



“IIFL Wealth and Asset Management Limited Conference Call”

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ANALYST: MR. ANKIT TIKMANY - IIFL

**MANAGEMENT: MR. HIREN GADA -WHOLE TIME DIRECTOR & CHIEF
FINANCIAL OFFICER - SHEMAROO ENTERTAINMENT
LIMITED
MR. JAI MAROO – DIRECTOR, HEAD NEW MEDIA BUSINESS
- SHEMAROO ENTERTAINMENT LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Shemaroo Entertainment Q2 FY2017 Results Conference Call hosted by IIFL Wealth and Asset Management Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal the operator by pressing “*” then “0” on your touchtone phone. I now hand the conference over to Mr. Ankit Tikmany from IIFL Wealth and Asset Management. Thank you and over to you Sir!

Ankit Tikmany: Thank you all. Good afternoon to all participants and I would like to thank the management of Shemaroo for taking out time for today’s concall to discuss companies interest strategy and outlook post the declaration of Q2 FY2017 Results. I would also like to thank all the participants for taking time to join in. We have with us today Mr. Hiren Gada, who is Whole Time Director and CFO and Mr. Jai Maroo who is Director Head of New Media Business. Without any further delay I would like to hand over the floor to Mr. Hiren Gada. Thank you and over to you Sir!

Hiren Gada: Thank you Ankit. Good afternoon everyone and welcome everyone and thank you very much for joining the scenario concall for the Q2 FY2017 earnings. Happy to announce that we had a fairly steady quarter overall in terms of business, which is reflected in the numbers the topline in the Q2 FY2017 has gone up by 20.9% on a Y-o-Y basis, PAT has increased by 35.6% on a Y-o-Y basis; however, on the first half the six month results the topline has gone up by 21.9% versus the PAT has gone up by 27.8% to 29.23 Crores.

On other parameters very important aspect, which we have been sharing and discussing and we are very excited that the new media business continues to grow so for the Q2 on a Y-o-Y basis we have grown to about 24 Crores at 51.5% growth rate and for the first half six months we have grown again by 51% to 44 Crores. So the momentum on the new media business kind of continues.

EBITDA margins for the six months have grown to 28.2% from 25.7% sorry for the three months for the quarter and for the six months it has grown to 29.6% from 28.3% so there is a marginal improvement over there. All in all I think I would say that the numbers are fairly in line with what we have been internally projecting and we are overall on the track of what objectives we have set and I think it has been a steady quarter.

With that I would like to thank everyone for joining once again and I will hand back to the moderator to take the call forward.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We take the first question from the line of Kashyap Jhaveri from Capital 72 Advisors. Please go ahead.

Kashyap Jhaveri: Good afternoon Sir and congratulations for a good set of numbers. My first question is on the debited number receivables, now this quarter has gone up to almost about 190 odd Crores and in

terms of receivable days it has been an northward of about 160 odd days. So what is driving such dramatic increase in the receivable days? I can understand that with growth in topline obviously that number would go up, but the magnitude is more than even revenue materially higher than revenue growth.

Hiren Gada: Basically if we go back to the call that we had at the time of March end the March quarter and where we had reiterated the fact that the traditional media receivables typically are in that range of 180 to 200 days and what we saw in March was more of a one-half and in fact we had actually said that this is not a permanent when the traditional media revenue receivables are in that range. It is the new media contribution which is helping the overall receivable number to come down and just to kind of reiterate that actually the receivables if you take the six month growth, six month sales is which is much higher than the receivables increases basically.

Kashyap Jhaveri: So where do you believe this could be let us say by the end of next this financial year?

Hiren Gada: With the growth in the new media business this trajectory definitely bound to be downwards and as the contribution to the new media business increases as we issue target in the next two years to stabilize it at around 140 days kind of a number.

Kashyap Jhaveri: By.

Hiren Gada: In next two years we should target to stabilize it at around 140 days.

Kashyap Jhaveri: Because the consequence of this is also the fact that our debt had been declining for last few quarters and which has again started inching up quite materially. So by end of this year any number by FY2017 any number?

Hiren Gada: Actually I just like to correct the debt has not declined in last almost four quarters the debt has been going up because as we have been sharing that we have been in an investment mode overall, but if I to right now it is difficult to project out where this number would close for the financial year and in any case we do not give guidance but the effort and the direction we are looking at in as I said in the next two years we have to stabilize it below 140 days or thereabouts. So we definitely would hope that the year should be closing at a lower number than this in terms of number of days outstanding.

