



**“Shemaroo Entertainment Limited
Q2FY2022**

Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY22 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 Mr. Anuj Sonpal – CEO at Valorem Advisors. Thank you and over to you Mr. Sonpal.

Anuj Sonpal: Thank you. Good afternoon, everyone and a warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of Shemaroo Entertainment Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings conference call for the second quarter of financial year 2022. Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's earnings conference call maybe forward looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now let me introduce you to the management participating with us in today's earnings call. We have with us Mr. Hiren Gada – Chief Executive Officer and Chief Financial Officer and Mrs. Kranti Gada – Chief Operating Officer. Now without any further delay, let me ask Mr. Hiren Gada to give his opening remarks. Thank you and over to you, sir.

Hiren Gada: Thank you Anuj, good afternoon, everyone. It's a pleasure to welcome you to the earnings call for the second quarter and first half of financial year 2022. I hope everyone is keeping safe and well, let me start by giving you the key financial highlights for the second quarter ended September, financial ended 22. The operational income stood at 123 crore EBITDA for the quarter was approximately 10.2 crores as against 7.1 crore in the previous quarter EBITDA margin stood at 8.29% and net profit was reported at a 2.7 crore with a PAT margin of 2.21% for the first half of aFY22, the operating income was 198 crores EBITDA reported was at 17.3 crores and EBITDA margins today 8.76 crores, when net profit was at 1.4 crores with a

pat margin of 0.69. In the past quarter of profitability took a hit primarily due to lower ad spend. Muted buying by broadcasters and a ongoing investment in new initiatives as is evident from the financial results. I'm happy to share that we are back in the green in terms of profitability in Q2 and also for H1. Boosted by a significant growth in the traditional media revenues, which was inevitable as we had been discussing in the past. As most of you are aware, the company has been in an investment mode in the various new initiatives. Hence it is important to note the expenses made on these new initiatives, net-off revenue for the periods under review for Q2 FY22 expenses on the new initiatives, net of revenue was 16 crore. And for H1FY22, it was 32.5 crores.

If you were to adjust for these investments in the new initiatives, the adjusted EBITDA from existing operations would be approximately 26 quarters for Q2 22. And for the half year ended effort September a half year ended FY22. The adjusted EBITDA would be approximately 50 crores for the second quarter, digital media revenues stood at 47 crore, which were up 21% YOY. And for the first half the digital media, revenue stood at 87 crores, which is up 20% on a year on your business, traditional media revenues in the second quarter. So that 76 crores, which is up by 270% year on year. And for the H1 of the FY22, the tradition media revenues stood at 110 crores, which is up by 52% on a year-on-year basis. On the business side as consumer and business sentiment across sectors continue to improve. During the quarter, there was a cautious revival in demand from broadcasters resulting in an increase in top line for the company, the companies endeavour to transition from a B2B, B2C company in that in that same endeavour, we are increasing our focus on creating and strengthening the brand connect across our broadcasting channels and digital businesses such as Shemaroo me and Shemaroo channels on YouTube.

We also released 16 new titles during the quarter on Shemaroo me Gujarati with content across movies, web series, and plays some marquee titles that were released, included theatrical blockbuster like 'Shu Thayu' and 'Chashni'. We also released our original web series on Puri Pani on Shemaroo me on our OTT platform which has been well received by the audiences. on YouTube We crossed 55 million subscribers on our YouTube channel Filmy Gaane. The channel continues to maintain its foothold as a 21st most subscribed channel in the world.

On the broadcasting side, the gradual unlocking of states and increase in out of home mobility affected the overall television viewership. In fact, it has affected the overall media viewership entertainment consumptions. This had an impact on the ratings of Marathi movies on genre, including Marathi Bana. However, on the positive side, programming changes and investments in marketing expanded Shemaroo TVs reach during the quarter, which has given a boost to the channels rating to conclude with the aggressive vaccination drive, most of the world, including India, returning to normal and we are witnessing a significant revival across all our business segments as well.

In conclusion, I would say that we are cautiously optimistic that in a FY22, the company performance will show revival with that. I open the floor for questions.

Moderator: Thank you, Ladies and gentlemen. We will now begin with the question and answer session. Anyone wishing to ask a question? May I please press star and one on your touch tone, telephone. If you wish to remove yourself from the question queue, you may press star and participants are requested to use handset. While asking a question, ladies and gentlemen, we will wait a moment while the question queue assembles. The first question is from the line of Viraj Mehta from Equirus PMS. Please go ahead.

