"Shemaroo Entertainment Limited Q3 FY16 Investors Conference Call"

August 04, 2016

MANAGEMENT: **MR. HIREN GADA – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER, SHEMAROO ENTERTAINMENT LTD.**
MR. JAI MAROO – DIRECTOR AND HEAD (NEW MEDIA), SHEMAROO ENTERTAINMENT LTD.

MODERATOR: **MR. NISHNA BIYANI – PRABHUDAS LILLADHER PRIVATE LIMITED**

- **Moderator**

- Ladies and gentlemen, good day and welcome to Shemaroo Entertainment Q1 FY `17 Results Conference Call hosted by Prabhudas Lilladher Private Limited. As a reminder all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nishna Biyani from Prabhudas Lilladher. Thank you and over to you sir.

- **Mr. Nishna Biyani – Prabhudas Lilladher.**

- Thank you Ali. Good afternoon to all participants and I would thank the management of Shemaroo for taking out time for today's Con Call and discussing quarterly financial performance of the company Q1 FY `17. We have with us Mr. Hiren Gada, Whole Time Director and CFO and Mr. Jai Maroo who is the Director Head, New Media Business with us. We will begin this call with some opening remarks from Mr. Hiren following which we will open the floor for an interesting Q&A session. Before we begin I would like to mention that certain statements in the call could be forward looking statements in nature and are subject to risk and uncertainties which could cause actual results to differ materially from those anticipated. Such statements are based on management's belief as well as assumptions made by information currently available to them. I would now handover the floor to Mr. Hiren, thank you and over to you sir.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Thank you Nishna. Good afternoon and welcome everyone to the Earnings Call for the quarter ended June 30, 2016 which is Q1 FY 2017. Happy to report that we had a fairly steady and infact quite a growing quarter where our topline has grown by 23%, Profit after Tax has grown by 20%. So the topline now stands at Rs. 96 crores and Profit After Tax on a consolidated basis stands at Rs. 14 crores. Within that the breakup of the topline between traditional media and new media is that is as follows. So traditional media is at Rs. 74.96 crores versus Rs. 64.24 crores which is a growth of 16.7%. And new media is Rs. 20.14 crores versus Rs. 13.40 crores which is a growth of 50%, this is YOY Q1 2017 versus Q1 FY `16. So the new media business has seen a growth of 50.3%.

- In terms of operational highlights we have circulated the YouTube monthly views graph which now stands at about almost 125 million views for the month of June 2016. Apart from that couple of interesting updates that we have highlighted, one of which is that YouTube channel filmy gaane which is the one of the largest destinations of retro Bollywood music has now crossed a million subscribers. Just to highlight that subscription on YouTube is free but it is via opt-in through the sign in that a customer does. Second is we launched a service called `SadabaharHitz' on Airtel Digital TV which is the DTH arm of Airtel on 8th April, 2016. Apart from that to highlight some of the aspects on new media business, just to add we won National Award for Excellence in Digital and Social Media Marketing for the Best Use of Twitter for a campaign which we ran called Comedy Premier League which is among our additional activities to boost the overall social media presence of the company as well some of our content and properties. With that I would like to open the floor for questions. Thank you very much.

- **Moderator**

- Thank you. Ladies and gentlemen we will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone phone. If you wish to remove yourself from the question queue you may press "*" and "2". Participants are requested to only use handsets while asking a question.

- Ladies and gentlemen we will wait for a moment while the question queue assembles.

- We will take the first question from the line of Mr. Pritesh Chheda from Lucky Investments. Please go ahead.

- **Mr. Pritesh Chheda - Lucky Investments**

- Sir, thank you for the opportunity. Just wanted to understand on the margins side there is a reasonably good growth in new media and the mix is also changing but I don't see the corresponding flowing down to your margins?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Actually this quarter two things are there, if you see on a standalone basis actually the margins growth is higher. It is on a consolidated basis that it is showing low, that is the difference. So a couple of businesses through the subsidiaries that we have been incubating which even last quarter we had highlighted particularly ad based and both on the international and on an airlines front which are more in an incubation or an investment phase which as we had highlighted earlier is likely to continue for this year.

- **Mr. Pritesh Chheda - Lucky Investments**

- So it's the incubation cost in some subsidiaries?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Yeah.

- **Mr. Pritesh Chheda - Lucky Investments**

- Can you quantify it?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So to give you highlights the standalone Profit After Tax is at Rs. 16.57 crores versus the consolidated profits is Rs. 14 crores.

- **Mr. Pritesh Chheda - Lucky Investments**

- And can you just throw light on those subsidiaries actually what is the plan there?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- There are couple of businesses that have been setup one is distribution of content to airlines, airborne rights, one is for international distribution through our US and UK subsidiaries. And one is ad supported business which is basically content and ad supported business.

- **Mr. Pritesh Chheda - Lucky Investments**

- And my next question is what is your total content acquisition budget for this year? If you can give the net and the gross and if you can give that budget for the next 2 years actually?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- The target to reiterate which we had highlighted in the last call also so the target is net addition of about Rs. 150 crores over 2 years period.

- **Mr. Pritesh Chheda - Lucky Investments**
- 150 over 2 years.
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Correct.
- **Mr. Pritesh Chheda - Lucky Investments**
- Okay. So, if that's the number then you would actually see very little increase in gross net this year?
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Yeah. So hopefully if it is, so if I have to put it this way that if this year the addition is, if it is in a range of Rs. 60-70 crores the net addition to gross net would be lower.
- **Mr. Pritesh Chheda - Lucky Investments**
- And will the debt itself peak out?
- **Mr. Hiren Gada – Whole Time Director & CFO**
- So if everything goes well I think probably by March this year.
- **Mr. Pritesh Chheda - Lucky Investments**
- It will peak out?
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Yeah.
- **Mr. Pritesh Chheda - Lucky Investments**
- Okay. Thank you and all the best.
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Thank you.

- **Moderator**

- Thank you. The next question from the line of Vimal Gohil from Union KBC Mutual Fund. Please go ahead.