Kashyap Jhaveri: The second question is on the new media revenues they have grown quite well and in fact if I look at broadly on a 400 Crores average kind of inventory for this quarter we have earned about 24 Crores over there so almost about 6% of inventory or 24% on an annualized basis can this kind of growth for outpacing the inventory addition continue for next two years?

Hiren Gada: If we see the where the industry is headed in terms of the overall landscape for the new media business by all projections we are the industry seems to be growing at around 30% to 35% and the CAGR projected for next almost three to five years is in that range. We have been growing

faster than the industry and our effort is going to be that and in fact the whole investment thesis for over the last few years has been the ramp up of the new media business the opportunities in the new media business has been kind of showing or providing us and how we can capitalize on that opportunity. So we are hoping that we should be in that range. In fact Jai is here and I would like Jai to also further he can elaborate that in terms of Jio, 4G-infrastructure kind of things are happening.

Jai Maroo:

One of the big things that we have been talking about in the last several calls is what is the main tailwinds for this business is obviously one is the growing internet base a lot of which is coming through the mobile internet. The increasing penetration of smart phones and the third trigger we have always said is going to be the improvement in broadband infrastructure. Timing that has always been a challenge but we could all see the signs that it was coming somewhere in the next 12 to 34 months. Having now seen the launch of Jio 4G as well as the impact on overall data prices across operators, we can see the start of the changes in terms of increased data consumption and that will ultimately have a beneficial impact on content consumption and that is really what we have been moving towards and playing for.

Kashyap Jhaveri:

One last question on your subsidiary this quarter the loss is about 1.7 Crores slightly lower than the previous quarter so if you could throw some light on the business of the subsidiary and how long before the revenues materially kick in?

Hiren Gada:

It is a combination of three, four businesses as earlier also we have shared two of them are international base US and UK based, third one this one which is basically into the distribution of content on the airline platform and there is one which is basically based on an ad based content driven business so there are three, four of them each of them are on a different cycle we are hoping that by the end of this year the overall impact on the consolidation of the subsidiaries should kind of neutralize or reduce drastically if not be at zero at least.

Kashyap Jhaveri:

I have further questions. I will join back the queue.

Moderator:

Thank you. We take the next question from the line of Yogesh Kirve B&K Securities. Please go ahead.

Yogesh Kirve:

Thanks for the opportunity. Congrats on good set of numbers. My first question regarding the inventory so it has gone up by about 25 Crores in the first half. Now earlier we had guided regarding about 150 to 200 Crores increase over the two years so the current rate seems to be lower than that so just some comments where there has been any reassessment of the investment plan or inventory increase that could ramp up in the second-half?

Hiren Gada:

Yes, the inventory addition space has been slower. I think, yes, we continuously reassess that and definitely one of the thing that this point we have been looking at is that further in terms of investment phase that we have been talking of and whole ramp up of the inventory so we keep reassessing strategically that is this good enough or do we need to continue so for now in fact in

fact last two years I would say we have grown in at a very, very rapid pace so in a way we have kind of looked at that and said that at this point let us see that kind of we can stabilize earlier than what we had looked at what we have been looking at and therefore strategically are we having that inventory in place. Although I still am not in a position to say that we are firmly in that position but yes in this first half we have tapered that to an extent.

Yogesh Kirve: So is that the number reflective of what we are going to expect for the full year or it is too early to say?

Hiren Gada: It is too early to say. There are opportunity galore, but what we are looking at actually is that one of the assessments we are looking at definitely is that is this good enough and that is the question that we keep looking at and for now at least we have thought that if we can strategically fulfill our strategic objectives in terms of monetization etc., with this similar pace then we can probably prepone the kind that which we say that this investment phase is over and definitely that one of the thought process that is continuously on our mind. Obviously with this kind of growth opportunity we need to balance out the growth opportunity versus the balance sheet aspect the overall build up of inventory as well as debt and things like that so in that keeping that in mind. I think we are looking at in fact if you ask me we are hoping to prepone the thing but right now I am not in a position to commit that yes that is going to be the case.

Yogesh Kirve: So even as I perceive reassess our plan so are we confident about especially the traditional media growing at like 12%, 13% despite nearly assessment of the investment plans?