Viraj Mehta: I have two questions. First, if I look at our expenditure side in spite of seeing significant growth in revenue, almost a 48 odd crore on a sequential basis. And our investment and new initiatives remaining same on sequential basis. Our cost has gone up significantly. Apart from the new initiatives. Can you throw some light where the money went,

Hiren Gada: this money went primarily consumption of the inventory for the traditional media sales? So the channel sales that we would have done the content underlying content costs would have been charged to the P&L.

Viraj Mehta: Okay. But that should have meant inventory also should have gone down to that extent? Which has gone down 20 odd crores. For entire half year. I probably connect to your financial team. Understand this little more detail. Second part I wanted to understand if I look at digital media growth of around 20% for the half year and even for this quarter can you split that a little bit more into how much has YouTube and how much has other businesses grown?

Hiren Gada: While I cannot give the growth rates per se, but broadly I will say that the overall share of each of our different revenue contributors has broadly remained the same. So, just to recap, as we have shared in the past also, is that. YouTube is approximately 50 to 60% of the top line, Telco businesses is less about, you can say ten-ish percent and the remaining comes from combination of 9.59, Shemaroo me, and that share which in the past has actually been. So, you know, if we see a few years back, YouTube was probably less than 30%. So you do obviously you know, expanded significantly. It has also come at the cost of the telco business shrinking significantly. So that contribution share has been changing but this quarter. We haven't seen any significant movement on that. So that's broadly remained on similar lines.

Viraj Mehta: The third thing understand is if I look at the business as such, I mean, if we have this growth in digital and which essentially is a very low I mean, reasonably high operating leverage business. And in spite of seeing reasonable growth in top line, the we aren't seeing operating leverage playing out in your assessment at 120-130 crores if you are not seeing. what is that number point, which we'll start seeing the operating leverage play out for us.

Hiren Gada: The operating leverage. He's also, so one important thing to keep in mind is where is the focus of the investment and capital allocation that is going. There is a clear focus on building the, B2C businesses out and investing in the B2C business those businesses, yet to see the positive cashflow, because once that you know, those things start in operating leverage definitely you know, could kick in, but that is sometime away from that point of view, otherwise so the whole idea, and this is something we have been discussing for last few calls or last few quarters that you know, the focus of the company's investment is in the B2C opportunities and the B2C business.

Viraj Mehta: Sure. Okay. Also what I wanted to understand, I was talking more about it all, but I think leverage excluding the new investments because on new investments are roughly similar 15-16 crore loss a quarter I mean, for last three, four quarters, if I look at so like,

Hiren Gada: one is that you are looking at it only from a top line, but I would look at it also from the capital allocation point of view, because I could invest in older business model of B2B and achieve a certain level of operating leverage by doing this I have not, I've chosen not to do that. And you know, go through B2C route, would that be. And therefore, the turnover of that capital is to that extent, limited,

Viraj Mehta: if you can throw some light on how our syndication business is doing are seeing like traditional media now seems to be picking up we are seeing green shoots. wanted to understand is that growth path continuing a second will Marathi Bana breaking even. sometime later this year by Q4. Those are the two last questions

Hiren Gada: Okay. So, to answer your first question yes, this quarter we have seen some amount of you know, cautious of, you know, buying, I would say from broadcasters We are hoping it's early still to talk about how it will play out over the next couple of quarters. And definitely the overall advertiser's sentiment has improved. It's still not back to pre-COVID level. Still there are quite a few segments which are under the weather you know, and to that extent, the broadcasters are cautious. What I would currently rate some of their business to be more pen-tup demand in terms of, you know, certain library of content getting expired and needs replenishment or certain, you know, refresh of library that gives me that is more the would they say that it is full-fledged, back to normal kind Like, as I said, it's too early. You know, we have five months or up to five months remaining for the rest of the year. So I don't know how this will play out on broadcasters buying side, on my Marathi Bana. I would, at this point actually refrain from giving any indication on when we expect it to break even, we so I will, however, give a couple of, and I'll also tell you why, because you know, the situation has been very dynamic. We, as I said you know, a little so, or as I said earlier, we really not had what we would, what we could call a normal quarter or a normal period we've been living in abnormal periods and therefore fluctuation. during the lockdown the viewership shoots up significantly but advertising drops in the unlock down, viewership drops advertising probably lag behind because the business confidence may not still be fully back, or all sectors may not

be fully back. So considering all of that you know, kind of, in that kind of a period. So while we have a definite plan of how we want those forward in place to pin point right now you know, I would refrain from and I know in the past have discussed this by you know, unfortunately the whole COVID led situation has played out you know, differently from what everyone probably had anticipated a couple of one or two, three quarters back. Another thing I would add overall is that we have a definite, you know, content and programming and overall strategy in place.

