



“Shemaroo Entertainment Limited
Q3FY2023
Earnings Conference Call”

January 19, 2023



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SHEMAROO ENTERTAINMENT LIMITED -

MANAGEMENT

: Mr. Hiren Gada - CEO

: Mr. Arghya Chakraborty- COO

: Mr. Amit Haria - CFO

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Moderator: Ladies and gentlemen, Good day and welcome to the Q3 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 this conference call, please signal the operator by pressing “* then ‘0’ on your touchtone phone. I now hand the conference over to Mr. Anuj Sonpal – CEO at Valorem Advisors. Thank you and over to you, Sir.

Anuj Sonpal: Thank you. Good afternoon everyone and a warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors and we represent the Investor Relations of Shemaroo Entertainment Limited On behalf of the company, let me thank you all for participating in the company’s earnings call for the third quarter and 9 months ended of financial year 2023.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today’s earnings call maybe forward looking in nature. Such forward looking statements are subject to risk and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management belief as well as assumptions made by and the 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 earning’s 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 earning’s call and hand it over to them for opening remarks. We firstly have with us Mr. Hiren Gada – Chief Executive Officer, Mr. Arghya Chakravarty – Chief Operating Officer and Mr. Amit Haria – Chief Financial Officer. Without any further delay, I request Mr. Amit Haria to start with his opening remarks. Thank you and over to you, Sir.

Amit Haria: Thank you Anuj. Good afternoon everyone and thank you for joining us today for our earnings call. Let me first start off by giving you some of the key financial highlights for the third quarter and 9 months ended of financial year 2023, after which our CEO – Mr. Hiren Gada will give you some of the operational highlights. For Q3 FY23 the operational income stood at 150 crores which has witnessed a robust growth of 66% on a YoY basis. EBITDA for the quarter was 9.4 Cr which has declined by around 4% year-on-year. EBITDA margins stood at 6.31% and net profit

was reported at approximately 1 Cr. For 9 months ended of financial year 2023 financial income stood at 392 crores representing a growth of 36% year-on-year. EBITDA stood at 30 crores which was up by 12% year-on-year. EBITDA margin stood at 7.75% while net profit was 4.5 crores which grew by 40% year-on-year.

Speaking further on expenses for the new initiatives in Q3 FY23 amounted to 22 crores while for the 9 months ended it was 53 crores which if you were to adjust this investment in a new initiative. Adjusted EBITDA for existing operations in Q3 and 9 months ended FY23 would have been approximately 32 Cr and 83 Cr respectively. Let me now take you through the traditional media and digital media division highlights. Traditional media revenues for the third quarter stood at around 58 crores which was up 23% year-on-year while for 9 months ended it stood at 170 crores witnessing a growth of roughly 26% year-on-year.

Traditional media revenues for the third quarter stood at 91 crores which was up by 115% year-on-year while for 9 months ended it was 222 crores witnessing a growth of 45% year-on-year. Now I would request our CEO Mr. Hiren Gada to brief on the operational highlights for the period under review.

Hiren Gada:

Thank you Amit and good afternoon everyone. Firstly, I am happy to inform that the company has surpassed its last financial year revenue in the first 9 months of the financial year 2023 itself which is a clear reflection that our new initiatives are on the growth track as per our strategic plans. In the third quarter the advertising spent across the media entertainment industry were muted primarily on account of lower spent by new age advertisers on digital and due to inflationary pressures on the traditional advertisers. This trend unfortunately is expected to continue for the visible short term. The growth in revenues can largely be attributed to a lower base of last financial year viewership growth in broadcasting as well as the addition of a new channel Shemaroo Umang.

As you are aware about our strategic transition from a traditionally B2B business to a modern B2C business I am happy to inform you that the contribution of B2C revenue in the total revenue has doubled in the 9 month FY23 versus the same period last year and today it accounts for more than a quarter of our total overall revenues. Unfortunately, the **tepid** advertising spent affected the margins of the company. Talking a bit more about the broadcasting vertical in Shemaroo TV we renewed our content strategy which has helped Shemaroo Umang TV delivered higher rating versus the previous quarter. Both the Shemaroo GEC channels have a combined viewership share of 10% in the overall Hindi-GEC genre and have consistently been among the top three in the free-to-air GEC genre. Rating of Shemaroo MarathiBana have remained steady during the quarter.