- **Mr. Vimal Gohil - Union KBC Mutual Fund**

- Thank you very much for the opportunity sir. Sir, your inventory number for this particular quarter and for the last 3 quarters it has been more or less flat. So I just wanted to know that given the fact that you retain your guidance of adding Rs. 150 crores over the next 2 years does that still hold? And will your inventory addition be lumpy going forward or maybe inventory addition will be maybe in the latter half of FY `17 that's question number 1. Question number 2 is sir, your employee cost have been slightly higher this particular quarter, the reason for that and what number should be modelled in for this year? And the third question is on your interest expenses that have come down on a Quarter on Quarter basis. So should we take that trend going forward into FY `17? Thanks.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So inventory by nature is a little lumpy always since being a deal based business as well as sometimes you get certain large deals getting bunched up and sometimes you may not have that much and that has kind of been a trend if you actually see various quarters. So it is very difficult to give a clear guidance so to that extent any addition to the inventory net addition probably should get spread out over the next three quarters so that's one. Second, is on the employee cost we obviously expanded particularly on the new media side including we have recruited certain talent from the industry, some senior talent also we have recruited from the industry, plus the normal increments, new media or digital business is a business where the focus of the recruitment side been happening. So if I have to look at what is the annual expense likely to be so we finished all our increments, the appraisals we have finished in the month of April and May so June reflects kind of the impact of that. Additional increment on this will be probably through further recruitments which we may have which maybe marginal. So I hope you got the picture on...

- **Mr. Vimal Gohil - Union KBC Mutual Fund**

- Sir last year the cost, your employee cost was about 6% of sales should we model in a slightly higher number at 7-7.5% this year or how should it be?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Actually, yeah I mean I would look at it from a different point of view. I am saying that we did about Rs. 7.68 crores in June which is the full impact of post appraisal. So if you kind of look to annualise that that's one way to look at it. And additional would be only in the form of combination of variable payouts which are performance driven or additional further recruitments that maybe happening which is again marginal in that sense.

- **Mr. Vimal Gohil - Union KBC Mutual Fund**

- And sir on the interest cost?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So interest, if we look at the March closing net debt which was at around Rs. 220 crores odd and as in the previous question also we discussed that if we expect the debt to peak out by March 2017 which may not be substantially higher than where we are today because a lot of the incremental acquisition will get funded through internal accruals. At an annual basis I would say the overall interest cost would be marginally higher so maybe about 15% odd, yeah around 15% odd higher.

- **Mr. Vimal Gohil - Union KBC Mutual Fund**

- But if our gross net is not increasing and we are expecting an increase in interest expenses so can you help me...?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- That's what I said that the debt not having peaked out as I explained to the previous question. Infact we expect that the gross net will peak out by March 2017 so there is a further increase in debt which is likely to happen. If that happens then I think, so 15% is on the higher side is what I am seeing that's what I expect.

- **Mr. Vimal Gohil - Union KBC Mutual Fund**

- Got it. Sure. Sir, again on the subsidiaries can you give me some more colour on what, I mean especially on the UK and the US business what exactly do these subsidiaries do and is there any additional investment that is entailed for the future going forward? And how will it work out?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So what we have done is basically we are looking at various opportunities for working with various existing platforms in all these various markets. So whether it is US, UK, the primary markets expatriate Indians are US, UK and the Gulf. So we have been exploring and discussing various platform partners potentially. And there are some roll outs etc which are happening but there is an investment in terms of the business development. There maybe some technical expenses because if we have to create certain offerings for them in terms of say linear fees or IPTV kind of fees kind of a thing. So we need to deliver those fees to them. So there is a lot of feeding currently happening on that front so that's one of the aspects. So we don't know in terms of right now revenue potential how it is going to add but international we all recognise as an opportunity area which we have to explore further and that really what we are doing.

- **Mr. Vimal Gohil - Union KBC Mutual Fund**

- So the investments per say have they happened for what they were to happen? Or is there anything additional that is left?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So the kind of investments is combination of people, technology and of course business development activities, you know participation in some festivals or events or those kinds of things. So if those kind of investments that have happened and this will be a continuous process, the idea being that once some of the business activities actually starts in operations and starts contributing it will be covered and it should be in the positive from that point. So those expenses on activities are continuous activities.

- **Mr. Vimal Gohil - Union KBC Mutual Fund**

- Sir, last question if I may. Sir, what is your outlook on profitability going forward in terms of EBITDA margins because last quarter your EBITDA margins were pretty high at 35%..... hello.

- **Mr. Vimal Gohil - Union KBC Mutual Fund**

- So last quarter you had EBITDA margins of 35%, this quarter I mean do you think the margins have normalised now and should remain stable going forward? And finally tax rates have been very high this quarter so what is the outlook over there? That's all from my side. Thank you.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So tax rates when an extension of the previous stand which I made which is the difference between standalone and consolidated. On a standalone basis it's the normal tax rates because of the consolidated losses the apparent tax rate which is visible is higher. On the margins at this point it is difficult to give an overall outlook but as I said in the last quarter also I mean what we saw in the last quarter was definitely, probably a phenomenal margin and should be happy. We are able to retain that kind of a margin which is what I had said last quarter also.

- **Mr. Vimal Gohil - Union KBC Mutual Fund**

- Sure. All right sir. All the best and I will come for follow-up later. Thank you.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Thank you.

- **Moderator**

- Thank you. Ladies and gentlemen inorder to ensure that the management is able to address questions from all participants, please limit your questions to 2 per participant. Thank you.

- The next question from the line of Karan Torani from Dolat Capital. Please go ahead.

- **M. Karan Torani - Dolat Capital**

- Hello. Thanks for taking my question. My question was in terms of the traditional media segment so growth was 17% this quarter so what is the positive surprise over here?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- As I said earlier also its a little deal based business so there could be a little bit here and there on the growth overall or on the number overall. But the target for the full year still would be around 15% odd, 12-15% topline growth.