Kranti Gada: So I would say that Marathi Bana has gained considerable mind share amongst the Marathi movie audience. We are in the consideration set which is you know, for a young brand, you know, we think it's in the right direction and in the last three to four months, and you may already be, if you watch the channel, we'll notice we've invested a lot on the disruptive programming. We've been doing a lot of innovation on the programming to help you know, set a tall audience definitive identity for the channels. And you know, I would just say that you can maybe just visit the channel even now, and I'm sure you see exactly. Understand what I mean. So while the revenues are playing out we also see opportunity to define the identity and, you know, like a strong mind space in the consumer's mind which lays a strong foundation.

Moderator: Thank you, ladies and gentlemen, in order to ensure that the management of the ability to address questions from all participants in this conference, we request you to limit your questions to two per participants only. The next question is on the line of Shikha Mehta from Equity Capital. Please go ahead.

Shikha Mehta: I just have a couple of questions. Traditional business has grown significantly this quarter, but we haven't seen much inventory reduction. So could you give some color on that or when we'll see inventory turnover levels touch 1 or below 1

Hiren Gada: Actually the inventory has come off? I don't know why. I mean, if we see in March, I mean, if we see year on year we have come off by, you know, almost 35 crores of the inventory. And even if we see from March, it's down by 20 crores.

Shikha Mehta: So, do we see this reduction continuing going forward? Or do you see as like I inventory ratio coming to one or below one something of that sort I could get some color on that.

Hiren Gada: So, there is definitely certainly funded investment for our newer initiatives, which are part of you know, we definitely would have some or the other place in the inventory that is currently being reported by secondly directionally target the thought process is to be bringing down the inventory at a study manner.

Shikha Mehta: So, so you said some amount of the inventory is for the new initiatives. Could you give some color on what are the inventory write off policy for those is the same as the traditional business, or is there a different policy?

Hiren Gada: It is linked to consumption. So for example, if there is a television episode that we have licensed from a broadcast for supposing and you know, so it's for say a three Telecaster or five telecaster but we charge it off when we have the first telecast and you know, but when we have a acquired it could fit in the inventory. Supposing I acquired a show which has 300 episodes, and that content would sit in the inventory till it is consumed and when its is consume it get charged off

Shikha Mehta: And so our rating have suffered because of IPL and now the T20 world cup. So if you could give some color on where we stand on both our channels and what we aspire to where we aspire to reach over the next three, four years on overall a percentage share of the total ad revenues or something of that

Hiren Gada: more than IPL ratings actually suffered as we've discussed because of that unlock down, a during the lockdown, sitting at home, the consumption of entertainment, both on television and digital was at its peak during when the un lockdown and happened the movement back to work, or, you know, whatever I would say, outside movement has kind of brought down Media entertainment, consumption, home entertainment consumption, and that we haven't seen reflected even in our digital business, including the YouTube numbers. If you see for the quarter also it's been you know, uniformly felt across the board. So, that has been a bigger impact on the overall viewership now, to answer your other question on you know, on what kind of market share and or what kind of revenue So all I want to say the addressable segment that we are you know, looking at, so Marathi advertising by on television is estimated to be between 800 to 1000 crore. And Hindi general entertainment pie is estimated to be around 7,000 to 8,000 crore annually. So these other two segments that we are currently operating channel, two channel And we believe that they are you know, large enough to offer scale and you know, at a certain scale, definitely decent ROI on the investment.

Shikha Mehta: But even if you could do a ballpark figure that if you're looking at you're looking at achieving, 3%,5% of these total addressable market over the next three or five years, atleast ballpark market

Hiren Gada: that would not be fair on me to you know, But can that kind of a number, unfortunately, but as I said, these are the two segments that we are addressing and, or kind of operating in. And we believe that there is you know, for both the segments opportunity size is a fairly large enough you know, the addressable pie is large enough to offer a profitable scale.

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

Dhwani Desai: Hiren two questions. So, this you know, on new initiatives you know, we've been spending 15 crore we I was expecting that since Q2 things have revived across industry, we will have kind of at least reduce some burn on our broadcast channel, but the number has remain broadly in the same range. How should we look at this number? , is it because that we've invested more money in something Shemaroo me. Is it because of those kinds of things that the number has remained around 15 crore can you throw light on that.

Hiren Gada: Yes, this is a consolidated investment, which includes Shemaroo me.

Dhwani Desai: So now what I'm thinking is it fair to assume that our burn on the broadcasting channel, would have come down.

