



“Shemaroo Entertainment Limited
Q1FY2023
Earnings Conference Call”

July 20, 2022



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SHEMAROO ENTERTAINMENT LIMITED -

MANAGEMENT

: Mr. Hiren Gada - CEO

: Mr. Amit Haria - CFO



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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY23 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 touch-tone phone. I now hand the conference over to Ms. Chaiti Gujarati – Assistant Vice president at Valorem Advisors. Thank you and over to you Mam.

Chaiti Gujarati: Good afternoon everyone and a warm welcome to you all. My name is Chaiti Gujarati, from Valorem Advisors. We represent the Investor relations of Shemaroo Entertainment Limited on behalf of the company. I would like to thank all of you for participating in the companies earning conference call for the first quarter of the financial year 2023. Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's 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 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. Now I would like to introduce you to the management participating in today's earning conference call and give it over to them for their opening remarks. We have with us Mr. Hiren Gada the CEO and Mr. Amit Haria, the CFO. Now I would like to hand over the call to Mr. Amit Haria for the opening statements.

Amit Haria:

Good afternoon everyone and thank you for joining us today. For our earnings call for the first quarter of the financial year 2023. I hope everyone is keeping safe and well. Let me give you some of the key highlights of the first quarter of financial year 2023. For the first quarter of the financial year 2023. The operation in comes to that 96 crore and has witnessed a strong growth of 28% on YOY basis, EBITDA for the quarter was approximately 8 crores. A growth of 14% on YOY basis, EBITDA margin stood at 8.4% and net profit reported at 20 Lacs with PAT margin of 0.26%. For the first quarter, the expenses on new initiatives were 14 crores, and if you had to adjust for this investment in new initiative. They adjusted EBITDA from the existing operations would have been approximately 22 crores for the Q1 FY23. For the first quarter the digital media revenue stood at around 48 crores which were up 19% YOY, traditional media revenues in the first quarter also stood at 48 crores which were up 39% YOY. Now I would like to hand over the call to Mr. Hiren Gada to brief on the operation highlights for the quarter.

Hiren Gada:

Good afternoon everyone in the quarter gone by the ongoing challenges in the media sector continue to purchase but I'm happy to announce that despite all these challenges, the company delivered strong revenue growth on a year on year basis and maintain positive bottom line trend during the



quarter. The challenges faced have largely been driven on 2 counts. First is due to increased mobility on account of COVID unlocking period, affecting the overall media viewership and consumption across traditional and digital platform additionally, advertising trends for traditional advertisers were affected due to rising input costs, uncertainty in global economic environment, and supply chain disruptions, and this was amplified by the slowdown in startup funding, which impacted the new age advertisers. Now to talk about each of our business verticals. Firstly, to start with the broadcasting vertical in Shemaroo TV we continued our focused efforts on content creation, distribution and marketing which have resulted in higher ratings for the channel versus the previous quarter. We've also launched an original show, Wah Bhai Wah. During the quarter. In Shemaroo Umang we open that second position among the existing free to air general entertainment channel and continue to hold this position during the quarter. We also started monetizing the channel through advertisements from July 22. Hence please note that the current quarter, which is Q1 number do not include any revenue from Shemaroo Umang. In Shemaroo Marathi Bana there were few technical changes on the DD Free Dish platform which adversely impacted the ratings of many channels and including Shemaroo Marathi Bana that we changed programming strategy to include episodic content in addition to movies which traditionally we had been showing this helped us restore the channel ratings towards the end of the quarter. On ShemarooMe friend under ShemarooMe Gujarati, we released 18 new titles during the quarter with content across movies, web series and place. We released an original web series called Decide Diamond which was well received by the audience and we also did the digital world premiere for a blockbuster movie Sonu Tane Mara Par



Bharoso Nai K. Lastly, we launched a Telugu service on ShemarooMe in USA. Our YouTube channel Filmi Gaane cross 60 million subscribers, which was a very big milestone to have achieved and the channel is now the 20th most subscribed channel in the world. Lastly, I would like to inform you of some major organizational developments from our side. I am happy to inform you that we have on boarded Mr. Arghya Chakravarty in the position of Chief Operating Officer. Arghya comes with immense experience of over 25 years and in his previous tent he was with Disney Star India where he was the executive vice president of ad sales for the entertainment business. And Kranti Gada will now be the President of new business opportunity. Apart from these two major developments, we have also continued on boarding and strengthening our leadership team across various business verticals with stalwarts from the industry. In conclusion, we remain committed, focused and confident on offer long term strategic growth plans, despite all the headwinds faced. With that I open the floor for questions.