- **M. Karan Torani - Dolat Capital**

- Is it because of miniplex also could have a positive impact this quarter?

- **Mr. Hiren Gada – Whole Time Director & CFO**
- Marginally, I still wouldn't take that as a key driver of the growth.
- **M. Karan Torani - Dolat Capital**
- And in new media just want some colour in terms of any new interim platform that you would have tied up with and what's driving growth on such a base?
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Jai.
- **Mr. Jai Maroo – Director, Head-New Media Business**
- So we have been happy that you know a lot of the platforms that we have been working with we have continued to deal with some license additional contents from us for a deepened the relationship with them. And of course our YouTube growth continues to be strong as we have seen, in June quarter we have closed at about 125 million views. So both of those continue to grow. In terms of platforms we have seen more business with existing platforms, newer platforms where the deals have been a bit slower. In part we feel because 4G launches have obviously been slower than anticipated and to some extent that is impacting the pace of rollouts. But nevertheless the number of platforms that are already signed up and others that are in transition continues to be healthy.
- **M. Karan Torani - Dolat Capital**
- Sir, one just last bookkeeping question. I would want the debtor days for this quarter and if you can give me the cash flow from our operating activities also?
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Debtor days would be around 160 days.
- **M. Karan Torani - Dolat Capital**
- Okay. And cash flows from operating activities?

- **Mr. Hiren Gada – Whole Time Director & CFO**
- Right now offhand I don't have it, I will be able to, I will have to get back to you on that.
- **M. Karan Torani - Dolat Capital**
- Okay. I will get it offline. Thanks. That's it from my side.
- **Moderator**
- Thank you. The next question from the line of Dheeraj Dave from Sambhav Financials. Please go ahead.
- **Mr. Dheeraj Dave - Sambhav Financials**
- Just wanted to check with you some basic understanding. In case you have given in traditional media one movie to Channel X. Can you give same movie to Channel Y also? Can you leverage in the traditional media say a TV channel and a movie channel is there and we have given one movie, sold one movie rights. Can we sell it again to another competitor channel simultaneously?
- **Mr. Hiren Gada – Whole Time Director & CFO**
- So most of the deals are as per the trade practice and this business is exclusive to the network. So if I sold it to say Sony or Zee or Star then normally it is exclusive to that respective network. So they have the flexibility to show it within their network across various vehicles that they may own. But it would be exclusively available only for that network. So I wouldn't be able to sell it to someone else.
- **Mr. Dheeraj Dave - Sambhav Financials**
- Yeah, fair enough. The related question is then the typical period it is 5 years or again it varies from channel to channel and how exactly you deal?
- **Mr. Hiren Gada – Whole Time Director & CFO**
- No, the trade practice again here is 5 years period.

- **Mr. Dheeraj Dave - Sambhav Financials**

- Okay, that's first part. The second part is like for example Mughal-E-Azam, I don't know whether you own the rights, probably you have some rights kind of it. Now what is the typical life of that trademark or like say distribution rights you get, is it 60 years or is it less or what exactly is that part of business, media rights for content?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So the Copyright Act gives the author which the Copyright Act basically defines the author as the Producer of the film. Copyright Act is the author of the exclusive marketing rights to the content for 60 years from the day of release.

- **Mr. Dheeraj Dave - Sambhav Financials**

- Okay. So if it is released 60-60 then 2020 would be the expiry date?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- No, 60 is from the day of, correct so Mughal-E-Azam is from 1960 so Mughal-E-Azam goes into public domain the Producer loses exclusive marketing rights in 2020. Actually technically its one year, in the year one year after the year of release. So it is 61 years basically.

- **Mr. Dheeraj Dave - Sambhav Financials**

- Okay. Now what happens when you get a colour Mughal-E-Azam, a Dolby kind of the newer development? We have seen many movies are getting released kind of it. So, the copyright also gets extended like say you have a Dolby sound that new colour version of Mughal-E-Azam released I think in early 2000. So what happens in those kind of it how exactly copyright has changed there?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- What happens basically for colourised work for Black & White films, normally is that the original Black & White film version still gets into public domain on that date after 60 years basically. But the colour version whatever is the date of creation of that and it may have a censor date or a release date. So that maybe the date, you can use it for a period of 60 years from there. However anyone is after that period if you continue with the example of Mughal-E-Azam say 2020, 2021 is the expiry date for

Mughal-E-Azam supposing then in 2021 anyone is free to take the original version and colourise it...

- **Mr. Dheeraj Dave - Sambhav Financials**

- On his own cost...

- **Mr. Hiren Gada – Whole Time Director & CFO**

- On his own cost and release it and market it and sell it in his own way. So that would be theoretically multiple colour versions of that same movie.

- **Mr. Dheeraj Dave - Sambhav Financials**

- Last one, sorry to take your more time, basically I get some Rs. 1.2 crores on share from associate, minority interest. So any colour on the subsidiary which has contributed, JV which has contributed into that profit.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- No, the revised version of that so there is a loss and this is a share of that loss which is guided back to the profit.

- **Mr. Dheeraj Dave - Sambhav Financials**

- Fair enough. Thanks a lot. Wish you all the best.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Yeah.

- **Moderator**

- Thank you. The next question from the line of Rohit Dokania from IDFC Securities. Please go ahead.

- **Mr. Rohit Dokania - IDFC Securities**

- Hi sir. Good afternoon. Thank you for the opportunity. 2-3 questions, one was can you talk about, are you seeing any sharp inflation in selling rights specially given the fact that probably digital is going to grow big for the next 4-5 years. So are you seeing Producers ask for a higher value?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So commensurate with the growth of the revenue with the monetisation the overall prices. I mean historically and traditionally irrespective of new media, I mean for any media I can say that rights prices have always cut paste this monetisation. It is not that monetisation will grow at 50% but the rights price will only grow at 20%. So that is a given and not specific to a particular media. In the current case yes, the new media is growing fast and therefore the digital rights values definitely have been growing and keeping pace. What we are seeing right now is that the prices are more or less, infact if I have to put it there actually yet to catch up with the growth and revenue hopefully.