Hiren Gada: I would say it's probably maybe marginally I don't considering also Kranti had alluded we made additional. Investment in the Marathi content part. So considering that I will say maybe it's marginally, come down, not significantly.

Dhwani Desai: Second question as an extension to that, but I mean, we are all making investment with the hope that things will play out as planned you have spent 130-140 crores on new initiatives No, but any kind of plan in place and really pulled the plug in certain parameters certain indicators are not certain investment you need to increase we cant be perennial investment mode any thoughts around it

Hiren Gada: Yes and no also. And the reason I'll tell you yes, that's really how we have pulled the plug on many of our investments. So I don't think that we are married to any of our investments from that point of view. So that is definitely about the thought process. And if I would use the word discipline you know, definitely, however, as I just said a little so that unfortunately we've not seen a normal time, so what is, you know, where this thing can be placed in a normal time only then we can put a count to say that you know, yes, this is now you know, playing out as we taught or not playing out, or you know, we are, there's a significant gap or what can be done So that is a challenge that we have faced. We are hopeful that this quarter, and, you know, as this festive season ahead of us Plays out. At least we may be at a good level compared to pre COVID. And I mean, all of us had hoped if you had asked me, in January or February, we were all looking forward that from April onward, we should be broadly back to pre-COVID levels, but then we have to hit many business much more significantly in terms of sentiment than anything else So, you know, the fear of wave three, et cetera, has made many traditional advertisers, quite cautious. And second many industries have faced supply chain issues because of which also there you know, advertising has come off. So we definitely know in automobiles some of these other categories have and they are definitely large Advertisers on television. So that's what I'm trying to tell you that considering that what we have you

know, trying to do is you know, try to gauge whether at the core, the offering is being accepted, that are we gaining market share are we getting mind share, is the offering being accepted. Secondly I've been to that for the first question and to be in the consideration set of the audience or not the second question you need to think is that how do we you know, minimize or leverage reduce the overall investment in the interim level which is you know, more whatever, more sustainable, or at least more conducive kind of a level. And third, of course, we also try to ensure that you know, we it doesn't cause a balance sheet strain. So if you see the overall balance sheet you know, debt level, we have kind of maintained it broadly at where we were. And therefore, you know, and while, you know, meeting all our obligations, financial commitments, et cetera. So, at a broad level, you know, it kind of, Shows the strength of the underlying cash flows of the rest of the business. So, you know, these are some of the things because the opportunity size is such that we have to give this particularly the broadcast business we have. And we also know for a fact that the broadcast business has a certain gestation period So, you know, the opportunity size and the fact that there is a higher gestation period, I think it needs to be given a fair chance to bloom and then examine whether you know, one approach is how do we better to pull the plug other approaches? How do we make it profitable or at least break even because the business gives significant other advantages in terms of the brand connect and things like that.

Dhwanil Desai:

My second question it's you know, with respect to syndication business. So I think in our earlier calls. Also, we have indicated that we may continue syndication business, but may not want to grow, or at least a incremental capital may not get allocated to syndication business in a significant manner. So, you know, compared to where we were in a FY19 in FY20 you know, where do we see syndication, business stabilizing and you know, in the current quarter, whatever growth that we are, come in, all we have got from 20 crore to 76 crore QOQ is significant part of that coming from syndication. Can you help me understand?

Hiren Gada:

So you're absolutely right in understanding that And this is something again we have discussed in the past and the capital allocation for us is focused much more on B2C versus B2B and syndication. So there are in the syndication business, there are two parts to that. One is the trading part of the business. And then there is syndication of existing content library et cetera. So that anyway continues because, you know, those are the rights we own and, you know, we monetize it across all media including the television media, but the trading part consciously we have reduced the overall capital allocation there. and to that extent, you know, it will definitely you know, over a period. Not now, but I mean, again, we are in ab normal times, but if we were to stabilize you know, very, we were say in FY19, we will be at a lower you know, at the lower share of that to the overall business pie, and the third aspect to that was about this quarter yes, in this quarter, definitely There has been and we have mentioned it also in the earnings release, or I spoke about it in the opening comments also that there has been a certain cautious revival of the demand from the

broadcasters. And to that extent, there is a certain contribution of that. You know, in fact, I would say a large contribution of that to the, this quarter's top line.

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

Rishikesh Oza: Hi, good afternoon. So my first question is if you could share the loss split for our initiatives, if you could share many, can we leave this losses?

Hiren Gada: I just added at the beginning of the call, but I repeated the overall investment for this quarter 15 crores and half year it was 32.5 crores

Rishikesh Oza: I'm actually looking a split of losses for right initiatives.

Hiren Gada: So yeah, split it is not possible to give at this point in time and we not share the split overall And yeah, the other question what are the other questions?