On the digital media front we release 14 new titles under ShemarooMe Gujarati during this quarter with content across movie web series and plays. We released an original web series called Yamraj Calling Season 2 which was a follow up season of our hit web series Yamraj Calling

and that was very well received by the audience. We also did a digital world premier for the blockbuster movie Fakt Mahilao Maate which was amongst a top grossing blockbuster Gujarati film of the year. On other digital updates we partnered with Amazon Audible for exclusive Podcast series like Chanakya Speaks etcetera.

On YouTube, Shemaroo Filmi Gaane reached 63 million subscribers and continues to be the 21st most subscribed channel in the world. In conclusion, despite external uncertainties the company has showcased a strong top line performance. All business verticals have grown year-on-year and our new initiative are seeing very encouraging traction with the viewers. We are confident that when the tide turns in the industry. These initiatives will start reflecting good bottom line performance as well. With that, I open the floor for question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Viraj Mehta from Equirus PMS. Please go ahead.

Viraj Mehta: I am saying whatever the sir said in terms of the burn that the new initiatives will see in Q4 of last year, in Q1 of this year and in Q2 of this year all of that has not proven to be right and you said that at the end of Q2 results and it is way off by a significant margin, can you please explain that Hiren bhai?

Hiren Gada: So, let me take a step back I will explain to you so at any point in time there is a certain equilibrium of revenue that we are targeting in terms of the revenue and cost. So, we achieve that revenue cost equilibrium in the last quarter. Now based on that and we at the same time we are seeing very strong operational matrix growth. So, if you see what we have discussed about the revenue the share of viewership share on the GEC segment we were probably roughly at around 7% or 8% viewership share and we see the opportunity to take it up to 10%. Now that required investment and this is something that I have shared in the same very earning call that these once we reach a certain equilibrium we would be investing and therefore as a part of that we launched two new shows on Shemaroo Umang in this quarter. We launched one show in September and two more shows in November and December on Shemaroo Umang. Now all of that requires a certain amount of investment. Now what happened unfortunately this year was that while all the operational matrix were completely on track the revenue side took a massive hit because of the a short festival period, it was a short Diwali festival period, the post festival and all the advertising challenges that we saw. So, actually the revenue has fallen short of what the commensurate operating traction has delivered and that is really that difference that we could have otherwise generated. So, we had targeted for the full year of 50 crore investment at the beginning of the year is what I have shared and I am completely cognizant of that. If this revenue would have kind of kicked in that we were fairly well on track to achieve that 50 crores, but that revenue shortfall in comparison to the operating matrix growth that we have seen. As I said we were in the range of about 7 odd percent viewership share, the opportunity to dial it up further was available and we really went for that because at 10% please understand one thing that where we are today strategically in

terms of the position in the industry it changes significantly because you are now in the reckoning as a player, so that is really what we have gone for. Revenue has not supported with the external environment. The choice was should we scale down that and lose the momentum or should we continue and press the advantage. We decided that we have to continue and press the advantage and we are very very confident that given the strong operational matrix. As and when things turn we would be fairly all of this will reflect. So, I understand what you are trying to, where you are coming from, but these are some of the operational realities.

Viraj Mehta: And is the higher cost coming only from newer content or is it coming because you are charging off some of the inventory, how is the inventory changed this quarter?

Hiren Gada: Inventory is marginally lower we have charged off inventory I will tell you September we were at 701 crores currently marginally lower at 697 crores.

Viraj Mehta: Hiren bhai we have not even charged off the inventory this is just on cost which are ballooning up?

Amit Haria: Other way of looking at it is the revenue has actually not matched up to the incremental cost that we have incurred and that is the reason what Hiren is saying that the shortfall of revenue is putting pressures on the margin.

Viraj Mehta: But sir our revenue has grown 36% this year I mean 150 crore and traditionally we have always done lower revenue in third quarter compared to second quarter. You have actually surpassed our second quarter number and third quarter and still you are saying we have under delivered. I am just a little lost here because this completely negate what you have been saying previously?

Hiren Gada: No, I do not think so Viraj this is something that has been consistently been shared that once there is a certain equilibrium that we achieve there will be the next level of growth that we will be looking for which is in terms of doing our original shows and growing from there and that has one can at any point in time go back and refer to this is what we have always shared that the gap what you are currently seeing or feeling or which even we have felt I mean I am not even denying what you are saying the fact is that the revenue has fallen short and that is across the industry.

Viraj Mehta: And in terms of the loss for this year from new initiative what will be a new guidance now having already done 52 crores loss or 53 crore in the first 9 months?