- **Mr. Rohit Dokania - IDFC Securities**

- Sure. Shouldn't be the other way round the Producer might want to put a higher value to let's say what is going to happen in 3-5 years from now and that is why he would want to charge you higher right now because as of now nobody knows as to how quickly and how large digital can really be?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Yes, that is definitely the case that the Producer may want and that would always be the case. The point over there is two things that finally what is it that the Producer is getting. The Producer may want anything but finally how much is he able to actually fetch that is the more important point. And for us the discipline of keeping the IRR at 18% rate is extremely important. So for us the important aspect is that while maintaining 18% IRR am I still the most competitive bidder because in which case the Producer who needs to in any case monetise he will obviously sell it to the highest bidder.

- **Mr. Rohit Dokania - IDFC Securities**

- Sure. Fair point sir. And the other thing was what was the kind of free cash flow that we generated in FY `16?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- FY `16?

- **Mr. Rohit Dokania - IDFC Securities**

- Yeah.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So FY `16 I mean we continue to be in an investment mode so to that extent actually our inventory went up by close to about Rs. 100 crores in FY `16. So that was more CAPEX or that kind of a mode so if I were to put it purely in the accounting sense it was actually negative by that amount.

- **Mr. Rohit Dokania - IDFC Securities**

- Okay. Sure. And when do we think we could turnaround as far as the FCS are concerned?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So the original thought which we have been discussing on the free cash flow has been basically in the middle of Calendar Year 2018. But we are, what we have done is last 2-3 years is a substantial addition to the inventory. We ourselves are evaluating that maybe we may look at moderating the investment earlier although that is not yet fully decided. But if that is the case then the free cash flow will be that much earlier.

- **Mr. Rohit Dokania - IDFC Securities**

- But whatever said and done basically by mid 2018 we expect to turn free cash flow positive essentially?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Absolutely.

- **Mr. Rohit Dokania - IDFC Securities**

- Okay. Great. Thanks a lot. Sir, wish you all the best.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Thank you.

- **Moderator**

- Thank you. The next question from the line of Tushar Sarda from Athena Investment. Please go ahead.

- **Mr. Tushar Sarda - Athena Investment**
- Hello. Thanks for taking my question. I wanted to know about this subsidiary business you said that you are nurturing some subsidiaries. So they are also on the same content business which is owned by the parent.
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Yes.
- **Mr. Tushar Sarda - Athena Investment**
- So how is the cost then amortized? Do you sell the content to subsidiaries? Do you sell the rights?
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Okay just to clarify they are actually not in any of the relative business that the parent is doing.
- **Mr. Tushar Sarda - Athena Investment**
- Okay so what is the exact…..
- **Mr. Hiren Gada – Whole Time Director & CFO**
- So to give you an example, we are basically – so one of the businesses is about distribution of content on the airline.
- **Mr. Tushar Sarda - Athena Investment**
- Okay so this is the same movie you owned right?
- **Mr. Hiren Gada – Whole Time Director & CFO**
- When we were working with a partner and Shemaroo owns 65% in the company, 35% is owned by the partner. Now that company basically monetizes, acquires and monetizes airline rights from various – for various things and across more than 50 to 75 different airlines across the world. That is not a business that Shemaroo is into.
- **Mr. Tushar Sarda - Athena Investment**
- But your Shemaroo content will also be part of….

- **Mr. Hiren Gada – Whole Time Director & CFO**
- Yeah but that is on an unlinked basis on the same terms in terms of commission structure that is being offered to any of the other partners.
- **Mr. Tushar Sarda - Athena Investment**
- Okay so it will be treated as sale in your standalone entity and purchased by the subsidiary.
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Yeah.
- **Mr. Tushar Sarda - Athena Investment**
- Okay, okay thanks.
- **Moderator:**
- Thank you.
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Sorry just to finish that point, on a consolidated basis anyway gets kind of neutralised.
- **Mr. Tushar Sarda - Athena Investment**
- Yeah but I wanted to know it will be the same content right? Because when I look at the difference between the subsidiary and the – sorry consolidated and standalone account, the main cost is the content cost.
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Yeah but just to highlight that, Shemaroo's contribution to that company's business is less than 10%.
- **Mr. Tushar Sarda - Athena Investment**
- Okay so you are buying content from others also.
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Exactly.

- **Mr. Tushar Sarda - Athena Investment**
- Okay.
- **Moderator:**
- Thank you. The next question is from Pavan Bharadia from Equitree Capital. Please go ahead.
- **Mr. Vinit Gala – Equitree Capital**
- Hi it's Vinit Gala from Equitree Capital. Thank you for the opportunity. My question is on the aggregate content. Would it be fair to assume that it is more like a trading in content kind of a business? And secondly I would also like to know what is the proportion of revenue being contributed by the aggregate content? Ballpark figure will do.
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Okay. So to answer your first question, yes that aggregate content particularly what we do on the traditional media side is definitely you can look at it in the nature of a trading business.
- **Mr. Vinit Gala – Equitree Capital**
- Okay.
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Because we are not creating it nor owning it. We acquire it from the owner and we sell it to the various users of that content. So that's one. Second – sorry what was your second question?
- **Mr. Vinit Gala – Equitree Capital**
- The proportion of revenue being contributed by the aggregate content through traditional media business.
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Proportion to traditional media has been in the range of – it's been varying but it's been in the range of you can say 75% to 85%.
- **Mr. Vinit Gala – Equitree Capital**
- Okay so like the perpetual content is contributing to around 20%.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Yeah between 15% and 25%.

- **Mr. Vinit Gala – Equitree Capital**

- Okay. Also the inventory days are over 300 days. So I would assume that a large part of the content would be aggregate content correct? I would like to understand why – as to why do we have such a time lag between procurement and realisation?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- That is strategically done because we need to warehouse the content. When we acquire the content we warehouse certain technical cleaning of the content that is done, legal cleaning that is done. And then based on the overall way the market and various budgets of the acquisition strategies of the broadcast is played out, we offer the content to the various respective broadcasters.