Hiren Gada: Yes whatever we will do in the guidance of all part that whatever we will do the target will be that the overall strategy should not get affected in anyway and the overall objectives and aspirations that we have set up we should be able to achieve that. The idea is that can we sweat the assets more or hope that as new media ramps up faster maybe we can hope to turn this whole free cash flow situation of the inventory situation faster than what we have originally targeted ourselves.

Yogesh Kirve: Sir my second question regarding Jio has been launched and are ramping up now I understand our content is would have happened earlier itself. So are our revenues anyway link to the ramp up that is happening at Jio or for the matter any other service provider or who are be into our fixed fee kind of a deal?

Hiren Gada: We do have a few fixed deals and a lot of them were actually based on the fact that the ramp up was actually slower or the platform themselves were at a very nascent or early stage. More importantly with the opening up of the broadband infrastructure, the way we look at it for us is that ultimately the ramp up in consumption because what will the consumers use the additional bandwidth for if you analyze out various scenarios the bulk of the additional bandwidth utilization would be estimated for video consumption and if that be the case we have a lot of so we have combination of two or three things one is we have a lot of deals which are share linked and there would be a direct impact. Second, we have a lot of additional content, which is still to

be deployed and which is still in the pipeline in terms of availability and things like that which is still to be kind of contracted out are deployed on many of these platforms. So I think we have a fair enough room to encash on that and third of course is that with the share so primarily we are not doing long-term deals on the new media business so a lot of the deals are probably between 12 to 24 months period and as the ramp up happen this would come up a renewal and therefore we would definitely we have not locked ourselves into some low rate for long-term kind of thing. And if we look at it in a different way YouTube becoming faster for example we will ultimately lead to more views and more ad flow on the Google or YouTube platform itself and we are being among the top ten partners we should be beneficiary of that and so on and so forth on many of the platform.

Yogesh Kirve: Lastly, on the YouTube itself kind you talk about how the realizations have shaped up on YouTube over the last three to six months? Are they growing have been flat any comments?

Hiren Gada: Actually in fact we have seen that there has been a slight flattening of yields on YouTube and partly has to do the seasonality but partly we also I think it has to do with the increased number of platforms now in the country that are fighting for the act dollar but our growth in consumption in views etc., continuous to be strong and we have been engaging with the Google team so we do believe that in the medium-term that is not a cause for concern.

Yogesh Kirve: Thanks. That is all from me.

Moderator: Thank you. We take the next question from the line of Manish Parikh from Vibrant securities. Please go ahead.

Manish Parikh: Good afternoon. My first question is that you said that we are trying to ramp down the buying of inventory and make the business more sustainable so from what I understand do you mean to say that we want to buy inventory from internally generated cash as in borrowing because I believe that our business depends on buying content so if we stop buying content that topline itself will stagnate so am I correct in thinking that way?

Hiren Gada: What we are saying here is that fundamentally yes I fully agree that the business is based on content and buying content so it is not that we are stopping buying content, but if we were to just recap what we have been doing for the last two years is that we are buying more than we are selling and that has led to the inventory being ramped up. What we are looking and at some point as the respective media kind of grows as well as the content matures in terms of the sales cycle and all of that at some point is buying, selling cycle would stabilize and turn positive to the other side which is that the content we would sell more than we would buy and therefore the balance is shrinking our free cash flow cycle should begin. Now what I was referring to is basically that in our assessment and one of the things that we have been looking at is that while we want to maintain the aspiration of growth and all of that with one eye on the balance sheet also and strategically to see that balancing out all of that can we prepone the time period that we were originally targeting by some whatever maybe two quarters or maybe three quarters to turn at least

to a position where the growth aspiration is funded through internal accruals and we are probably in a position to generate free cash flow so at no point we would stop buying it is more in terms of kind of getting the investment phase done with at some point.

Manish Parikh:

Second question is with respect to I think we are also entering into the short format videos on these new media channels for example in the YouTube I have seen your Comedywalas channel so I do not know when was it launched but can you just help us explain the kind of investments required to build these content. I believe the cost of artists must be the major cost here so how does it work and what is our plan to monetize that content in what way?