Rishikesh Oza: So my other question was broadly, if you could share, then can we leave this losses for this initiatives?

Hiren Gada: So, as I shared in one of the earlier questions also, we had estimated for example for the Marathi channel to breakeven in a certain timeframe but given what we saw on the COVID and COVID has an impact on viewership as well as on advertising. So it's not one thing it's, it affects both. So given all of that, we the timeline obviously got an extended and our estimates proved wrong and therefore I would like to refrain from giving that estimate of when it would look to breakeven because these, as I said, these are abnormal times. If it was normal time we could see a certain trajectory and this time we saw a certain trajectory of growth, some or the other of these actors, came and hit the overall numbers.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital, please go ahead.

Deepak Poddar: So I just wanted to understand in your opening remarks you did mention that our adjusted EBITDA for the first half is about 50 crores.

Kranti Gada: Yeah.

Deepak Poddar: So, so that's about 25% kind of EBITDA margin that is on an adjusted basis. So I just want you to understand maybe it is because of your initiative or the expenditure on your new initiatives that is driving the difference between the reported and adjusted EBITDA right.

Hiren Gada: Yes

Deepak Poddar: So, so I just want you to understand by when you see the reported margin converging to your adjusted margin.

Hiren Gada: As I just explained to the previous caller's question that it will ultimately happen when these initiatives breakeven or at least are in a positive so what is that timeframe I am refraining from kind of estimating right now, because as I said in my past estimates have been proven wrong by COVID. So, it's very difficult right now to put that kind of timeline unfortunately.

Deepak Poddar: Yeah, understood. But even a year or two something little, on the broader.

Hiren Gada: If I have to give a broader timeline hopefully it should be much shorter than that. But it's difficult to pin down right now because each time we were in a certain trajectory and we thought that the line of breaking even is visible now to us on one or two of the initiative, something or the other so COVID kind of came and hit, second wave hit and now the unlocking is hitting in a different way because overall viewership of home entertainment has come down. So as I said we are still not so to say normalized.

Deepak Poddar: Okay. I understood and this quarter we're expenditure net of revenue, new business was about 16 crores right?

Hiren Gada: Yes.

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

Ankit: On the traditional media side prior to the disruption started in FY20 in FY19 we did report close to 396 crores so around 400 crores of revenue from the traditional media side. Of course over the last two to three years our focus has been more on B2C but let us say if everything normalizes and there is no more COVID third wave so where do you see this revenue stabilizing in our overall scheme of things and removing the broadcasting part from this so let us say if in FY19 we did not have any revenues from broadcasting so what is this comparison in FY23 let us say things normalize how do you see the revenues for traditional media?

Hiren Gada: As I explained earlier to one of the questions, I think Dhwanil had asked that question. So, the focus of investment, the traditional media earlier model was kind of quasi-trading and investment kind of a model. Now, if I, for example, were to have allocated the capital, which we allocated in new investment towards that business then we probably would have been in that trajectory to come back to that revenue, maybe by FY 23 or as I don't know the timeline because then you're kind of turning over the capital into the same business but given the fact that we have consciously decided to do the QC investment in the newer initiative, B2C business focus, the capital allocation has kind of been allocated more towards these newer B2C initiatives. And to that extent, there will be a gap so since there is a gap on the investment side of the traditional model, it would result in a relatively lower the thing, the whole idea is that how do we move from a business, which is more B2B, more trading oriented, and more, a little more lumpy towards the business, which is far more stable,

predictable band led consumer connected and therefore much more sustainable kind of a thing. That's the effort that's the journey that we have embarked on. And we moved a significant way on that journey and yeah, I mean, we believe it's a matter of time before that kind of materializes or that manifest. And to that extent, what I would say is that while we may compare where this business will go, where it is was, but it wouldn't be fair to say or expect given the change in the whole strategy and approach and therefore what we are doing is replacing that with a significantly more sustainable and a regular kind of more predictable business. So that's really the effort.

Kranti Gada: In fact, I'd like to say that, last few quarters I will say we've not had the traditional media with syndication deals and yet sustainable revenue lines that we had been already building has sustained the company through this time and funded bulk of the new initiatives. So hence, the company is moving towards as Hiren said a more predictable, sustainable business. Also on B2B deal we figured that our dependency on few buyers was becoming very large and the value unlocking in actually, being a B2C brand and getting the value out of the consumer can be a lot more. And were already experiencing it, which has actually kept the company going in the last few quarters.

Ankit: On this the trading part of the traditional invitation business or the syndication business do you thing over the past two to three years there has been a significant impact of OTT is coming which has impacted the viewership of the movies that we syndicate to the TV.