- **Mr. Vinit Gala – Equitree Capital**

- Okay. Also strategically shouldn't we be more focusing more on the perpetual rights as in the long term it virtually becomes free. And also it is a very stable stream of revenue in the longer term.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- No I agree with you. In fact that has consciously been a strategic direction in which we have been moving. In fact we identified this about 10 years back. 10 years back we were virtually at less than 20 movies perpetually. And this whole library what you have seen, perpetual library has been built over the last 10 years. So you know I agree with you. However just to add to that, it is also a capex heavy model because you are paying a lot upfront. So ultimately it affects various aspects like ROI or free cash flow and things like that. So we have to balance out everything at the end of the day.

- **Mr. Vinit Gala – Equitree Capital**

- Okay fair enough. Thank you sir.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Yeah.

- Moderator:

- Thank you. The next question is from Kashyap Jhaveri from Capital 72 Advisors. Please go ahead.

- **Mr. Kashyap Jhaveri – Capital 72 Advisors**

- Hi, thank you for giving this opportunity. One question on the new media revenues, this quarter we did about 20 crores. Now Q on Q that is a growth of 14%. Any seasonality in this revenue? Normally let's say in summer vacations does it do more or less?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- There is a certain seasonality which is – and there are multiple factors in that including….so I will just give you one example is the act and phasing of new media. So for example December is the peak month of ad spend where fill rates and CPMs on YouTube are substantially higher. So that is just one example. Similarly within that even in the mobile front and all of that there are various seasonalities involved.

- **Mr. Kashyap Jhaveri – Capital 72 Advisors**

- Okay that's helpful. Second question is on the yield that you get on the inventory. Now you closed this quarter with about 388 crores of inventory which is flattish over the previous quarter. And if I look at revenues which is about 20 crores and realise about 80 crores on new media, should one safely assume that yield on this inventory is roughly about 21-22%? Is that the way to look at it?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So the overall approach as far as IRR of 18%.

- **Mr. Kashyap Jhaveri – Capital 72 Advisors**

- Right.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- And you know net of cost we look to target at least that IRR. We are hoping that there are two drivers which should push the IRR upwards. One is the new media growth because there is a lot of historically costed content or historically IRR content. Second is basically perpetual library that we have. So that should generate going forward. Certain key cash flows which kind of would help to improve the IRR.

- **Mr. Kashyap Jhaveri – Capital 72 Advisors**

- Right. And my question was slightly on a different note. So let's say on a 380 crore inventory, we did let's say a gross revenue or revenue of about 20 crores. So 20 crores let's say multiplied by 4 for the year it could be hypothetically about 80 crores.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- On the new media side.

- **Mr. Kashyap Jhaveri – Capital 72 Advisors**

- On the new media side.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Okay.

- **Mr. Kashyap Jhaveri – Capital 72 Advisors**

- So we have a 380 crore inventory which is used for both the businesses and particularly on new media let's say hypothetically we do about 80 crores.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Okay.

- **Mr. Kashyap Jhaveri – Capital 72 Advisors**

- So that's a yield of about 21%. It's a content which we are leaving out on different mediums right? So that 21% if I look at about a year back was roughly about 17.5%. So would it be right to assume that this inventory as we go forward as new media are sort of introduced or as more hits come on let's say our channels, that 21% could on the existing inventory continue to expand?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- That is definitely the direction in which we are all headed and I mean the investment, the build-up that we have all done also is that hope that ultimately the yield on that, rather the return on that would go up.

- **Mr. Kashyap Jhaveri – Capital 72 Advisors**

- And what is the peak that probably I mean globally there is no strict comparable. But globally let's say what is the yield that people usually achieve on their inventories?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So as I said, you yourself said that there isn't a real comparable. But I mean I would be happy if we could cross 30% or even 35% because then that changes again the nature of cash flow and various other aspects.

- **Mr. Kashyap Jhaveri – Capital 72 Advisors**

- And that would be what timeline? If you have anything in mind.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- I would imagine probably maybe 2 to 3 years.

- **Mr. Kashyap Jhaveri – Capital 72 Advisors**

- Okay, okay. And second question is on the inventory. You know you commented that we would add about 150 to 200 crores of net addition to inventories over 2 years. Now last 3-4 quarters has been flattish. So versus what we – and last 3 quarters if I look at, December, March and June, our amortization is as good as what new content we have added. So on net basis we have not added actually any inventory. So let's say going forward let's say could that become slightly more aggressive given that we have probably 1 and half years left on the 2 year target?

- **Mr. Hiren Gada – Director & CFO**

- March and June more than December actually. So but anyway, as I said earlier also is that we look to – I mean inventory addition is always bound to be a little lumpy and while what you are saying is net addition. There is an underlying gross addition which anyway continues. So the acquisition activity is not really stopped. But you know and therefore we have a continuous deal pipeline that keeps happening. But to get that additional thing at this point, I mean we will look at the next 3 quarters to see how that pans out basically.

- **Mr. Kashyap Jhaveri – Capital 72 Advisors**

- Right, right. That's is from my side. Thank you very much.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Okay.

- **Moderator**

- Thank you. The next question is from Mayur Gathani from Om Portfolio. Please go ahead.

- **Mr. Mayur Gathani – Om Portfolio**

- Hi thank you for the opportunity. Sir just wanted to check on your two other subsidiaries. One is the international subsidiary and international distribution, and one is the advertisement supported. Can you throw some more light on this? I mean do you acquire content from Shemaroo and then use it for platforms internationally? Or do you acquire content from India and use it which is not with Shemaroo and you use it for international platforms?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Yeah ad content there is no content relationship with Shemaroo.

- **Mr. Mayur Gathani – Om Portfolio**

- Right.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- For the international in fact they were setup to distribute Shemaroo content only. But you know you need a local entity in key markets to be present in terms of billing and even if we have to do local expenses etc. we need a local entity to handle all of that. And both of them are 100% wholly owned subsidiaries of Shemaroo.