Hiren Gada: I mean I can give a number but given the whole external uncertainty on revenue I at this point want to refrain from giving a number. I think more importantly we would look to maintain the strategic or build on the strategic advantage and positions that we are continuously building. Now as a result of that the investment may go up or down or may get extended by a quarter

or a couple of quarters I do not see I mean when you are aiming for something please understand one thing that at 10% of viewership shared in the GEC space we are in every major advertisers media plan. We are now no more a fringe player and that really a very important position to build and to hold and to press an advantage when it is available and that is really what we believe because this business has a long tail of cash flow margin and profitability which is available and in fact I am actually very proud of what we manage to achieve and stabilize at these numbers.

Viraj Mehta: Just one last question Hiren bhai is on finance cost if we look at our balance sheet is also deteriorating every quarter reflecting in the finance cost going up every quarter from 6.5 crore last year a quarter to 7.3 crores last quarter to 8.2 crore this quarter. I understand the investments, but now for that existing P&L, but it is starting to hurt the balance sheet now, but how do you look at this?

Amit Haria: In the last concall I had given a perspective that the way the interest cost are increasing which is again beyond our control the interest cost being increased by the RBI and that is actually spilling over out here.

Viraj Mehta: Our borrowings have not gone up?

Hiren Gada: No, so September to December our debt is the same exactly the same.

Viraj Mehta: Sir but our borrowing this year has gone up from 236 crores, 237 crores to 270 crores in the first half?

Hiren Gada: That was in September, but I am saying September to December the borrowings have not gone up. Last quarter we had a discussion on why the borrowings had gone up.

Viraj Mehta: I understand on payables and on traditional media there is the payables as a lag I understand that?

Hiren Gada: Receivable.

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

Dhwanil Desai: So, just continuing on this revenue part where you say that we have fallen short so I mean typically you have a visibility of a quarter in terms of the commitment from advertisers?

Hiren Gada: In fact many advertisers do not have visibility beyond three days.

Dhwanil Desai: So, in the middle of October you were not expecting this kind of an environment for media industry?

Hiren Gada: Not at all this was pre-Diwali because it was in fact expectation was and everywhere we were hearing sounds that this is a very good Diwali and stuff like that, but the advertising space took a severe beating during that period and not only that it actually continued in that old trajectory and even for example YouTube and all where December traditionally is a high month even that did not materialize.

Dhwanil Desai: So, essentially what you are saying and when you say that we have fallen short on revenue, but operational matrix we grew stronger, so essentially what you are saying is that the translation of this operational matrix to higher ER has not happened is what you are saying?

Hiren Gada: Combination of higher ER and even I would say in term period also the fills have been shorter.

Dhwanil Desai: That is on the digital side?

Hiren Gada: No on traditional side.

Dhwanil Desai: So, that means that we are not even 100% utilizing total inventory in the traditional side?

Hiren Gada: In the last quarter this quarter it has, so how it works is we our ratings had bumped up over the last two or three quarters and we are in a good trajectory. Commensurate to that there is a certain ER benchmark that the market kind of works at with those kind of ratings and we decided to hold those higher ER benchmark at which rate the fill were not happening at lower rates the fill could have happened, but then we would have compromised on profitability further and raising the ER over a period would have been difficult.

Dhwanil Desai: So, I mean again from a very novice perspective, but how do you judge that this reluctance of even higher ER is a function of industry dynamics and not because our viewership share in somehow is not as expected by the advertisers I mean how do we decide that is an internal thing or an external thing?

Hiren Gada: I am not able to understand the question.

Dhwanil Desai: So, I am saying that you have said that we raised the ER, but then there was some push back because of which our fill rate has suffered?

Hiren Gada: Our fill rate not suffered only because of the push back. It was also because of a tepid advertising environment.

Dhwanil Desai: So, what you are saying is even if we had lower the ER we might have same fill rate?

Hiren Gada: Across the board fill rates were low across the entire ecosystem and that is visible I mean that data is available one can go and verify that.

Dhwanil Desai: Second since Arghya is on the call and probably I think he in one of the interviews had talked about that we want to double our ad revenues by FY24, so one is that what is the strategy around that and then secondly in the context of the changed scenario, do we still think that is possible and how do we look at that?