Hiren Gada:

Basically as we are seeing and as you are aware that new media has thrown up lot of opportunities beyond just film so we have looked at couple of categories where we have a certain presence and so devotional being one of the categories, which we have talked about earlier and we have many services as well as offerings on the devotional front. Now one of the things what we have looked at and seen is that how we can diversify the revenue stream to build the recovery case for the investment that is needed and this is something which we have announced or dispatched earlier is that we have launched a couple of premium DTH offering, DTH services through Tata Sky, Airtel, etc., so one of the services we are running is for Tata Sky comedy which is on the Tata Sky platform and which has actually been extended recently to the Dish TV platform also so we launched service and comedy service on Dish TV also. Now having the kind of content that is needed for that is combination of content existing from our library, serials like Yeh Jo Hai Zindagi, Zabaan Sambhalke etc., it also has a lot of refocused Bollywood content in terms of scenes and scenes mashes and various other such derivative products from Bollywood content again from drawing from our vast library and third is we have done a small amount of creation which is again to add the rounding the service to a premium kind of a category or premium service. Basically these are once they funded and created these are additional monetization mechanisms for that content and with that it gives us a firm footing in terms of having a multiplatform monetization on the content that is created.

Manish Parikh:

I agree with your thoughts the only question I had was in terms of cost for creating this content so are these do we pay this artist on a say per episode basis or how does it works the cost side for example can we assume that there might be pressure because on margin because of increase in cost of employees because we are trying to make our own content will that reflect in the numbers or that all cut cost to insignificant to matter.

Hiren Gada:

Sir right now it is I would say relatively insignificant it is not that very low cost obviously we have engaged with artist like Sugandha Mishra etc., and it has even help the kind of grow the service but if I look at the overall picture I think it is I would not call that a very significant thoughts at this point in time bulk of the investment continuous to be in the Bollywood thing.

Manish Parikh:

One final question is there a chance that we surprise positively in the digital media. We have given a range of around 50% growth historically do you see any chance of surprising on that front internally we believe is it possible.

- Hiren Gada:** The PAT of the industry has been growing at about 30%, 35% and so far we have consistently been managing to grow better than that and we endeavor to continue that way. Can there be positive surprises? If we look back to the first quarter of the previous financial year actually we had a very healthy positive surprise in terms of the growth in that quarter but obviously as the base that we are talking about is of revenue is far larger I would not want to commit on any such thing.
- Jai Maroo:** I will just add to that basically I do not think I would make any projection based on any upside surprise I would look at a normal core and I think that is probably the way to think. Anything positive we would love to take it and we will definitely go after something but I do not think that aggression we will have. The fact that we have build out so much and with this stage without that aggression it would not have happened that whether I am not betting on one big movement of realization from somewhere and all of that, no I would not look at it rather I would not be more interested in seeing that the content is consistently being consumed and available on our platforms and promoted on our platform because that is the way the business can be sustainable.
- Manish Parikh:** That is very helpful. Thank you.
- Moderator:** Thank you. We take the next question from the line of Varun Gya from Equi-Tree capital. Please go ahead.
- Varun Ghia:** My first question is related to the deal with the Jio so basically I wanted to understand the revenues, which you get of fixed fee rate right.
- Hiren Gada:** Which deal you are saying?
- Varun Ghia:** Deal with Jio Reliance?
- Hiren Gada:** Jio okay.
- Varun Ghia:** So they are fixed fee based revenues right?
- Hiren Gada:** Well I am not in a position to comment specifically on a deal. In general Jio has preferred to deal fixed fee deals in that prelaunch or in the launch phase because they themselves have been ramping up the numbers so it will be difficult for them also to project out something.
- Varun Ghia:** They have claimed that they have around 6000 movies and we have around 3700 odd movies so should we assume that we will be providing them a major chunk of our content?
- Hiren Gada:** No obviously we have not licensed out in fact we have not licensed out a large part of our library to them. We have some content with them. I do not know the breakup of 6000 movies but it would be a combination of regional, it would include some content coming from their kitty also because that is a part of the same group. So that would definitely be a large part of the content.