Kranti Gada: TV viewership is not down and what had impacted is advertising because of COVID definitely. And even before COVID hit, if you remember India was going through a lean period and broadcasters were already, seeing drop advertising at that point, and then COVID happened. So what led to the drop-in buying from broadcasters is the advertising revenue drops. So viewership, if you look and check independently and viewership on television has not suffered.

Ankit: Is it that the viewership on TV, movie channels have suffered, do you have some data on that. I don't have that. The viewership on TV/the movie channels has suffered significantly post pick up of OTTs.

Hiren Gada: No, that data is freely available. BARC data is freely available. You can go and Verify it.

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

Rohit Trivedi: So my first question is about Shemaroo Me. So a bulk of the investment that we are making will be on the part of the TV channels and Shemaroo Me and for TV channels we have got a benchmark data about the profitability and return on equity from other players. So we can hopefully keeping the fingers crossed, expect that over a period of time we will kind of trend

towards the same line right. But on the part of the OTT, that is Shemaroo Me even bigger players than us kind of right who are well-funded, who are well-capitalized are also making huge losses and those losses are sustained still. I know we are in a niche category. We are a differentiated player. We are looking for kind of quite a specific regional kind of right segments, so on and so forth. But still could you give me some color around what is our thought process around Shemaroo Me in terms of finance, not in terms of the content part of it, in terms of finance, how much are we putting kind of roughly, let's say of new initiative into Shemaroo Me and what is trend line that we see in terms of subscriptions over there and when right hopefully we can see the profitability or kind of like turning around on the part of the Shemaroo Me. Thank you.

Hiren Gada:

Okay. I'll just try and address it in a couple of different ways. This is very early days in the OTT business's journey. And to that extent this is a phase where investment is called for and probably going to be required for a certain amount of time in terms of building the technology, the brand and the content, all the three parts that and of course the overall user experience and things like that. And I agree that lot of people have been spending a huge amount of money. We have in fact being extremely cautious about firstly kind of deciding when to do the B2C rollout because only when we saw certain trends of consumers paying, et cetera or, starting to pay and, all those kinds of things. It was when we actually embarked on the B2C strategy. Till that extent, we were more B2B2B2C. Secondly, we have attempted to till now, at least we've been fairly successful I will say in keeping the overall cost structure of the entire thing relatively much lower compared to many of the other players. And when I'm saying cost structure, it is technology is a large, very large cost. We've kind of attempted to keep it as low relatively as possible, considering the fact that we are a regional player, we cannot afford to have the technology cost go out of hand. Third is content part, now content of course is, depends on the market situation as well as various other thing. In fact, which is exactly one of the reasons why we have refrained from sharing some of the numbers till now. Obviously one it is too early days, but more importantly, it will impact the economics as well as the competitive scenario significantly if we put out numbers because this is a time when all and sundry are trying to enter this space and if we share numbers, if people know numbers, we'll certainly see a large flow of fresh offerings in this space. We really have tried to maintain the leadership position and reach a place where we kind of become the de facto player in this. Now these are some of the aspects or thought process, as far as the Shemaroo Me Gujarati offering is a concern. We started from a very strong position of having a great right to win. Our team has successfully added some great new content, created a commission, great content which has been very well received and I would say loved by a consumer, but I would say that the journey of this OTT businesses still just the beginning, this is probably the first or second step in a 1000-mile journey. if we rewind back, for example, the 20 or 25 years back when the television was at this stage at that time also the television journey, I know played out in a certain way. Initial period was a period of investment funding brand-building consumer connect content, et cetera. But once that business crossed a certain

scale the players who kind of grew with it they all kind of did great. So that's really the larger, bigger picture that we are kind of, looking at

Moderator: Thank you. The next question is on the line of Harsh Bedia, an individual investor. Please go ahead.

Harsh Bedia: I have a question about average weekly viewership in the Marathi channel. I think you guys started over a 100000 views. What would that number be currently for Marathi Bana and also for the Hindi TV channel?

Hiren Gada: I will have to come back to you Harsh on this number because each week the number gets reported. I don't have the exact number, if you can reach IR team, they will be able to help you with that.

Harsh Bedia: And just to follow up what do you provide segmental breakup currently as to how much the conventional revenues come from these two endeavours like Hindi TV and Marathi TV channels?

Hiren Gada: No, in fact, something that we have been the split tool two different data point that we have been providing. One is a split between traditional media and digital media businesses and second is the investment in new initiatives in that respective quarter.