Arghya Chakravarty: So, I think as Hiren spoke quite a bit as always I think the input matrices around driving our viewership share the position where we are relevant player right now is in the work and it is already happening and 10% plus viewership share means we are a relevant player in the market. Our benchmarks have also due are now according to what the market operates at these kind of ratings, at these kind of viewership shares and hence what we talked about the fill rates the fill rates at an overall industry level has been down, but going forward see it is a matter of time while we foresee that the next quarter will still remain a bit soft in terms of advertising revenues, but we are focusing continuously on keeping the operational matrices up and running and going in that direction. We are focusing continuously on viewership share and getting over. So, I think we are already a relevant player in the ad market if you look at how the industry overall, ad industry has been in this quarter it has been soft, but from our point of view we are keeping our internal operating matrices up running and efficient and I think we are very much on in terms of whatever I have talked about in the interview I think we are very much on in the game and the tide once it turns we are in a position to milk the revenues which are going to be there. So, I think we are fully on to that. The strategy is right up in there in place in terms of creating the right infrastructure in terms of our operating the matrices as well as briefing up the right teams.

Hiren Gada: I would add one more point the traction on the content and the traction of the viewers also I think that is very much in place.

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

Nitin Sharma: So, first of all we would like to understand in detail how the overall ad market has been doing in third quarter and what are the early indicators this month I understand that it might be very early, but just some color on this would be helpful?

Arghya Chakravarty: I think from all reports and from all indications that we get from the market and this is result of some companies here and there and obviously we are connected to all the advertising agencies. I think from an overall ad market point of view I think in the broadcast space as well as in the digital space there is a softening compared to last year and while there has been some improvement in sports, but from an entertainment ad revenue point of view there is definite softening compared to last year and that is primarily because of two reasons. I think one is the traditional advertisers have been seeing those inflationary cost, inflationary pressures because of input cost and the new age advertisers I think there is a stress in the start of ecosystem and that has also put pressures on ad revenue which comes at a higher price at a higher yields. So,

it has been a double valley and of course the season was shorter compared to last year same quarter.

Nitin Sharma: So, correct me if I am wrong you are saying that the FMCG ad spent continues to remain at least where it was last quarter or last 6 months or have seen improvement there?

Arghya Chakravarty: It is under pressure compared to even last year at the same quarter. Last year same quarter Q3 on Q3 I think it would be at the same level or maybe a little softer than that.

Nitin Sharma: Second question so on the next 12 to 24 months some understanding that what would drive your traditional and digital revenue apart from what is happening with the macro side of the thing and how do you see your content cost going ahead on the same timeline?

Hiren Gada: There are two, three overall levers that we are working on. So, one is the opportunity to further gain viewership share is very much available and we are pursuing that of course in a way that kind of supports are cash flows and things like that. So, not really going out of hand which is why I have said earlier that quarter-on-quarter our debt has not gone up, but at the same time those levers are available on both television and on the digital side and those will definitely be drivers for growth. New initiatives further and this is again something that we have in the past eluded too which is adding more TV channels of adding some more cohorts on ShemarooMe those would be. So, I would put the levers in three existing business is to be dialed up further in terms of their own offerings and market share kind of a thing within the existing thing and newer opportunities, newer segments, newer cohorts that we would address and third would be of course the overall improvement in the environment which we believe I mean if India has to turn a 5 trillion economy in a certain timeframe the GDP has to pick up stream again and with that happening the media entertainment sector should be large beneficiary of the overall GDP growth. So, I think that all the three levers are available and which is in fact exactly where in this quarter also we continue to push the gains that we have been making.

Nitin Sharma: On the content side your operation cost have gone up rather this quarter pretty much doubled over the last year, so some idea how it is going to play out, will it remain the similar level for say next 12 months some understanding would be very helpful?

Hiren Gada: As I said earlier also so we launched actually we launched three TV shows. So, we had two earlier and now we have five daily shows among two channels put together. So, we launched these three shows have added to the content cost while they have delivered on the viewership the commensurate revenue did not kick in. So, I believe that if we have to grow and invest in growth there is a attendant content investment that is obviously going to happen. It is just that once a business crosses its breakeven equilibrium then the operating leverage kicks in and for that the lever is definitely one of the lever is going to be are we making commensurate revenue to the operational matrix which this quarter has fallen short.