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: The first question is if I look at the traditional media or number it takes now 34 crores has gone to 47-48 cores. Can you give us some sense as to compare to last year? What would be the breakup between the syndication and the broadcasting part I mean, if is this growth primarily driven by broadcasting part or the syndication business has contributed to this course.



- Hiren Gada:** Primarily, this growth has been driven by the broadcasting part.
- Dhwanil Desai:** OK, and can you share some break up on that? What will be the syndication?
- Hiren Gada:** We've not shared it in that way, but I can tell you that overall. We don't expect indication to be a significant contributor. In the way forward. In fact, even here, it's not that bigger contributor. So I think, it probably as we go along more than 70% of the traditional media will be contributed by the broadcasting business.
- Dhwanil Desai:** Second question is so I mean this quarter our bond rating, around 14 crores. And as you said that Umang has I mean in the last quarter also had mentioned that we'll be charging off some content for Umang while we won't be generating revenue for that. So to that extent, our bond rate compared to last quarter has come down despite of launching a new channel, and we had said that this year we expect 40-50 crores kind of a bond rate or investment in new initiatives. So, going forward this is it safe to assume that this one rate will come down as we monetize Umang then things pick up on the other two channels.
- Hiren Gada:** Yeah, I think, it's fairly. I mean, that's the line on which we are working on, and if. I have to. In fact, I had in the last quarter also shared. Or discuss that the target investment for the year is approximately 50 crores and at that time also we had said that. It's likely to be more front ended because Umang monetization is only likely to start towards the end of June or July maybe, and in a way that has played out on those lines only. And I expect that for the rest of the year, overall investment should be lower compared to this quarter.



Dhwanil Desai: Third question is, so I mean again wanted to get some sense though Shemaroo in terms of viewership in terms of TRP has done quite well, right? I mean, you have mentioned progressively it has gained in terms of ranking, so can you give us some sense, at least for Marathi Bana and Shemaroo? If not in absolute numbers were in terms of your ad rates or how it had moved up in last year or so because of this improved rating. I mean, you may not share the exact numbers, but some sense whether it has resulted into some incremental rates for us or not, or, and if not, is it likely to happen in future.

Hiren Gada: So I will break it up. Shemaroo TV and Marathi Bana both have followed different strategy. So Shemaroo TV, if I have to look at over the last about almost 10 to 11 months about the ratings have grown by probably, where we were at the bottom maybe around 10 to 11 months back we from there we are up by more than 70% in terms of the ratings. And there is broadly approximate maybe 6 to 8 weeks lag off translation of that into better revenue and revenue broadly is directly linked to creating a growth or absolute ratings percent. So, and we've had a steady state steady growth study which has given obviously a lot more predictability and stability to the revenue trajectory also, so to that extent, Shemaroo TV has been on a on a decent growth path. Of course, now with Wah Bhai Wah being launched, we have added more original flavor to overall programming. Marathi Bana on the other hand had I would say couple of factor playout one was as we as I shared earlier. There was a technical change on the free Dish platform due to which the channel number of many channels changed because they had to migrate from 1 transponder to another and therefore LCN number as it is called the local channel number. They changed it for many channels and all those channels kind of got hit. So we lost a reach



and viewership because the viewers had to re tune their boxes and many of them are not savvy enough to retune and things like that, so it took it, took us a while to kind of even reach 70% to 75% of the reach that we had pre changed and so that was one factor. Other was, as far as the landscape is concerned. Also, we had a couple of a Marathi channel launches in the landscape, so Star launched a movie channel called Star Pravha Pictures. And, obviously, it come stars Marathi GEC channel is the highest viewed channel so they have large audience base which they can kind of push their movie channel toward. So that also was another factor. So Shemaroo Marathi Bana was to that extent affected what we did during the quarter and to an extent we had already started the work on it prior to the quarter. But we brought an episodic content and reduce the dependency on movie programming and what the episodic content did is that it created again a certain amount of appointment. And improved the time spent significantly and it stabilized the rating not only stabilize actually brought in growth to the rating, so we kind of in fact surpassed the pre change ratings in the last two or three weeks. Meaning which is in the first couple of weeks of July. So we now actually back to a decent trajectory. Of course, as I said earlier, this translation of that this to the revenue may have a lack of 6 to 8 weeks. So with this at least we now, getting a decent appointment viewing audience to for the channel and we have some exciting programming lined up in episodic itself Well, like what it also did is it helped us to give you to space out some of our better performing movies whose because of that the those movies ratings also kind of went up, so all put together we were we Marathi Bana by the end of the quarter was on a decent revival path.