Moderator: The next question is in the line of Shikha Mehta from Equity Capital. Please go ahead.

Shikha Mehta: Sir if you could tell us what your ideal inventory turnover would, what your aim is over the next two to three years?

Hiren Gada: Well, I can I mean, short of giving you any figure, what I would like to obviously say that we'll have both the levers playing out over the next, if I have to look at the next two, three years, our target would be to play out both the lever, which is a lower inventory and a higher turnover. So, to that extent, the inventory days would change significantly. Also, as we discussed inventory related to some of the newer initiatives will have shorter cycle also of consumption. So that ultimately should lead to a lowering of the days or increasing of the turnover whichever way you want to look at it.

Shikha Mehta: And so broadly on traditional media revenue or our inventory whichever is preferable could you give a breakup as to how much we use for our own consumption and how much we use for trade currently?

Hiren Gada: Very difficult because if I were to put it in a different way, wherever we have the digital rights, for example, so it stays it's tight. So if I have the digital rights, we monetize it or distribute it or consume it in some way or the other format, whether it's YouTube or some of the other OTTs or telcos or Shemaroo Me. So since we have multiple touchpoints and

distribution end points available consumption points available, we kind of optimize or look to optimize on that. And similarly, if it's traditional, then either we would have syndicated it to a TV channel or right now on a Hindi, since we are running a general entertainment channel, we don't have movie programming slot by and large for that so we don't consume any Hindi movies for Shemaroo TV, but Marathi of course, is movie channels. So there inventory or content is being consumed for our in-house purposes.

Shikha Mehta: What would our margins be broadly on the traditional media?

Hiren Gada: Sorry, but I am not in a position to give you the breakup.

Shikha Mehta: Okay. But we're still maintaining the 18% IRR, right.

Hiren Gada: That is really the guiding part overall. That's what we've been saying and driving at. So that IRR to us is far more important overall compared to the margin for all right.

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

Dhwanil Desai: Hiren and Kranti can you share some shorts on the content strategy for those Shemaroo TV and Marathi Bana because when I look at the channel and when I view the channel so in Shemaroo Marathi Bana I will see certain kind of dubbed Hindi movies and show them and I think probably we are also showing Bahubali in a dubbed manner and on Shemaroo TV other than Jhum and Jazbaat I hardly see any original content so how do you guys think about it and what is the game plan there?

Hiren Gada: So Marathi you are right we have been dubbing some of the movies from our existing library and as well as we have acquired certain languages films for dubbing into Marathi and that's something that has kind of just been started a few weeks back and we have more content lined up because, there is a logistical issue of the dubbing, censoring and then it takes its own certain timeline of putting out the film.

Kranti Gada: So Dhwanil to run a movie channel, you need a certain amount of content. And while when we started, we had a strong library to sustain us, but because of COVID and theatres being shot, the release pipeline of new films really dried up for us. So, we innovated, and we said, why don't we bring in blockbusters from the south whose production quality, content level is, et cetera, it's superlative and it's proven that it works in Hindi. We also did a lot of research about how the audiences in Maharashtra view that content even though it's in Hindi and we felt that it could work and hence we have tried to use this as an innovative strategy and decide it could be a good differentiator for us. Also some of the library movies from our own library, we tried to dub and again like few of the movies that you may have seen Hindi dubbed our Shemaroo library movies, the content is lying with us we have to just dub it and

put it out there. So we thought it was worth refreshing the channel with this kind of content where there is blockbuster content being delivered in the language, which is preferred by the region. And I'm happy that you have seen the Bahubali promos and, we would have actually spoken about it in the next call because it's being done in this quarter, but the creative effort behind making it, really a lot of effort has been invested and maybe we speak about in greater detail in the next quarter. On HTV, I will say that initially when we launched the entire strategy was led by acquired content. And we decided to produce our first show Zurm and Jazbaat but following that it was hit by COVID wave-2 and we saw that the advertising revenues were looking difficult and shooting was also halted so given that we put a pause on that strategy. In the meantime, some other insights that we gained and the research that we did, we've done a lot of even consumer level research on Shemaroo TV now, and we've now divided the day part. If you see there's a very clear day part wise strategy that we have evolved led by our own Shemaroo Bhakti slot. There's a kid slot after that, trying to evolve the crime slot in the middle. And then the primetime. Some of the acquired content is working well for us and we are definitely exploring this, the thing with acquired content is that we get content with a proven track record already.

Hiren Gada: And relatively lower cost per episode at this point in time,

Kranti Gada: But that being said, we'll definitely look at the production with the right concept.