- **Mr. Mayur Gathani – Om Portfolio**

- Okay. Basically Shemaroo content is being used internationally and that is where these expenses are coming up right now.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Yeah.

- **Mr. Mayur Gathani – Om Portfolio**

- Okay. And what is the advertisement supported sir? Can you throw some more light on that?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So it's basically a certain programming which is being created for monetisation. Again we have a partner over there who is working on it. And Shemaroo owns a 55% share in that. So there is an operating partner that operates the business basically.

- **Mr. Mayur Gathani – Om Portfolio**

- Still not sure as to what they are doing in the business sir.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Certain content which is created for monetisation on both traditional and digital media which is currently being played out on both the media basically.

- **Mr. Mayur Gathani – Om Portfolio**

- So any example? I mean because you are anyways getting some money from YouTube on the advertisement front as well. So is there a correlation there or is it….

- **Mr. Hiren Gada – Whole Time Director & CFO**

- No there is no correlation over there.

- **Mr. Mayur Gathani – Om Portfolio**

- Okay. And on the new media side I am not sure if you have given these numbers before, but how much does YouTube contribute and others like the telecom players? How much do they contribute? And how has that been growing?

- **Mr. Jai Maroo – Director Head New Media Business**

- The proportion has been staying roughly in the same range in the last several quarters even if you see our previous call. Basically the telco ecosystem contributes about 50 to 55% of our new media revenues. And the balance comes from the internet and OTT space of which YouTube is the larger chunk. So roughly about 2/3rds of that is YouTube.

- **Mr. Mayur Gathani – Om Portfolio**

- So there has been an underlying growth in telco as well right?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Yes there has been.

- **Mr. Mayur Gathani – Om Portfolio**

- Okay. Thank you very much.

- **Moderator**

- Thank you. The next question is from Dinesh Pathak from Goldman Sachs. Please go ahead.

- **Mr. Dinesh Pathak – Goldman Sachs**

- Yeah you know on the previous calls also I wanted to know where your average lies of the liquidity. If you have computed at that.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So roughly perpetual rights is owned perpetually. So there is basically….

- **Mr. Dinesh Pathak – Goldman Sachs**

- So let's start like you had 460 crores of inventory in short term loans and advances as of 31st March 2016.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Yeah.

- **Mr. Dinesh Pathak – Goldman Sachs**

- Out of that how much you have captured as perpetual out of that 460?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So basically that is – if I have to just put it into buckets of period is what we have done, so less than 2 years is basically – okay what we have done is the numbers is what I have done, not the value. Which is what I told you last time also that value is going to be difficult for me to give you. Numbers is that around 30-35% of the library of aggregate ownership is for less than 2 years' ownership. Less than 2 years residual life. Around 30-35% is 2 to 4 years. And remaining is upwards of 4 years which is between around 25 to 30%.

- **Mr. Dinesh Pathak – Goldman Sachs**

- Hmmm. But you know let's say I am just looking at 31st March 2016 balance sheet and then I look at the cogs that you had in FY16, you had about 300 crores of inventory in FY15 year end. And then in '16 you ran through your P&L of about 220 crores of cost. To me it seems that you are churning your inventory very fast because my year-end inventory was 300 crores and then through the P&L you are running 220 crores in that year itself. Firstly you would purchase in FY16, there would be an inflow into that inventory as well. But my sense was that you know on a value basis the life of the inventory should be less than 2 to 3 years is what my sense was.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So fundamentally the life of the copyright is 5 years. Right?

- **Mr. Dinesh Pathak – Goldman Sachs**

- But you are selling also immediately no? If you buy something for 5 years and then you sell immediately to let's say Colours, it would boost up your book that same year.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So the way we are looking at it is that if we have certain residual rights remaining with me, so I may have bought a bundle of rights and sold a part of that to someone. But I still have residual rights remaining with me which I am enjoying for 5 years. I still have certain period….

- **Mr. Dinesh Pathak – Goldman Sachs**
- Why can't we have a model wherein you know when we are buying rights, why can't we churn them out to the satellite companies faster so that we are left with lesser inventory? Why does it happen – or can you give us a sense that what percentage of the inventory has not been generating revenues? So are you stuck with some inventory which is not generating revenues?
- **Mr. Hiren Gada – Whole Time Director & CFO**
- No, no, no. My overall unsold inventory in the light of last 5 years has probably been in the range of about 1%.
- **Mr. Dinesh Pathak – Goldman Sachs**
- So when would you write off the inventory if it is not generating revenues for over a period?
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Once the rights come in and if it is still not sold for 18 months it is charged off 100%.
- **Mr. Dinesh Pathak – Goldman Sachs**
- 18 months. Okay, alright thank you.
- **Moderator**
- Thank you. The next question is from Ashutosh Garud from Reliance Wealth. Please go ahead.
- **Mr. Ashutosh Garud – Reliance Wealth**
- Hello?
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Yeah.
- **Mr. Ashutosh Garud – Reliance Wealth**
- Yeah hi. You mentioned there is some kind of a seasonality on the new media front on the advertising side I think so.

- **Mr. Hiren Gada – Whole Time Director & CFO**
- That is one example we gave.
- **Mr. Ashutosh Garud – Reliance Wealth**
- Yeah. If you can explain the seasonality on the traditional media side, because if we see your Q2 revenues as compared to Q1 is generally higher, so if you can explain all of that, I mean is there anything else to it? Why would there be a seasonality on the traditional media?
- **Mr. Hiren Gada – Whole Time Director & CFO**
- So seasonality on traditional media front has 2 or 3 aspects to that. One is the buying pattern or budgets of certain broadcasters have a certain seasonal pattern. So some of the broadcasters are international players and their yearend coincides differently from our financial year end. And therefore there is a certain concentration of buying in certain time periods. So that lends to certain seasonality. And other is what also happens is that many times at the time of certain when people are seeing their overall programming chart or strategy over a certain period and certain trends in the markets keep changing from time to time. There may be a time when action movies worked more or family movies worked more or comedy. So different kinds of programing strategy changes may happen. And that kind of changes the nature of activity or demand from time to time. And that also again lends to certain – so I won't call it seasonality but it basically lends into a certain different buyer behaviour or buying pattern basically.
- **Mr. Ashutosh Garud – Reliance Wealth**
- Okay. But anything specific to Q2 and Q1? Any reasons specifically explaining the Q2 jump over Q1 revenues in traditional…
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Like I said there are some broadcasters whose financial years are different. In fact some broadcasters buying pattern is also different. So sometimes it also coincides with – so you know new releases that happen. And therefore some of the cash flows of the broadcasters also maybe slightly different. Because when new releases happen the acquisition for new releases that they have to do, again changes their cash flow pattern. So like I said there are many multiple factors which contribute to this.