- Moderator:** Then the next question is from the line of Harsh Beria, a professional investor. Please go ahead.
- Harsh Beria:** Can you give the breakup of your digital revenues this quarter? So how much came from YouTube, telco versus ShemarooMe?
- Hiren Gada:** I'll give you the approximate break up. A YouTube is more than 60%, telco is less than 10% and the rest comes from a combination of syndication and ShemarooMe.
- Harsh Beria:** OK, and also the debt numbers hasn't gone up from last quarter and the inventory numbers.
- Hiren Gada:** Inventory is higher from last quarter by 4 crores. So 714 was a March inventory and June inventory 718 at least if we were to round it out with 715 or 719. And a debt was 254 crores in March. It has gone up by 14 crores to 268.
- Harsh Beria:** I have a question about Marathi Bana episodic content. So what do you mean by episodic content or the movie channel? What does it mean?
- Hiren Gada:** So when we started the channel, the starting point was our own library which basically contained movies and therefore movie channel was a natural starting point for us. But there is obviously no restriction for us to show other content within the language within the framework of the Marathi language so we experimented. Firstly, we experimented with the devotional content, which delivered very good rating. And had very good traction with the audiences, then we further did research that where the audiences were missing out on content which was episodic or serialized in



nature, so therefore we experimented with some serial to say that OK, let's try one hour of a serial to see whether it kind of gets any traction or not. So we put up The Ramayan, which is the old Ramanand Sagar Ramayan which was dubbed which we got it dubbed in Marathi and we showed that on the channel and that delivered very well and it gave us the confidence that if we mix up the programming with a combination of episodic serialized content and movies. Based on that we gave up movie programming, but the overall nature of the channel in terms of content makes his combination of movies, serials and devotional content. So that is what is currently the programming and that is kind of delivering reasonably well.

Harsh Beria: So in the episodic, you're mostly targeting like religious or devotional content, or you're also targeting general entertainment now?

Hiren Gada: So there's no restriction to target devotional or episode. We started with devotional so the hypothesis was that since there is anyway lot of traction on our devotional content, which we run on the channel. Let's kind of, in a way, mythology becomes an extension of that devotional content, which having worked. Well, for us now gives us more confidence that we would extend one or two drama shows to that extent.

Harsh Beria: My last question is on your Telugu services. I think that you've launched in USA. Can you talk a bit more about it? So it's on your ShemarooMe application.

Hiren Gada: So this is only for US, so we've tied up with a large Telugu content partner. India based Telugu content partner. They needed reach in US. We already have ShemarooMe in a US and we have a team in US which is already distributing, selling and marketing ShemarooMe. So adding one more



category of content to sell to the Indian diaspora over there is was an easy thing to do and when we map the overall number audience based Telugu is a very, very large community. And it's a very well to do community 'cause Telgu speaking expatriates in USA. So in a way. I mean this has just been launched, so, we also are in the process of setting the marketing and selling aspects of that. But the content mix is very potent and there is a large audience based in fact, we've offered it free till 15th August for trials, so for free trial.

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

Dhwani Desai: So two more questions. So I think our employee cost has gone up again from 15-16 crores to 18 crores. So this is and I think in Q3 when the cost had gone up, there was some one off and then it had come down in Q4 again. So now is this the new run rate that we should look at in terms of employee costs?

Hiren Gada: So Q3 always will have a one off in each year because it. That's when we pay out performance linked incentive. So every year if you go back you will find Q3 will be having the one off having said that to answer your question, yeah, this is the new normal for two or three reasons. One is, we've obviously April onwards the appraisal cycle kicks in so there is some normal increments which we have done on our steady base and secondly as I mentioned also in my opening remarks that we've now been sending up our team with a lot of new talent infusion. And as we are now headed into a very strong growth opportunities. The idea is how can we play this on the front foot and add as a people business. So building our whole



talent pool and leadership team a much more strongly. I think that has been the thought process and we've been doing it for now about two quarters. In addition to that. Of course, with the launch of Shemaroo Umang also there is more people that needed to be added over there.

Dhwanil Desai: The second question is on Shemaroo Umang so I think in the end. I mean it's commendable that in the launch in three months we are second most viewed FTA GEC channel and I think if I understand correctly, we had not put a lot of effort in terms of distribution yet, I mean, we mentioned in the last call that maybe it will be more organic and we may not want to go for full hog in terms of increasing distribution page, so without that, if we are able to achieve that, are we planning to one of increase the effort on distribution reach to move forward how do you think about that?