Arghya Chakravarty: I just add one more thing I think when you are comparing cost of last quarter to this quarter remember last quarter we had one channel. In the last year at the same quarter, we did not have Shemaroo Umang. Well in this year, in this quarter we have Shemaroo Umang. So, obviously there is completely the story on the asset based is also very different. We have a different channel; we have a new channel and the new channel having three new shows of which two shows of that out of the three shows have come in this quarter and also remember the shows the two new shows in this quarter have come in the month of November and December. The viewership shares comes out of that are coming up and it will keep going up, the shows keep strengthening if we know how it works. When you launch the show the strengthening of the viewership keeps happening over a period of time and if you look at all the big players in the industry the best shows are running over two years, three years and so on and so forth whereas our shows have started in the one month back. So, the cost have come in, the viewership shares have gone up, but it will significantly known to us and we will keep maintaining that trend. Monetization is something which as Hiren said we have very strong believe in the economy. These are momentary trends which have been soft in the last quarter and we expect some softness to continue going forward in this quarter as well, but we have strong belief that it will all comeback. What we are doing is in terms of investing and making ourselves future ready to pick up those ad spent in the market where it turns so that is where we are actually if I can just add. So, the cost of last year quarter and this quarter are not apple-to-apple because we have a new channel which was not there last year same quarter.

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

Maan Vardhan Baid: Just wanted to understand do we have an intent to add more channels or are we done with adding channels?

Hiren Gada: No, I think every network keeps adding channels on a regular basis so will we. So, definitely in fact it is a stated intent every quarter I have reiterated that we would be adding more channels, but to kind of add to that this addition of channel is only when A cash flow permits, B within a overall investment discipline that we have seen I mean if you overall see the way we have built this business and as I said earlier our B2C revenue is now more than a quarter of our top line. This entire thing has been built over the last two, three years in spite of all the COVID challenges and everything, channels have been launched etcetera overall balance sheet has not kind of gone out of whack or we have kind of maintained that financial discipline and that I think is something that we are very cognizant of and we will continue. I do not think that mindset or thought process changes.

Arghya Chakravarty: I just want to add something here. I think one is as Hiren said and have been saying we will definitely be looking at adding channels coming in the future. It will be of course prudent and well thought out from a financial prudence point of view. At the same time it has to also gel in with our overall operating strategy. To be relevant and continue to become more and more

relevant as a broadcast player you need to have a network and the network needs to have a combination of multiple things. So, any addition of channels will be only to complement our current bouquet and add to our strength overall as a network in a very prudent and thoughtful manner, but yes definitely we will be adding channels in this.

Maan Vardhan Baid: What has been the ROC of our channels I mean if one looks back four years, three years, two years, one year I mean as the content ages how would you break that up from a channel-to-to channel perspective?

Hiren Gada: I do not think one can look at it at a channel-to-channel level I think if the overall business that one has to look at because broadcasting we were never a broadcaster, we entered this business.

Maan Vardhan Baid: So, actually what happens once the overall business that it gets diluted because of one portion of the revenue coming from maybe the social media side or that kind of thing and what I want to understand is the return on the incremental investments that you are making?

Hiren Gada: So, I was alluding to that only. So, therefore I am saying one should not look at it at a channel-to-channel level. One has to discuss it or look at it at an overall business point of view I think what this does is so let us take a step back and understand the context of why this investment was made and what was the thought process and where we are in that whole journey that kind of will give a better understanding of where things are and what is going to happen or how to look at the whole thing. I mean we were largely a B2B aggregating content kind of a player and what it ended up doing was created lumpy revenue streams and also it had a heavy balance sheet impact in terms of the investment that one needed to make to acquire stock for trading content and very importantly the brand which was at many years back a significant B2C brand that was a call we have taken and this we have shared consistently through the quarter and this has been a journey of transition from B2B into the B2C business and which is where I today shared also that now more than the quarter of the revenue is coming from various B2C revenue streams. TV business we identified as a opportunity that has a national footprint for the brand. It has a financial scale, it is a large revenue PI in terms of advertising spent which is at about 25,000 odd crores estimated growing to about 35,000 in next about three years and therefore that is a business that we cannot stay out of and we have to do the business. Now how to do it in the most cost effective possible way, how to do it in the most prudent and best possible way that is how we set about setting it up. We obviously got badly hit by COVID so that set us back by quite some time because literally our channel we launched at a signal and within a week the world went into a lockdown. We obviously got heavily or badly impacted by that. Having said that I think happy to see the progress that we have seen of this business and if you see and compare the operating matrix or the financial matrix of various broadcasters I think it will fairly understand the potential in terms of the cash flow, the operating leverage, operating margins and the scale that this business offers and that is something while I understand that there are big established broadcasters, we are a new player etcetera and which is why the relevance of

reaching a certain market share and being a relevant player the importance of that gets highlighted and I think we are very much on the way to that whole aspect and in that context I think this has been a very low cost entry strategy compared to what a typical Hindi GEC would probably need to spend in this industry and I think that is really where we are and we are at that point where we know that it is now reaching the payback time and from here onwards or at some point onwards not here, but some point onwards the payback will be visible in many ways. Let us also understand a couple more things also. One is the content pipeline that is getting added in terms of creation. It has a multitude of monetization if we see the reports of various industry report. One of the highest category of content consumed on the digital platforms on OTTs or even many other including YouTube is what is called Catch-up TV. The TV shows because of various reasons when people are not seeing on TV that those shows are actually consumed heavily on digital media. Now this is all the optionality that is getting created for us as we progress on this. In fact in a way it actually helps us cement the whole digital future far more strongly. So, I think one has to look at it in that context and where we are in that context I think we are fairly in a very strong position in terms of the journey.