- Jai Maroo:** It also includes international content including English as well as some foreign language content as well when they say 6000 it actually the entire range of movies across plan, which is that they have.
- Varun Gya:** But our content should increase in the coming year's right.
- Hiren Gada:** Yes that I do not have any doubt and as I said earlier that we have build now formidable library so we should be as the platform grows we would look at more and more content being different.
- Varun Gya:** Would you share that number or like how many movies we will go ahead?
- Hiren Gada:** As I said earlier that is very difficult to comment on an individual deal.
- Varun Gya:** Finally Sir regarding your inventories the capex which you have done in the past two years, so should we assume that major chunk of it will reflect, it will monetize in the coming one or two years.
- Hiren Gada:** Yes that is the target that should kind of that already some of it is being monetized now and which for example in new media etc., the growth is being reflected out of that but yes overall with that kind of a content build up we should be in the next two to three years seeing a very good content monetization of course that is the point over here is the landscape continuing to grow in that pace.
- Varun Gya:** That is it from my side. Thank you.
- Moderator:** Thank you. We take the follow-up question from the line of Kashyap Jhaveri from Capital 72 Advisors. Please go ahead. As there is no response we will move to the next question it is from the line of Shalini Gupta from Quantum Securities. Please go ahead.
- Shalini Gupta:** Sir good afternoon I just wanted to check want two points like earlier you had indicated that about 50% to 55% of new media revenues are contributed by Telco and two-thirds of the remaining by YouTube so are we there only or are we there somewhere or something has changed?
- Hiren Gada:** The overall proportion of revenues continues to remain roughly in line with that.
- Shalini Gupta:** Sir earlier you had said that and you have talked about it earlier in the call also that addition to your inventory will be lower now because the focus is now shifting to better utilization. Sir I just wanted to check like earlier you had said that debt will peak out but had something like 180 odd Crores by end of financial year 2017 so is it a fair expectation on my part that that is how it will pan out?
- Hiren Gada:** I do not recall having said that kind of thing for debt but right now it is very difficult for me to project out the balance sheet scenario for FY2017 but as I said earlier the first target of this is that

how fast we can bring the investment cycle to a closure or to a tapering and therefore be able to fund the content requirements through our internal accruals and then how to grow that to how to create the positive cash flow from that amount which will ultimately lead to thinking of the balance sheet and deleveraging kind of a cycle.

Shalini Gupta: That is very nice but I just wanted to check like the end of financial year 2016 our debt was around 180 odd Crores so I mean?

Hiren Gada: FY2016 actually it was at 210 odd Crores closure of FY2016.

Shalini Gupta: Okay I will get that figure but is it fair expectation that it will not be substantially higher from here just that was nothing, no figures?

Hiren Gada: I think that would be our effort. I do not know the final result but yes I think our effort would be that the debt should not be substantially higher in fact we would look that it should be lower than this by March.

Shalini Gupta: Sir last question like you have said that you will try to monetize the inventory that you already have so in a sense the number of days by which you monetize your inventory would come down. Sir if you can just talk a bit about this like what are the days now and how much do you expected to come down to?

Hiren Gada: We are at roughly about 350 days inventory right now, which has in fact come down from March. It is very difficult again to project out. There are few execution things over here but yes as I said earlier that if the overall investment cycle would taper off gradually the number of days inventory holding should be coming off.

Shalini Gupta: Yes, but 350 will go to 250 by the end of the year, on a very broad cut basis 250, will it be 300 if you can just give broad indication?

Hiren Gada: Madam actually it is very difficult to give forward-looking numbers but as I said that we would look at that number coming down over the next whatever four to six quarters definitely.

Shalini Gupta: Thank and that is it.

Moderator: Thank you. We take the next question from the line of Dhruv Bhatia from AUM Advisors. Please go ahead.

Saurabh: Two questions, Ind-AS is not applicable to you at this point but if it was would there be any change in the way you account or inventory and any other P&L item?

Hiren Gada: So that is actually going on internally right now. Our teams are kind of come a kind of grips with the overall impact of Ind-AS and there are some external consultant who are helping us to go through and even our internal auditors we have been discussing with them, so I do not have a full

picture right now or in fact it is unfair for me to comment much on that because there is a lot of work in progress on the various aspects in Ind-AS has last repercussions and implication but right now I am really not in a position to comment on that.

Saurabh: So what areas do this touch upon mainly is it inventory valuation only or is it for other aspect as well?

Hiren Gada: No, Ind-AS far reaching right now revenue recognition to debtors to inventory and therefore the impact overall is it is on many, many aspects so it is very difficult to pitch the whole picture till I think there are lot of changes compared to the conventional accounting methods.