Hiren Gada: Yeah, so you are absolutely right. We've not gone whole hog in terms of distribution, so to that extent Umang is not present on any of the DTH platforms yet. Whether it's data play, Airtel dish TV, etc. We have done few ground tie ups slowly but steadily, and try to keep the overall costs relatively low. In many places we try to leverage our relationship for Marathi Bana and Shemaroo TV on some certain incremental costs. If we could add Umang so we try to keep it as a reasonable and low as possible, and so happy that the audience traction for Umang has been very good. So ultimately, based on the monetization we will slowly ramp up the distribution and we'll also test waters to see whether that additional investment is yielding any additional rating and revenue translation and what is the ROI on that and accordingly we will go about it. We will try and be a much relatively more measured about it. Also on the other hand there are certain audiences which are I would say low hanging fruits available on



other platforms. Also if we are able to put that together, what it does is it increases the overall viewership based and which in a way helps attract some different kind of additional advertisers also so that finally helps push up the revenue pie.

Dhwanil Desai: OK and last question from my side. So all these three channel put together How do you look at the overall revenue potential of these three channel put together? Is it in the range of 300-400 crores or more? How should we think about that?

Hiren Gada: Definitely not, at least at this point in time. But, I would say not this year at least maybe.

Dhwanil Desai: No, I'm not. Saying from this year perspective, I'm saying let's say 2-3 years out.

Hiren Gada: If I were to take a step back and have an overall understanding of three pies. One is the GEC pie which is about 7000 to 8000 crores. And actually contrary to popular belief, there is limited competition for such a large pie. And if you have a channel, in fact we have 2 channel offerings. It kind of you can play a lot of things on that in a certain way which gives a certain potential Marathi pie has also been growing up. We looked at it at around 800 to 1000. I would imagine that it could have grown by about 15%-20% from there by now, so we're talking of roughly, maybe 900 to 1100 kind of crores by again So that's the second pie in a different way. We want to look at the third pie, of course, is the FTA pie. The free to air pie free to air with free dish numbers having expanded significantly, I think they are actually that pie I think is on will be growing significantly more because newer set of advertisers etc are. Lot of users have migrated from



platform like DTH and cable into free dish And the advertiser is kind of a lot of advertisers are losing out on those audiences. And if they have to target that they have to come on to free dish. So that's a pie. In terms of if you are seeing potential of next 3-4 years, I mean those kind of numbers are very very much possible. I thought you were asking me this year.

Moderator: Thank you. The next question is from the line of Nitin Sharma from MC Pro. Please go ahead.

Nitin Sharma: First of all would want to understand any update on how OTT syndication slash ShemarooMe being in terms of numbers some color on it.

Hiren Gada: Indication I would say if I were to say trend wise, it's upward within that there could be one or two quarters up and down because it is a relatively more deal based business, but the underlying consumption trends for most of the platforms has been has been reasonable as I said earlier that so COVID put everyone into a new normal post COVID there was some tampering on consumption because of unlock and people going kind of back to work or back outdoor kind of a thing. But still there is a new normal which essentially means that there is a certain consumption and therefore a certain content need is there I mean, we've seen You Tube consumption grow all our other consumption so to that extent, the syndication business trending wise is reasonable and healthy on ShemarooMe, unfortunately, at this point at least for this quarter, we are not in a position to share numbers. All I can say is that the mind share that we've now managed to garner as far as Gujarati is concerned, is huge and literally, we've become a large and virtually by default surveys are player for Gujarati Entertainment on the digital side which is ShemarooMe Gujarati



and in a way it is reflected in the content in the programming. The good thing is that it is also reflected in the consumption metrics and the revenue trends so I think we are in a very good place though I would only tempering or caveat I would say that overall digital OTT business is a slightly longer time frame game in terms of the real scale and maturity we believe will take probably another about two years for it, but then you have to start building the mindshare and consumer traction content. You're offering everything from now, so that. When it scales up you are in a leadership position, which really is very difficult to dethrone.

Nitin Sharma: So small bookkeeping question, can you please provide the breakup of digital revenue segments and how much was the cash balance at the end of the quarter.

Hiren Gada: So YouTube is more than 60% of digital, Telco is less than 10%. And the rest of it is combination of ShemarooMe and syndication.

Nitin Sharma: OK, and then the cash balance.

Hiren Gada: Total debt has grown from 254 crores in March to 268 crores in June. And the inventory from 715 in March by 4 crores to 719 in June.

Nitin Sharma: OK, and cash number.

Hiren Gada: We work on a CC cycle so the debt is what is more important to track movement.

Nitin Sharma: OK, I understand this one last question, so your traditional media revenue typically growth in the second quarter, roughly grows around 30% to 40% more than the first one historically, minus the COVID period do you think



similar trend can be expected. I know it's a small window. But generally, do you think given all the macro headwinds similar should the specifications will be fair.

Hiren Gada: In traditional media it's too early days to say, because July we literally into two weeks of July but definitely some of the macro headwinds have hit the advertiser. We are hopeful that obviously there is one additional factor over here which is broadcasting business, which is driving our growth so this year at least. We are hoping that since Shemaroo Umang, monetization has just begun, we should be having a certain revenue visibility.