Maan Vardhan Baid:

So, I understand the qualitative aspect and the rationale that you have put forward, so I also wanted to read this with a quantitative aspect especially from a ROC angle that when we approach the let us say setting up a channel or when we approach, so what is the payback period or because see this is such is the nature of the business I mean it is almost like a I mean like a child in a candy store. One is poised for choice, one can keep spending on content and to achieve that number, to be in the books of advertisers and it is kind of a thing. So, what happens is in this whole scheme of things one has seen many broadcasters not just in India globally also fails. So, that prudence and that sort of how do we quantitatively look at it and end of it one also wants to see that one can spend and achieve a certain market share in terms of with the volume of content etcetera, but there is also that frugality angle where one looks at a lot of broadcasters that spent a lot less and are able to achieve in that kind. So, even that aspect is something what one wants to understand and one would like to see that come in because see the beauty or the sort of...

Arghya Chakravarty:

I think there are two things and while as an organization we have started this business two years back and especially as Hiren said three years back and it started a time when actually the second channel that came up and by the signal came out we are hit by COVID. So, forgetting all of that. I think one thing if you I think we have as a stated objective we would definitely want to reach a certain level of profitability in this broadcasting business before we start moving very aggressively into getting deeper into it. So, I think that is one thing which one has to understand very clearly. At the end of the day you are right people can achieve broadcasting businesses can achieve with good margins by investing them, but not in the beginning I mean we are just setting a process and we are playing in one of the most competitive and the biggest space also which is Hindi GEC and hence we are in that growth phase and as I said a lot of the investments have actually happened of late in the last couple of quarters. I mean three shows

have come in, in the last two quarters which two has come in November, December it was as recent as that. So, obviously the monetization of that happens over a period of time it takes a couple of two, three months for the monetization to start kicking in. Despite the tepid environment that we are there we are very confident that the revenues will start kicking in and as an organization we are very clear in terms of the financial prudence with which we are going to start investing otherwise you are right by now we had the wherewithal and we have the pipeline we could have added five more shows also and that 10% viewership share could have been a 20% also. So, that is not how we are intending it, we are taking a careful steps, we are aware of what the situations are otherwise we could have a new channels by now also. Our objective is not that, our objective is to grow steadily, but also be aware that it is a large market there were lot of players and we need to keep investing at a certain space at least to stay relevant that is the way they are looking at it definitely we are not going to be a candy stores and invest left, right and center so that is not the objective very clearly and also if you look at I will just add one more thing there are easy ways of gaining, there are other ways of gaining viewership share. We could invest in non-fiction shows, we have not invested in non-fiction shows which are more expensive. So, we are being very prudent and careful in terms of our choices so that it yields us the right returns in the right period of time. Unfortunately, the market is and has been a little tough in the last couple of quarters and I expect it to be so in the next quarters also, but we are very confident that things will be bound and our investment are being graded accordingly.

Maan Vardhan Baid: One last observation from my end, so from the feedback that I have got from the call so far there are environment is outside our control to that extent, to some extent the top line is outside our control and that way expenses on the other hand are controllable, so given this equation do you think there is a need to increase the targeted spreads that you have sort of thought of in the past and going ahead because this might keep happening that the environment might repay tepid maybe the environment changes for some reason may be spent do not come or spent comes with a lag or something on those lines, so do you think there is a need to increase that spread given that we have experienced this particular sort of we have gone through sort of this let us say the margin not meeting our estimate in this quarter or do you think you will wait for some more time before taking this call?

Arghya Chakravarty: No, I do not understand what do you mean by spread.

Hiren Gada: What do you mean by spread are you talking about the gap between revenue and the cost?

Maan Vardhan Baid: Yes from the operational cost perspective I mean in terms of creating content that is the only cost that is kind of controllable?