Saurabh: So second was more on the business where we have seen the entry of people like Jio and given this Visesh Films and Amazon etc., are you seeing cost of purchase of inventory going up a little bit or are you seeing any trends which could continue as more people come in and try to buy these properties?

Hiren Gada: No Visesh Film is a producer they are basically just they have licensed their content to Amazon.

Saurabh: Correct but I am just saying was that Amazon primarily was not a buyer earlier and now they have come in Jio has come in so you see more buyers who has come in, so you are seeing more buyers step in who have deep pockets so does that change?

Hiren Gada: They are potential customers for me. Jio is and so is Amazon and the good thing is that overall pricing on realization is an upward trajectory and considering the kind of inventory that I am already taking on that in a way good news for me. The question is on what happens on further acquisition where the prices so two simple points that I have maintained right from the beginning so it is that for us the IRR discipline of 18% is fair amount. Second is that as monetization goes up the cost is bound to go up because the same seller has reading a same kind of newspaper which said that Jio has entered or Amazon has done this deal or whatever. So I think for us the important thing is that are we able to maintain the 18% IRR and still be the highest bidder so that we get the content. Till now we have not seen any issue of that. It has been fairly I would say fairly in a range we have been able to manage till now.

Saurabh: And now we were in the medium-term of that change. No we were in the medium-term that could change things or no other trends that you are seeing?

Hiren Gada: If you look at the landscape there is a tremendous amount of fragmentation on the platform front. There is no similar platform which I command a disproportionately high market share and therefore the nature of deal structure is bound to by and large remain nonexclusive and if that be the case the aggregators role becomes all the more critical because I am able to play volume on both the sides. Compared to so the platform also wants to deal with lesser number of players who can give him a large bulk supply and secondly for the individual producer or content owner also it becomes that much more difficult for into have a team to set a monitor and monetize and all of

that so I feel that if the kind of developments that are happening are actually more in that direction rather than the reversal.

Saurabh: Thank you.

Moderator: Thank you. We take the next question a follow-up question from the line of Kashyap Jhaveri from Capital 72 Advisors. Please go ahead.

Kashyap Jhaveri: Thank you very much giving another opportunity. Sir in the earlier question of mine about this debtor days you mentioned that because the traditional media would have a higher receivable days that could be one of the reasons for the receivables to go up now if I assume that they have about 160 to 170 receivable our last two quarters total sales in that segment is roughly about 160 odd Crores so can one assume that out of this 180 Crores that would be a fairly larger portion?

Hiren Gada: Yes.

Kashyap Jhaveri: Can you breakup your to be more granular can you breakup your debtors between traditional and new media?

Hiren Gada: It is difficult for me right now.

Kashyap Jhaveri: Let us say on a ballpark figure new media would have what receivable days?

Hiren Gada: By and large new media would be at roughly about 90 odd days.

Kashyap Jhaveri: Thank you very much Sir.

Moderator: Thank you. We take the next question from the line of Sarvesh Gupta from Trivantage Capital. Please go ahead.

Sarvesh Gupta: Sir my question was related to your inventory acquisition now we are as you implied we are at a cusp of increase in the new media because of variety of factors coming in together including data cost going down and I think it is also manufactured in the 30%, 35% constant growth rate in the new media segment for the industry so given that given the opportunity to kind of monetize across various platform why should we at this stage decrease our rate of inventory addition and to much on FCF generation are not we for short-term benefits or short-term maintenance of the income statement are we trying to slowdown on our long-term potential?

Hiren Gada: I think it is a very, very good question and that is the concern that we also have internally and that exactly is the point I said that for us we need to balance it out in terms of the aspiration and the opportunity on one side and ultimately there is a certain financial aspect and implication to every business so it is like that combination balance that needs to be sound and to that extent in fact originally in fact just about a year back itself we had estimated that this point of tapering off or stabilizing the balance sheet and cash flow and acquisition cycle would probably be

somewhere in the middle of calendar year 2018, which is almost close to less than two years away still. However we have seen combination of two or three things one is we have been able to acquire some decent content in the interim so that library ramp up has actually in some of the titles been better than probably what we had originally projected out. On the other hand, at least on the new media front the sales also or the topline growth has also been faster than what we had originally internally at least projected for that. Now the point is that we need to keep reassessing strategically that is this good enough are we able to maintain our aspirations and the aspects and the opportunity, are we able to drive that opportunity to take advantage of the opportunity so that is a constant churn that is happening internally and to that extent as I said that at this point we are looking at the possibility of that whole thing getting preponed at least by may be two to three quarters because these combination if we continue in this direction in think we strategically would be able to land up with good content bank compared to what we would strategically look at, but what you are saying is the absolute question that internally we need to churn and we constantly keep churning.