Moderator: Thank you very much. The next question is from the line of Shikha Nathan from equity capital. Please go ahead.

Shikha Nathan: I just had a couple of questions. Most of my questions have been answered so out of total expenditure is any part of Inventory that has been written off.

Hiren Gada: So you mean to say over and above normal charging off is what you're saying.

Shikha Nathan: Yes

Hiren Gada: No

Shikha Nathan: And can you give me the figure of the nominal charging up?

Hiren Gada: It's part of the operational costs so. I'll come back to you on this thing in a minute.



Shikha Nathan: OK, so given our new business and the channels and everything, has there been any change in our accounting policy or in a write off policy.

Hiren Gada: Not yet, but as I have shared earlier also we are formulating the new policy based on because there is a new income stream and obviously it changes some of the consumption patterns. So we're just observing some of the trends. In terms of consumption and income thing before we formulate a policy which is robust enough to hold the test of time.

Shikha Nathan: Alright, congratulations on Umang being #2. Can you just help me understand this entire business little better so of the total Ad pie available to Umang, Shemaroo TV and Marathi Bana. How much percentage does each channel get? If you can tell us the current market share of all three.

Hiren Gada: To look at the overall addressable pie we would, I guess, be less than maybe 2% or 3% or maybe even maximum within 5% of the addressable pie.

Shikha Nathan: And this holds true for all three.

Hiren Gada: Combined, I'm saying if I have to complete the addressable pie for Shemaroo TV, Umang and Marathi Bana will be at less than five of that.

Shikha Nathan: OK, and do we have anything in mind of how this is to move or what we expect over the next three years?

Hiren Gada: Obviously our effort is to grow it. There are multiple players in this and I don't believe anyone has a significantly high market share more than me. I mean very few people maybe having a double digit market share itself in



this thing, I mean definitely we are working towards growing the market share because only then the revenue share will increase.

Shikha Nathan: OK, I'm so out of the total ad time available to Umang, Shemaroo TV and Marathi Bana, how much is currently being utilized?

Hiren Gada: Inventory on air more or less 100%.

Shikha Nathan: For all three, even Umang

Hiren Gada: We are still building up, so I think it may take one or two months more to reach there and we may hold some of the inventory to be able to garner a better realization rate. So that's going to be a tactical I would believe, but Shemaroo TV and Marathi Bana are currently at 100% fill rate.

Shikha Nathan: OK, So what is our current cash conversion cycle?

Hiren Gada: So the cash conversion cycle if you mean to add inventory, then it's obviously lag ended. And secondly, each business has its own. But what you will see at the aggregate level is for the entire company. But if I were to that will probably be more than 900 days because of the inventory. But this business has its own cycle, and those are significantly lower because inventory is an asset base. If you look at it in a different way, so like that, I think cycles are pretty normal, I mean most of our later they pair so receivables is around 60 days.

Shikha Nathan: Ok, so are we on route to break even?

Hiren Gada: Yes



Shikha Nathan: And at what levels? Do we break even at like 100 crore, 120-130 what level can we assume?

Hiren Gada: Which business are you talking about?

Shikha Nathan: Of at least the new two channels not counting one gas is now.

Hiren Gada: As do a will appreciate I'm not in a position to give you absolute numbers on what is that level and all of that. But yeah, as I have shared or discussed in the past. Towards the end of this quarter is when we are targeting to break even and we are fairly on track for that.

Shikha Nathan: OK, and also could you also help me with what tax rate we'd be looking at for this year? Assuming last year we might have had some losses carried forward and all of that.

Amit Haria: Sorry could you. Could you please come again?

Shikha Nathan: What tax rate should we be looking at for this year?

Amit Haria: Tax rate would be in the region of around 25%.

Hiren Gada: No, she think considering that we have a lot.

Shikha Nathan: Do we have any losses that we can set-up.

Moderator: I'm sorry to interrupt Miss Nathan. You will have to join the queue again as we have other participants waiting for there to.

Shikha Nathan: Yes, I'm just waiting for the answer to my last question.

Moderator: OK mam, that would be your last question now.



Amit Haria: OK, so like I said, we considering all the pixels available if the tax rate would be intelligent of around 25%.

Shikha Nathan: OK, considering everything considering set off we might have.

Amit Haria: Yes

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

Ankit Gupta: On the broadcasting side do you think we now have three channels during the result we have some plans to add one or two more channels over the next year or two or do you think we want to 1st stabilize all three channels and then take the next step forward.