Hiren Gada: I mean to be honest at this stage of the journey I think we would definitely go for building market share at this stage of the journey. We still are not in that top league to say that you can control, you have levers to reduce cost here and there and thereby improve your margin to

protect profitability, but at this stage the journey still ahead of us significantly and I think we would definitely wait of course we will if things really do not turn around in another quarter or say worsen then of course we will also be taking calls according to that no doubt. If you see our history of last even in the worst of pandemic and all of that we controlled all our cash flows and all of that through internal accruals etcetera extremely prudently and I do not see any reason to change that orientation for us. I think that is a given in fact I would since you are talking about various broadcasters and globally and all of that. Please do a check around to see how much it cost to set up a Hindi GEC channel and compare that with how much we have spent. I can assure you that we have been extremely prove well about setting about this business.

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

Hiral: While couple of question have been already answered in detail through other investors call just a specific question on how do we look at debt reduction plan going forward as we also need to focus on building a content and spending on that, any light on that and any monetization plan for any segment or any division which can help in debt reduction?

Arghya Chakravarty: I will answer your second question first at this point there is no such monetization plan for any of our segment or this thing. To answer your first question couple of things I mean so firstly we have been comfortably carrying this debt for last few years I do not see our cash flow have been supportive and servicing even in the worst of the pandemic etcetera. We never delayed any of their servicing by even one day for that auditorium or any of that. So, I really do not see why should there be so much we even try about the debt till I understand and agree on the need of having a overall downward trend on the debt or at least grow the business commensurate to that so that I do not deny. I think both of that is happening. So, already in terms of the scaling back to our pre COVID levels I think we are hopefully we should be well on our way if we see the trends of the first 9 months. The second part in terms on the debt reduction side, let us understand one thing and one of the reason where we have also shared the investment that is being made in the new initiative. So, obviously this year plan was to or target rather and plan was to invest or restrict that investment over 50 crores. Given the external circumstances that number has been over short. Let us understand that there is a strong internal accrual of existing businesses happening. So, once that investment is getting contained within that level and once these new initiatives are reaching that breakeven and operating leverage I think there is a natural cash flow availability to reduce the debt. So, for example, as we shared last time also as this television business is scaling up there is a certain debtor reflation etcetera that is happening that has last quarter it has caused the debt to slightly inch up. All of these are according to me transitional trends, I do not see that as a trend because we are not we have been extremely prudent about it and I see that as and when this revenue shortfall kind of starts addressing itself I think there is a natural cash flow which is there from other existing internal accruals available.

Hiral: Just on the same context was the objective was to understand where the margins will improve, so either the debt reduction can help through interest cost reduction or some spent where we have reached some peak on spending, so definitely it will not reach a peak?

Hiren Gada: As I said the commensurate revenue for this quarter actually should have been higher that is what we have been trying to say compared to the operational matrix that the business has achieved in terms of the viewership ratings and all of that. The revenue should have been higher. So, that would anyway give a margin availability.

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

Rahil Shah: Do you have a number in mind when I ask you about the forecast for the revenue and EBITDA margins for the next year financial year, any sort of target or number you have decided you are going to achieve and also the same for the new channels and when will they breakeven?

Hiren Gada: The second question I have in fact spoken about earlier so I do not want to repeat that. The first question I think adds to the annual operating plan for next year is currently being drawn out by various businesses and divisions. So, unfortunately at this point I am not able to give you a much of a visibility on that but given where the operational position has reached I think we definitely see a continuation of the growth of a decent growth into next year. So, even purely on the operational basis. Now, if the market is supportive obviously if the industry is supportive I think that will add further.

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

Animesh Modi: Actually I wanted to ask regarding one thing how many users we have in ShemarooMe there is no number reflecting anywhere in the presentation, so I thought let me take an opportunity and ask and what is the growth percentage in terms of subscribers of the ShemarooMe can you highlight?

Hiren Gada: So, unfortunately right now we have not been sharing that number. I can only give a qualitative view that the growth of consumption and revenues has been fairly strong and we continue to have a extremely strong position in the Gujrati subscription market. So, unfortunately at this point beyond that it is difficult for me to put out those numbers.

Animesh Modi: It is fine and one more question in access of this that there are subscription plan like one year plan or two-year plans, so let us say if anyone subscriber pays for two years, do you recognize the revenue in split between two years or in the year itself of the subscription?

Hiren Gada: It is divided by number of months.

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

Shikha Mehta: I just have a few question sir there was an article in the newspaper around 10th of Jan saying ad volumes on the TV side have turn by 26% and our revenue for the 9 month have also grown by 36% per Q-on-Q it is 66% and we are still saying that we saw shortfall in revenue which is why the new business burn has hit us, so what trajectory are we looking for on the revenue side, are we expecting higher revenue growth to sort of reduce that burn or is that even sustainable, how do we look at this?

