, one is that YouTube for example, it goes as per the spending peak, for example December in YouTube becomes a key month, because December quarter, become the key quarter as far as YouTube is concerned, similarly other platforms etc., there is a certain level of seasonality which could be linked to either ad spend primarily to ad spend I would say, but there may be other so syndication business also has certain seasonality because acquisition budgets, etc., different players move



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differently, there is a certain level of seasonality, so Q-o-Q is not really a very comparable, so you do not look at that way actually.

Keyur Shah: I agree know, but since I was seeing the trend I thought.

Hiren Gada: Yes.

Keyur Shah: That is it from my end.

Moderator: Thank you. The next question is from the line of Lalaram Singh from Vibrant Securities. Please go ahead.

Lalaram Singh: Good evening Hiren. My question is on ShemarooMe. You have been saying that within the company we are trying to seed new concepts, try to see new experiments, so does ShemarooMe is one of the experiments or is it something which you believe for holds good potential and if it does hold potential, can you please help us understand how ShemarooMe is different from the other OTT apps because we have been mentioning that this is a non-uncontested space so because for consumers for us, we simply see as a platform with movies shows in it which we have to pay and watch, for that I have many other platforms as well. From consumer perspective, it looks similar to other OTT apps, but you believe that it is not so, so if you can just help us understand that?

Hiren Gada: Two questions you had. First was whether ShemarooMe is part of those experiments or is it strategic? It actually started up in a way as an experiment I would say, but as the project gathered momentum and as we saw the landscape emerge, our own belief and conviction on this went up more and more because we see that this is going to be one of the ways to monetize the content, at this point I am not able to comment whether this will be the only digital play and if you ask me unlikely this will be the only digital play, but because there is syndication there are other self-managed platform, there is a lot of stuff in the digital business, this is one more way of monetizing our own content, so that is one thing, so that is definitely it is a strategically important foray for us. Secondly to understand what is the differentiation between ShemarooMe and other existing platforms, so the way we are looking at the segment today, we are roughly at little more than between 300 and 320 million digital video users and the projection over the next four to five years for it to grow above somewhere between 700 and 800 million, so roughly 2x to 2.5x where we are roughly 2.5x of this number. Now as we grow the consumer needs become more and more segmented, so because India is not a homogeneous country, we are heterogeneous country unlike USA, we are more like Europe with probably 23 states or whatever, we had 23 countries in one in a way. So as we grow many of these segments which today do not have adequate scale, will all scale up because the new set of consumers in the next few at 100 million consumers in the next 200 to 300 million consumers will come from different demographic segment in terms of age, in terms of geography, in terms of socioeconomic background, language, preferences, etc., so what is today small segment is likely to grow bigger, bigger these

new set of consumers are likely to populate that segment or consumer demand segment that is the larger thought that we have started this or work on ShemarooMe with. Now if we have to with that if I have to put so when we map our own content and we map various consumer segment, we looked at around three to four key segments which we have either number one or number two position in the market and those are areas where rest of the offerings are either many of them are there is no one really fully focusing on those areas and others are people while they may have content, so there are some even working with them others where people even that they have content it is not really there key focus area. So to give you further breakup or further example or devotional content for example, it is something where no one is currently offering digital content and even if it is not with the kind of depths and widths that we have then there is within regional space we have presence in Gujarati or Marathi category where we have again strong library or we have in fact segmented Bollywood into Bollywood Plus and Bollywood Classic, so again Bollywood Classic is a category where we have lot of strengths in terms of content plus we have created a lot of original content around the classic cinema category in terms of interview shows, chat shows or many other formatted shows, so we have created more than 200 hours of content around that which is unique and available only to our Shemaroo consumers, so these are the differentiation. We are not adopting just trying to create one more original web series, fictional web series kind of a thing, which many of the other people are doing so that is the differentiation that we have created.

- Moderator:** Thank you. The next question is from the line of Shikha Mehta from Equitree Capital. Please go ahead.
- Shikha Mehta:** Sir I just had a few questions. If we look at Q4 itself the margin came back to around 31% and previously we said that our margins have been low because of the additional cost, it would be OTT and marketing etc., so this quarter what drove a margin that 31%?
- Hiren Gada:** We will have to look at it year-on-year that is what I was just sharing because the trend because that specific platform where revenue is being booked that would be different, that would have content which has the different margin, so if you see on a year-on-year basis, the margin is kind of in the same range.
- Shikha Mehta:** Right, but nothing different this quarter, which drove the margins up?
- Hiren Gada:** No, in fact there has been expenses on ShemarooMe etc., but still we have been in that sense been a good margin.
- Shikha Mehta:** Sir could you give any idea on the export side and how that is moving forward?
- Hiren Gada:** So we have been growing and expanding a footprint on the digital, on telco based services as well as on the syndication side and I do not have a number right now with me which I can give you, this is something which will anyway reflect in our annual reports, so that number will be

available in terms of the foreign currency, but I mean we had a decent growth year this year and in fact this year we also have setup our US office, although still it is in a business development more so, we hope that three, four quarters down the line, it should start contributing also.

Shikha Mehta: Do we have any idea for FY2020, it is a followup of this question only, how much exports would contribute in FY2020, and do we have any idea on that?

Hiren Gada: At this point, I am not in a position to give you any forward-looking statement, but there is lot of business development activity in the international markets that we have been working in fact enhanced our team also, so it is an interesting opportunity that we are pursuing.

Shikha Mehta: Thank you so much.

Moderator: Thank you. The next question is from the line of Naishi Shah from ITI Capital. Please go ahead.

Naishi Shah: Thank you for taking this question. Sir, just a quick review on I heard that EBITDA margins are falling, but there is a flat increase in the other expenses as compared to the other years, is there any specific reasons for it?

Hiren Gada: That includes launched expenses for ShemarooMe as well as the brand refresh related expenses.

Naishi Shah: For digital media as you said you will be for the ShemarooMe app and for content as a whole you would be looking at more content that you will be taking over, so will that the region specific or regional or Bollywood or in what terms would you look at the content to acquire for future growth?

Hiren Gada: Essentially, we would be working on the segments that we have identified, some of which I shared earlier questions and within that we would need to keep strengthening the content offering and always based on consumer feedback and whatever requirements are there, we would keep enhancing the content offering, so the investment would be primarily for those segments and categories and in addition to that whatever new segments and categories that we may identify from time to time would be added to it.

Naishi Shah: I think that is all from my side. Thank you so much. Is there anything I will join the queue.

Moderator: Thank you. The next question is from the line of Vikas Kasturi an Individual Investor. Please go ahead.

Vikas Kasturi: I had a question on your impairment, so you have lot of inventory sitting, do you write off some of the inventory, which you are not able to sell?

Hiren Gada: Definitely that is a continuous process and on a regular basis that is assessed with the business teams and finance team in order to look at what is the monetization aspect.



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- Vikas Kasturi:** Could you give some indicative number what percentage of your inventory would you write down or have you been writing down Hiren?
- Hiren Gada:** In terms of unused or unsold or unmonetized content, it is probably less than 1%.
- Vikas Kasturi:** Thank you, Hiren.
- Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to the management for closing comments.
- Hiren Gada:** Thank you very much everyone for patiently participating and being part of the call. Looking forward to interacting with you all in the future. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Equirus Securities Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.