Hiren Gada: The question what you're asking actually itself is the answer because they are both in different time frames. So obviously in the short term we want to stabilize and reach a certain traction and operating level financially and operationally both. But over the next year or two there will be more channels as we add to the network and the network effect of having more channels obviously has its own advantages in many ways. And we'll definitely be driving towards that. But in the short term the stabilization of the current operations is there an important target that we are working towards.

Ankit Gupta: OK, but let's say whether or not this year but FY 24- 25 maybe looking to R2 channels to our booking.

Hiren Gada: So see what we would like to do is look at so we still believe that there are many underserved opportunities in this space and audiences are looking



for new and interesting offering and we want to essentially look at serving the audience is with that, and to that extent we would be looking at adding channels, but what we are very clear is that we don't want to spend above certain level in terms of the investment that we want to do so it's going to be prudent cash flow and ROI focused thing, as well as something where we have other synergies to monetize the content for say, digital platforms or building some additional advantages strategically.

Ankit Gupta: The next question was on the digital side. If you look at our digital media revenue they have probably been the line of around 45 to 48 crores per quarter over the past 3 quarter and there hasn't been any significant jump in that. So what is happening on that front?

Hiren Gada: I would like to differ because if you see the number by itself, there's definitely the number. For example, in Q1 of last year itself was 40 crore which has grown up to 48 crore, so 20% growth we are seeing even this year. This is a business which has a certain amount of seasonality. So quarter on quarter is very difficult to look at its more year on year kind of a thing, for example because of say, ad spend etc is seasonal. So certain quarter sometimes maybe giving an optical impression that it's stagnated, but you really need to see you around here. I mean if you see FY20. One it was 150 crores which has got one in FY22 to 181 crores which is a 21% growth and this quarter also on a year on year basis. It's up by nearly 20%.

Ankit Gupta: So do you think at 23 and 24 we can really grow by 20% in digital media revenues.

Hiren Gada: As I said in my opening remarks, there are two headwinds overall that advertising is. Phase one is something like the overall advertising



pie. Revenue spends are facing which is all. The inflation and demand challenge that many of the advertisers are faced. 2nd a headwind which a lot of the digital advertisers or new age advertisers are facing is the whole funding challenge in the startup ecosystem. So they have definitely been some of the large spenders in the on digital media and there is some amount of up slow down or track pull back from their source of funds. So that is definitely likely to be a speed bump for maybe a couple of quarters over. The trend if I have to project like three years trend we I think digital is easily added 20% CVR for three years. Now couple of quarter's speed bump may happen, but it I feel will cover up subsequently because the underlying consumption growth is growing very strongly.

Ankit Gupta: OK, so there might be some short term challenges, but do you expect that the growth will be going towards so once this the whole thing in creation and the startup funding issues like this?

Hiren Gada: Yeah, because it's not that all startups are not funded or not this thing. Many startup are getting the funding at the same time if we again map it over a three-year period a lot of this will kind of get addressed and even out and move to next level kind of a thing.

Ankit Gupta: And on the YouTube side, how thing are you YouTube CPM performing and has it improved over the last 10 years.

Hiren Gada: For this quarter the CPM have been challenged because of these factors. Definitely, in fact grown a quite nicely on the viewing views side, which has helped us grow the overall number, but the CPM this quarter has being challenged



Ankit Gupta: OK, and over the last like prior to this quarter has it improved? So how is that can book?

Hiren Gada: So what is happening is that views on YouTube is growing at a humongous rate, so I would say that the CPM has all been trending down, probably for last six years. OK, but what is happening is obviously the fill rate keeps growing up because spends are growing. And secondly if I have to add also YouTube itself innovates a lot so introducing a second two ads instead of one having more mid rolls and things like that so the overall revenue PIE has obviously jumped up significantly. But because of the huge addition of numbers and use the inventory available, grows. Keeps growing and which in a way impacts the CPM since the denominator keeps growing.

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

Rishikesh Oza: Hi Sir, so previously you said about break even in Q2 end. So it is for Marathi Bana and Shemaroo TV.

Hiren Gada: Yes.

Rishikesh Oza: OK and you also said that for the broadcasting part you have maybe within 5% market share of the addressable market.

Hiren Gada: I actually I'm not in a position to give you that number, but it's nothing significant. I mean, OK, sorry that's not the right way to put it. It's relatively low obviously. Which means that the headroom available is much more.

Rishikesh Oza: OK, So what is the addressable market there?



Hiren Gada: Hindi GEC addresses ad pie is at around 7000 to 8000 crore Marathi is estimated at around 900 to 1100 crore. So if we combine the two we are at about 8000 to 9000 crore ad pie between Hindi GEC and Marathi.