Hiren Gada: Ultimately we would be looking at creating shows and taking it to that next level. But this is, only once we reach a certain level and as well the ad revenue itself also reaches a certain level. But thankfully as I said in the beginning on the positive side our ratings actually are probably at, I believe last two weeks, we are at a high in the year for the entire year so we have actually at least some of the initiatives that we've taken of our programming changes that have actually resonated well with our audiences. And that's kind of giving us confidence on HTV front

Kranti Gada: Also I want to add that on Marathi Bana, we've done a lot of ground level of B2C work BPL activities during the whole Ashadhi Ekadashi Vitthal festival we have done a very extensive like may be 15-20 centers wide activity on ground and then in the Ganesh Festival, again, we have done. So, therefore connecting the brand at a very grassroots level has also been a continuous focus for us.

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

Rishikesh Oja: My question is if you could share margins on YouTube that you earn.

Hiren Gada: Rishikesh I'm sorry, we're not in a position to be that. Normally do to competitive reasons because it impacts many different ways particularly on the content acquisition side when we have to put out. Sorry about that.

Rishikesh Oja: Okay. Second question regarding no purchase of library or the content. So, in a longer term can the business sustain with around 50 crores to 100 crores of purchase?

Hiren Gada: I'm not able to understand the question and if you can just elaborate a little bit more we can try and address.

Rishikesh Oja: So, basically the content or the library we might have to keep updating our libraries. Okay. We might have to show some new content and some new episodes series, etc. So, on a longer term whether our business can sustain with just around 50 or a 100 crores of purchases.

Hiren Gada: I would it is a relative question for two reasons. One is firstly 50 crores to 100 crores is not the purchase that we do, we do significantly more than that, in any of the past years there, if you see it's significantly higher than that. But more importantly, we will follow internal capital it will go towards the B2C initiatives significantly more. So whatever is the demand or need of that respective business that is being invested in that is what will go. And therefore, we don't look at it that way to say that 50 crores to 100 crores we will invest. We will invest what is needed for that business to reach certain metrics that we are looking forward.

Rishikesh Oja: Just last question from my side. So basically, just wanted to know our burn rates stop loss for OTT and also if could share your underlying assumption for starting OTT because all players are bleeding. A content production house 250 crores and still bleeding and they is still have no visibility as such. If you could share two points over here?

Hiren Gada: While we have our business plan for the Gujarati there are two aspects to that firstly let us understand what is the overall opportunity that we are addressing. So Gujarati essentially broadly speaking, three markets that get addressed, one is the Gujarati resident audience. Second is Bombay and third is the international audiences because there are two to three pockets of fairly large Gujarati speaking audience. And in fact, a couple of those territories are high ARPU or high paying territories, US and UK. So if we were to map all of these firstly, Gujarati happens to have about approximately 5% to 6% of US population is Gujarati speaking population so that in a way the addressable market. Now with that if you break it up to internet penetration and things like that you arrive that what is the video this thing and where we are today in terms of SVOD offtake is obviously significantly low. But the period where consumers' own affinity has been growing, you're on your significantly. Over a period of time that as you kind of play out that number looks quite a decent kind of number, so that's really how the assumption has been built out. Now to answer your other question on what is stop losses, we have budgeted for it right now, unfortunately, not in a position to

share that with you, because it can cause different kinds of tremors or different kinds of assumptions amongst our competitors or other industry participants. One thing I would say, as I said earlier also, is that we have overall being extremely mindful of the cost factor. You can look at number across and you will understand that what we are spending is a fraction of what anyone would spend and therefore our idea also we understand that this is a much longer game and the whole idea is to finish first, you have to first finish and to do that how much can create us sustainable kind of what situation in terms of the cashflow or things so that, because we all know that when this plays out when this grows that number can be humongous. And at that point the delta that you get on that because the rest of your cost are broadly the same. It is the delta impact that you can get can be significant.

Kranti Gada:

Rishikesh, I would also like to add that what we are also doing is actually strengthening the exploitation of the Gujarati content overall. So apart from Shemaroo Me also we are building other revenue model for the same content. We have some DTH services who are asking. We have a YouTube where we put derivatives of the content up and looking at some other monetization also for that same content. So that, again, as Hiren said that it can be more sustainable, and then entire load does not only fall on Shemaroo Me.

Moderator:

As there are no further question, I now have the conference over to Mr. Hiren Gada from Sheemaroo Entertainment Limited first his closing comments.

Hiren Gada:

So, thank you everyone for joining us today on our Q2 FY22 Earnings Call and we hope to see you all back next quarter. Thank you everyone.

Moderator:

Thank you, ladies and gentlemen, on behalf of Shemaroo Entertainment Limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.