- **Mr. Ashutosh Garud – Reliance Wealth**

- Okay. And you just mentioned the period for the new media on the content which you have going to 30% plus. So I just wanted to understand if you see the Q on Q growth pattern for the new media, so there was some kind of lower trajectory growth in Q3 and Q4 of FY16. And this again quarter we have grown at a 14% pace on Q on Q basis I am saying. So is this the trajectory which you are looking at? Because as you mentioned the kinds of yields you are looking is far away from the kind of yields we are making right now. So how easy or difficult or how challenging it would be to let's say cross a 25-26% deal and this – and especially coming to the growth rates. Is this the kind of Q on Q growth rate you would be comfortable in maintaining?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So in fact I have been – I mean we have been saying right from the beginning that Q on Q is really not the way to look at our business overall. I mean YoY is how we have been looking at ourselves. And that is how we…

- **Mr. Ashutosh Garud – Reliance Wealth**

- Even on a YoY basis if you see the quarterly growth rate has been tapering off for new media. So let's say at the start of FY16 we were growing at 80 or 70%. Now in this particular quarter we have grown at 50%. So in that case also we are slightly tapering off. So do you see this again going back to the earlier levels of growth?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- In fact even when it was at 80% we maintained that 50 is more normal for us. We have done 80 which is good and we will take it that 50 is something that we have kind of targeted or factored in into our overall working.

- **Mr. Ashutosh Garud – Reliance Wealth**

- Okay. So 50 would be a figure where you think it is more sustainable on an around 50% rather than…

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Yeah, yeah.

- **Mr. Ashutosh Garud – Reliance Wealth**
- Okay.
- **Mr. Hiren Gada – Whole Time Director & CFO**
- That is what we feel is more in terms of achieving. And of course I mean also as we are going along the base is also increasing. So that is also something that we need to keep in mind. But I think 50 something might be good….
- **Mr. Ashutosh Garud – Reliance Wealth**
- But I think given the content I don't think we would be thinking on the quarterly rate of around 18-20 crores. I mean given the potential which it has which you have been explaining in the past also, so I don't think we are at a very high base or are we?
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Sorry?
- **Mr. Ashutosh Garud – Reliance Wealth**
- As you mentioned that the base is also increasing. I am saying I don't think we are at a very high base because the quarterly run rate is hardly 18-20% given the content which we have. And even the yields do have an upside to go. So do you feel as a company that the base is actually increasing to a decent level or there is lot of scope to go?
- **Mr. Hiren Gada – Whole Time Director & CFO**
- There is definitely a lot of scope to go. I don't deny that. But what I am saying is that on a higher way to expect 80% is like – I mean we may still do it in some quarter or two. But to me if I look at it I think 50 is more likely the – near about that is more likely the number.
- **Mr. Ashutosh Garud – Reliance Wealth**
- Okay, okay. Thanks a lot.
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Yeah.

- **Moderator**

- Thank you. The next question is from Manish Parekh from Vibrant Securities. Please go ahead.

- **Mr. Manish Parekh – Vibrant Securities**

- Good afternoon. I have a question on the revenue growth. So if we slow down our inventory by activity, will it lead to slowdown in the revenues? Do you expect that? Or will that not affect our growth?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Well our target is that we make the revenue more efficient. And even at a smaller inventory basis if we are able to maintain the trajectory of the revenue growth and to that extent I mean we have been in an investment mode. So there is a fair amount of library build up that has taken place which should hold good in terms of momentum to take us forward. So we are targeting that finally at the end of the day if we had to improve the overall returns and the balance sheet and everything then delivering higher growth on a similar or smaller base is the target or the way to go further.

- **Mr. Manish Parekh – Vibrant Securities**

- So I believe that most of that can only come from digital correct? Because – am I correct in that way? In the sense you can squeeze the same inventory and earn more from the digital side.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Yeah that I mean digital is definitely an area which has large upside potential as we discussed with the previous question also. And definitely we are hoping that that will help us drive the growth forward.

- **Mr. Manish Parekh – Vibrant Securities**

- So overall as you said that you expect or you plan and hope to grow by 50% in digital, on the traditional side what are you trying to foresee in the next 2-3 years internally as a company?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So on the traditional side the sector is growing at roughly about 12%. Our target has been same or better. So around 12-15% is what we would target for the next 2 to 3 years.

- **Mr. Manish Parekh – Vibrant Securities**

- Okay. And last question on your acquisition of Anish Cassettes. So I think you have made a couple of acquisitions for the audio side in the last 12 months I think. So is there a particular strategy to grow your audio library or something? Can you throw some light on that?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Yeah. Jai.

- **Mr. Jai Maroo – Director Head, New Media Business**

- I mean this is basically you know just to continue our overall presence in the digital business particularly on the telco side, while you know broadband infrastructure grows and video is where a lot of the growth is, audio is something that continues to be a portion of the money and we have been working on several partners already and monetising them. So where we saw an opportunity is to expand the period of rights, so basically expand the depth of our rights. We have – at a good ROI we have taken those opportunistically.