Rishikesh Oza: OK, OK and Sir, can you give any idea on the break on ShemarooMe OTT

Hiren Gada: As I shared earlier also the overall OTT business seems to be a slightly more longer drawn business for as far as Breaking even or scaling, rather is concerned and without scale breakeven is going to be a challenge. We expect that the industry is scaling or growth may take probably about two years more to actually start taking it. Having said that what I also added is that we have to obviously create our own share of mind and manage the whole show within reasonable costs so that we don't end up overspending in this whole process. So that's what I would say, balance we've been trying to achieve, which is maintaining a healthy offering on the service, in fact exciting offering. Rather, it's not just healthy, it's an extremely exciting offering, which in a way helps us push and grow the share of mind. And on the other hand doing all of that within reasonable cost so that we don't end up burning significantly a high.

Moderator: The next question is from the line of Shikha Mehta from equity capital. Please go ahead.

Shikha Mehta: I just had one follow up question earlier you said that our inventory on air is currently being used at 100% in Shemaroo TV and Marathi Bana. So from where are we expecting growth then, if you could just help me understand that better.



Hiren Gada: Growth is always from the ad rate going up which comes from viewership growth.

Shikha Mehta: OK, so as viewership growth in.

Hiren Gada: So I understand one thing, TV business never about inventory fill, you will find very high for most channels because no one will. It's a perishable commodity or perishable goods. So every inventory not filled is revenue lost which we will never regain. So everyone all channels always fill up inventory fully. The growth always comes from growth in the effective rate of the 10 seconds, which is called the ER which comes from the growth of viewership or TRP as it is considered. And this is something that at the beginning of the call I kind of shared the fact that in the last say, 10 months or so. The Shemaroo TV viewership has been trending up and we are currently at 70% higher TRP compared to where we were for 10 months back, which obviously with a certain lag translates into a 70% higher revenue for the same pill, so Phil generally doesn't change any significant number.

Moderator: Thank you. The next question is from the line of Doctor Rohit Trivedi, an individual investor. Please go ahead.

Rohit Trivedi: So my first question is about ShemarooMe so in ShemarooMe we've got 2 streams of revenue which is telco partnership and individual subscription. The industry trends and kind of felt across the across other countries. Telco Partnership gives revenue, but is not kind of right, very much profit. With you, it's the individual subscription that most kind of light players are now focusing upon. Since last few quarters. So what have we observed in ShemarooMe ourselves let's say last three or four quarters How the telco



versus individual subscriptions are shaping up and what is the trying that we see going forward please.

Hiren Gada:

I'll just tell you how our thinking has been. I would say literally from the day one of when we started ShemarooMe whole B2C journey. What we said is that there is absolutely no alternative to building mindshare because unless or until we build mindshare, we cannot build wallet share. So we've been very clear about the fact that all are Key monitor able internally are key Success Factors or key performance indicators are all linked to what the paying customer is doing and how that is growing having said that as I was alluding to one of the earlier questions also is the fact that considering that this is a slightly longer drawn game there is a certain revenue which is available through the telco partnerships, which we can pick up which can help us find some of the investment that we intend to do. So what we have done is try to optimize that to help us obviously subsidies some of the investment that has been going into it. But as far as our core monitor able, our core effort, etc the whole transition, in fact of this business to a significant B2C offering a right from the GUI graphic user interface to call center to virtually every aspect this is something that we have been singularly focusing on and, which is why as I even earlier said that I'm very happy with the kind of response we've received, and it's an extremely exciting offering for the consumer. So our consumption, traction etc is very strong.

Rohit Trivedi:

So rather than referring to your own efforts and product, I was referring to individual consumer traction. So my question specifically is not about the product, not about the efforts of the company, but the actual output that we are visibly seeing on the screen. It's not in terms of number, that's



perfectly fine. I can understand, but let's say that has the needle moved significantly from telco to individual subscribers over last three quarters. Have you observed that, or is it still may be?

Hiren Gada:

Telco is not something that we have significantly focused on and therefore the movement and something that I've just discussed. Let some time back on this call also is the fact that the overall traction that we have seen from these efforts and from individual users and the final ultimate consumers are paying consumers. The growth has been quite significant and we have well and truly entrenched in the in this space as far as the consumer is concerned and that is reflecting in virtually all the consumption metrics that we are monitoring and definitely the growth over there is significant.