Arghya Chakravarty: I think when you are looking at growth of revenue I know this we are getting a little colored by the growth of revenue over last year. Remember it is not on like-to-like asset base. Last year we did not have a channel there is a new channel this year. The growth where we are little confusing in this thus what we are saying is the revenue is not commensurate with what we expected it in terms of the investment made because the new channel has come up in this year from April onwards and that channel is up and running in this quarter. Our revenue expectation was much higher.

Shikha Mehta: What was our expectation that you can quantify that?

Hiren Gada: I will not be able to quantify it, but I am saying despite a 66% growth which you are seeing it is not the only matrix to be looked at because there was one channel which was not there which is there today. So, if the market would have been as per our what we had hoped it would have been which it has not turned out to be in terms of the industry ad spent that where the gap is and we will continue on our journey I mean I think it is nothing something there is no unrealistic thing it is absolutely realistic in terms of what is going to happen. We do not have a option of not making that happen it will happen and few months here and there. The trajectory is that I think the two things growth what is expected we should just see that separately.

Shikha Mehta: So, sir is this a peak level of our burn or how should one look at it because as we mentioned earlier in the call it is already been three years since we started this journey towards our channel etcetera and when do we expect this to normalize because the burn is just continuing, is this the peak?

Hiren Gada: See there are two, three things in this. One is there is we need to while we are at 10% plus around 10% viewership share today there is a road towards being continue to be relevant in the inner space I am talking about purely in the broadcasting. Yes, we are there for three years, but remember that out of three years there was two and half years of COVID. It is not a real three years in a real terms that one can say this. It is actually last 6 months only when things have been normal and hence we need to and it is very difficult to say which is the peak burn or not burn, but at the end of the day we are sure that the monetization of whatever we have invested is in the right direction, the matrices are correct, the viewership shares and the

commensurate benchmark rate is something that we are able to achieve. It is a matter of when the tide will turn and the fill rates will also match up and how things will even out over a period of time, but it is very difficult to say which is the peak burn you know investment is continuing we need to keep staying relevant, it is not that we are the only ones who are investing in contents so are others, but the market has not been as supportive, but we expect it to turn over a period of time, it is a matter of time. We have belief that the economy will move out.

Moderator: Thank you. We will take the next question from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Two more questions sir first question is so I think after listening to the entire commentary and answer the only question in my mind is that we are a kind of banking upon that we will continue to spend and we will get the good operational matrix mix which will give us higher revenue and eventually we will cover up the cost on the content side that we are spending and other things that we have spent. Now what is our revenue for whatever reason some content do not work as per our expectation as per the revenue stone sure up as per our expectation then is there an upper limit, is there a plan B, is there a kind of our level at which we will say that?

Hiren Gada: Let me do two things. One is A failure is not an option I think we are very confident given our experience and presence in the industry. I think we are very confident of making it happen number one. Number two we have a extremely active team. Please understand one thing being a player literally he is a large player to enter this and fitting against 20 year old players and still taking away a relevant market share obviously there is a intent level of capability, maturity and execution skills that the organization has built and is carrying. We have a continuous daily hawk eye on what is working and what is not working. It is obviously not been a smooth ride even to where we are. So, things that have not worked we have promptly jumped those things and moved on and do the next set of things. So, that is literally purging out what is not working is literally a daily exercise, it is not even why do we wait for even a week to complete that.

Dhwanil Desai: Second question I think you eluded to one thing in last call that we may kind of change our amortization policy at some point in time to reflect digital, traditional mix, so if I understand that we are currently at a stage where we are burning more money and hence we are not profitable, but even this higher amortization will also mean that even after we kind of reduce our burn the profit may still not be visible, is that understanding correct?

Hiren Gada: I do not think so because one is the policy is not yet in place so I am not able to comment right now. I would say two things once we have the operating leverage available there is a cash flow available. Now that cash flow addresses many things including the long hours question of debt, of stock, of many things I think so that automatically reflect or will reflect around so I do not see that as much of an issue and right now I am not in a position to commence actually beyond a point.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to the management for closing comments.

Hiren Gada: As we have discussed I think there is a significant opportunity available in this space and we have clearly positioned ourselves to execute and take that share of the business and we are very confident that as the tide turns we are extremely well positioned to take advantage of that. With that, I thank everyone for joining the earnings call for Q3 FY23 and see you everyone in the next quarter. Thank you.

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