- **Mr. Manish Parekh – Vibrant Securities**

- And is there a possibility that we may also enter into mainstream Hindi movie audio rights like say T-Series?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- At this point that is not in the radar. We have some Hindi films music which we had again acquired from an existing label. So we in fact have actually not been in the music audio business in that sense. So in fact traditionally we've always been in the video side. Opportunistically where we've seen if you see all of this is existing content where again the monetisation is known. In fact as far as Anish Cassettes is concerned, we were only earlier monetising. So we know exactly what is the monetisation and therefore the ROI etc.

- **Mr. Manish Parekh – Vibrant Securities**
- Okay. So audio is more opportunistic rather than strategic you are saying.
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Yeah.
- **Mr. Manish Parekh – Vibrant Securities**
- Okay thanks for that. That's it.
- **Moderator**
- Thank you. Due to time constraints we will take the last question from the line of Sarvesh Gupta from Trivantage Capital. Please go ahead.
- **Mr. Sarvesh Gupta – Trivantage Capital**
- Thank you sir for taking my question. My first question was about the lumpiness that you indicated in your traditional revenues' growth. So I couldn't understand this fully because I guess the needs for the traditional media to kind of use your content would be continuous. So this 8% growth that we had last year has now jumped to 16%. So can you throw a little bit more light on this?
- **Mr. Hiren Gada – Whole Time Director & CFO**
- So the lumpiness that was more discussed was in a seasonal kind of or on a quarter basis. It is not so much an annual thing because….
- **Mr. Sarvesh Gupta – Trivantage Capital**
- You know your YoY growth itself is 16%.
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Whatever content is needed by the broadcaster in a year is kind of needed. But they may spread out sometimes based on various factors the buying pattern over a quarter they may concentrate more on next quarter, they may reduce it a little bit more. That is the only part.

- **Mr. Sarvesh Gupta – Trivantage Capital**
- And you book the revenues as and when you get the cash? Or you don't spread out the revenues as per how they show the content on their channel or whatever?
- **Mr. Hiren Gada – Whole Time Director & CFO**
- No, no, no, no. That content, that has got no correlation. Because I have sold 5 year rise to them, after that how they use it is their prerogative right?
- **Mr. Sarvesh Gupta – Trivantage Capital**
- Understood. Sir secondly on your expenses side do the tax authorities allow you to follow this kind of an amortisation on your inventory? And what is the – on the taxes side how do you calculate your expenses on content?
- **Mr. Hiren Gada – Whole Time Director & CFO**
- It is exactly the same as what we have put out. I mean the tax treatment, accounting treatment for tax purpose of content is exactly the same? There is no difference in that. And we have been following the policy for almost about 30 years.
- **Mr. Sarvesh Gupta – Trivantage Capital**
- So this tax paid in your income statement is like the cash tax paid.
- **Mr. Hiren Gada – Whole Time Director & CFO**
- Yeah. It is basically a combination of TDS and assessment tax paid by us.
- **Mr. Sarvesh Gupta – Trivantage Capital**
- Understood. And sir on this 18% IRR points, now given that there are very few platforms like Shemaroo who are present across various platforms, hence for you, you can use various platforms to monetise and hence your revenue stream might be higher. So given that, shouldn't it be competitive in density when it comes to content acquisition be low rather than high?
- **Mr. Hiren Gada – Whole Time Director & CFO**

- I mean ideally that should be the case. But there are times when people may want to experiment, want to invest maybe aggressively or want to build a business and grow and try and experiment and try and do things. And they may, may be on an opportunistic basis or something acquire some content which is out priced.

- **Mr. Sarvesh Gupta – Trivantage Capital**

- And who are your typical competitors in these deals? Like what kind of players do you compete with in terms of acquiring rights?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- So for TV rights the broadcasters themselves also buy directly from producers. For specifically for new media rights there are some digital platforms who also acquire rights. People like Rajshri or there are a few more smaller people. At a model level overall there are couple of few mom and pop or what we may call proprietary kind of players who are there.

- **Mr. Sarvesh Gupta – Trivantage Capital**

- Understood, understood. Sir on your inventory side now there are films let's say which have been released and which have been sold for the first 5 years to someone else. Their rights have been sold. And now you can also but acquire it now, you can acquire the rights now to kind of sell it after 2-3 years to someone else. So basically this is the content of the inventory content which you can't monetise now but you can monetise in the future. So is that a large part of your acquisition cost right now?

- **Mr. Hiren Gada – Whole Time Director & CFO**

- To rephrase your question you mean to say that – the question you are asking is that is it on a – are we acquiring the forward rights and warehousing it? Is that the question?

- **Mr. Sarvesh Gupta – Trivantage Capital**

- Yeah basically films which are not that old, which are maybe let's say 1 year old or which are relatively new films where you are acquiring the forward rights.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Okay so there are two parts to this. One is typically for a film normally we don't enter in the first one or two years. If we have to look at a recent film, it is not before 3 years. In fact normally around 4 years is when we look at. Because it is only by then that the trajectory gets established in terms of the long tail connect of the content. So that is one. The other part to the question is that fundamentally the business actually works on a forward rights basis. Because everyone – so the broadcasters for example are looking to secure their content pipeline. And there is a lot of competition among the broadcasters to acquire each other's library. So everyone is looking to secure their content pipeline. So all the deals that are happening in this trade right now are on a forward right basis. So movies which are commencing – in fact there is very little content right now which is available and commencing in 2016. There is in fact the deals that are happening are for rights which are commencing in 2017, 2018, 2019 etc. And that is even what we do both on the buy side as well as on the sell side.

- **Mr. Sarvesh Gupta – Trivantage Capital**

- Understood. Thanks a lot sir and all the best for the coming quarters.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Thank you.

- **Moderator**

- Thank you. Ladies and gentlemen due to time constraints that was the last question. Now I hand the conference over to the management for their closing comments.

- **Mr. Hiren Gada – Whole Time Director & CFO**

- Thank you everyone for participation and all the various questions. And thank you for the interest level and the time spent. That is all from my side. Thanks a lot.

- **Moderator**

- Thank you very much. Ladies and gentlemen on behalf of Prabhudas Lilladher Private Limited that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.