Rohit Trivedi:

That's really, really heartening to know, because I think kind of right. That could be a blue horse over a period of time. Thank you so my second question, kind of light is I was looking at the annual reports of last kind of 7 to 8 years now. What has happened is if we from the footnote and purchase plus work cost, which is your cost of material purchase. So let's say in 2019 and 2020. It was 390 and 440 crore now in last two years it has come down significantly to 230 crore. People that means on one side we are buying a lot less inventory as compared to 2018 and 19. I know it's kind of like a link to change in our business model from B2B to B2C and. Let's focus on the syndication business and everything. So I'm attending the. Call for last 3-4 years, so I know that part of it, but I was wondering that is this purchase of close to 230 crores year sustainable looking at the business model that has been now setting up and wear kind of write, this figure is expected to move because this figure to a greater extent will



determine operating leverage over next two to three years. So let's say if our revenue jumps, and along with that this 230 crore, then comes to 400 crore. Then there is no chance of operating leverage. Right, while if this figure stays stable, that is cost of metal purchased a 230-250 crore and revenue jumps up significantly then and then there is a possibility of operating leverage, so what is happening over there if you can And what is the thought process of management over there? If you can help us understand, thank you.

Hiren Gada:

So I'll try and address it in slightly different way. So the direct answer to that is that it will ultimately be a combination of both, there is to grow beyond a certain level, obviously one needs to invest, so there is a certain investment that it will take the question or the real thing to understand is that is that new growth or the new investment or the new initiative that we are talking of are is that in an operating positive environment financially, and once that happens, then the operating leverage kind of kicks in so one cannot grow safe if supposing hypothetically, if I have to scale up from say, whatever X to say 1.5 X that cannot happen with the same cost structure. There will be an additional cost structure involved in that, but the whole idea is if the new initiatives can be operating positive contributing, then the operating leverage kind of kicks in. Therefore, if in a journey of, say, going from X to 1.5X. Possibly the cost on the investment on content may not necessarily grow from Y to one point Y right May grow from Y to 1.3Y or 1.25 Y. Therefore I said it's a combination of both one. Cannot have a black or white situation on this, so to give you a different example, we launched Umang. So Umang will need content for programming. The other question is will Umang break even and make money. If it does then I am kicking in operating leverage and that's really



the effort that we are overall working towards and that I mean that has been the conversation of the last three to four quarters that how this business breaks even and generates the positive cash flow.

Rohit Trivedi: So to link with that my last question would be then just one thing. So in the inflationary environment that we have already entered into now globally right, and I believe the same thing would be there in India. So how are we seeing the content cost shaping up? Has it gone up along with that kind of like inflationary trend and what do we see forward let's say for next three to four quarter and the effect of that on the business.

Hiren Gada: I think overall we can expect the inflation on content calls to kind of be in the line of what the overall inflation trend is. In short term, it may be higher also or lower also, but I think trending if you ask me a medium term trend would be in fairly in line with the inflationary trends here if I have to kind of further break it up. There are two aspects. The talent cost we'll probably go higher than inflation, but then there are many other costs which may be counter trending certain due to say, technology, better technology availability, etc. Some of the processing costs etc actually may stagnate or be a better optimized or lower etc. So but net put together I think it would trend with the overall inflation trend.

Rohit Trivedi: Add on to that kind of I just wanting so going forward. Are we looking to acquire more of the content from outside or more? Help in house kind of right content development or collaborative content development costs. So where the cost kind of right wood line. Let's say acquiring perpetual content or developing the kind of right required content in house for our or broadcasting channel.



Hiren Gada: So we are not a content producer so we don't intend to really be a big time in terms of producing content. What we, for example, even for couple of shows that are currently original shows which are on air also or what we may have put up for ShemarooMe also everything is commissioned content. So that is something that will continue and all of that what we are commissioning we are owning 100% perpetual copyright to that and so to that extent. In fact the library is obviously growing and building up as far as films is concerned, obviously the style model because the film IPR ownership is a different ecosystem and that anyway I mean. We are well versed with that it anyways the core domain for us so that anyway film library acquisition would continue on the similar lines we currently don't intend to get into film production. I mean, we've not done it, and that's really not our.

Rohit Trivedi: OK, you didn't lose my question, so let me rephrase it. Are we leaning more towards buying the movie IPR content or more towards going for the collaborative slash What kind of right? You say that content outsourcing for our in-house captive need going over? So what is the?

Hiren Gada: No, our focus is on the consumer, so whatever works is the consumer is something that we will go. So if we have to build our B2C offerings, whether ShemarooMe, it's the channel. Either way, the consumer is dictating what we are showing them and therefore in the back end. That's what is dictating what we will do with it. And that extent I'm sorry I'm not able to give you a direct answer. It will be different from you for each business because what is the consumer looking for versus what is available and what needs to be created will be different for each of the offering or each of the business.



Moderator: Thank you. As there are no further questions, I now have the conference over to Mr. Hiren Gada from Shemaroo Entertainment Limited for closing comments.

Hiren Gada: Thank you everyone for joining us for the earnings call for Q1 of FY23 and looking forward to seeing you all next quarter. Thank you, bye.

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