Sarvesh Gupta: Yes, because your debt to equity at 0.52 to me does not look like alarmingly high because all of that is anyway short-term in nature so I think there are some analysts who are unduly worried about FCF. FCF is not meaningful for a company which has a lot of growth possibility ahead of it so I do not know why you should be focused too much into free cash flow generation when there is a opportunity to grow that much faster and debt to equity is still 0.5 on this?

Hiren Gada: I fully agree with you and that is the reason why till now we have not yet said that we are this is kind of the end of that but we at the same time need to be aware of the fact that there is a certain financial implication of every move that you make within that parameter I think we need to be able to manage the whole balance out everything within all those parameters, that is the short point if I have to kind of explain that.

Sarvesh Gupta: Sir and this banks except what collateral in your business, so what collateral is offered if you want to take some long-term liability?

Hiren Gada: Primary collateral is the inventory and book debtors and secondary collateral is basically the properties, land and buildings. The company owns all the properties that we occupied which includes two build premises, our headquarter, our corporate offices in a role and other offices also that has a substantial embedded value which is the secondary collateral.

Sarvesh Gupta: Thank you Sir and congratulations again for good set of results and hope to see you again.

Moderator: Thank you. We take the follow-up question from the line of Yogesh Kirve B&K Securities. Please go ahead.

Yogesh Kirve: Sir just one housekeeping question so what is our gross debt as of September I suppose there is some debt sitting in the other firm liabilities as well?

- Hiren Gada:** On September.
- Yogesh Kirve:** Yes.
- Hiren Gada:** September is the total of it will work out to 250 Crores.
- Yogesh Kirve:** Sir regarding the cost of debt has there any change over there in the recent quarters if the cost of debt coming down or it is same?
- Hiren Gada:** It is very marginal at this point in time. Overall interest rate structure pass on has not really been very fast from the bank so it is few basis points actually.
- Yogesh Kirve:** Thanks.
- Moderator:** Thank you. We take the next question from the line of Amish Kanani from JM Financial. Please go ahead.
- Amish Kanani:** Can I understand in the traditional media growth where is it coming from in terms of whether the same group launching the second channel or is it coming from new players or miniplex kind of a growth or miniplexes being record in the detail what is the traditional media?
- Hiren Gada:** So Amish miniplex is being recorded in the traditional media. It is the DTH television basis so growth was we are seeing is actually a combination of two things one is yes the larger broadcasters have all launched one movie channel in the last six months so Sony has one cinema and a Star has launched Star Gold Movie, ZEE has launched Zee Cinema and Viacom has launched Rishtey Cineplex. Definitely that has been one of the driver but overall the other driver has been the fact that there is to whatever extent digitization has happened so the pay revenue as well as ad revenue has grown at a certain trajectory so that is the other contributor to the growth.
- Amish Kanani:** So are you saying the pricing environment is better or the quantum of intake is more?
- Hiren Gada:** It is a combination of both.
- Amish Kanani:** Do you see this type of trend continuing because you are conservative in guiding the growth from television media but it is better than what you would have been kind of thing and adding so is it fair to say that this type of trend at least will continue in the second half of this year?
- Hiren Gada:** I would still do that in that the industry trajectory is at roughly about 12% and we would be aspire to do better we have done 15% but better than 12% is what we will aspire to do.
- Amish Kanani:** This is for second half or you are seeing in the medium-term, which would include the next fiscal as well?
- Hiren Gada:** Medium-term I would take it to the medium-term.



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Amish Kanani: So that would include say next two years, which would include next fiscal as well right?

Hiren Gada: Yes.

Amish Kanani: Thanks a lot and all the best.

Moderator: Thank you. As there are no further questions from the participants I would now like to hand the conference over to the management of Shemaroo Entertainment for closing comments.

Hiren Gada: Thank you everyone for the wholehearted participation and all the time spent and the interest shown in the company. We hope that we were able to give you a better picture of the operating parameters. Thank you very much and see you next quarter.

Moderator: Thank you. On behalf of IIFL Wealth Management Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.