Eros International Media Q3 2014 Earnings Call 14 Feb'14

Operator

Ladies and gentlemen, good day, and welcome to the Eros International Media Limited Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded. I now hand the conference over to Mr. Anoop Poojari of CDR India. Thank you, and over to you, sir.

Anoop Poojari, Moderator

Thank you. Good afternoon, everyone, and thank you for joining us on Eros International Media Limited's Q3 and nine-month FY 2014 earnings conference call. We have with us Mr. Sunil Lulla, Managing Director of the company; Ms. Jyoti Deshpande, Executive Director; and Mr. Kamal Jain, Group CFO of the company. We will begin the call with brief opening remarks from the management, following which we'll have the forum open for an interactive question-and-answer session. Before we begin this call, I would like to point out that some statements made in this call may be forward-looking in nature and a disclaimer to this effect has been included in the conference call invite sent out earlier. I would now like to invite Ms. Jyoti Deshpande to make her opening remarks.

Jyoti S. Deshpande, Executive Director

Thank you, Anoop. Good morning, good afternoon rather, ladies and gentlemen, I'm calling in from London, so good morning here. I'm Jyoti Deshpande, an Executive Director of Eros International Media Limited. Thank you all for taking the time to attend the Eros International Media Limited's Q3 and nine months fiscal 2014 earnings call. Let me start with the proud moment when our parent Eros International Plc became the first Indian media company to IPO on the NYSE. Through this IPO, they issued 5 million in common stock at a price of $11 each to raise $55 million. This has given our Group access to the global capital markets, but when combined with our inherent competitive advantages has helped to further solidify our leadership position within the rapidly growing Indian entertainment sector in more recent months.

A quick recap of what we do, Eros International is a leading global company that co-produces, acquires and distributes Indian films across multiple formats such as theatrical, television, digital distribution across channels worldwide with a proven track record for over three decades and a sustained dominant market share, we've built a valuable library which we believe is our crown jewel and gives us a distinct competitive advantage.

Moving onto our results for the third quarter. I'm pleased to report strong growth in revenue and profitability with total revenue up by 17% and EBIT up by an impressive 50.5% over the prior year period. We also saw improvement in margins in the quarter as a result of excellent performance by the new release slate relative to their cost as well as solid library monetization.

I should also note here that because of seasonality, our third quarter results typically skew higher in our business due to more high-profile releases in Q3 due to Diwali and Christmas. Some of our notable releases in third quarter were Ram-Leela, R... Rajkumar and the Tamil film Aarambam.

Four out of the top 10 box office films in the nine months ended December 2013 were an Eros release, which demonstrates that we are good at picking winners. We also picked up international rights to additional -- two of the additional top 10 films, namely Krrish 3 and Yeh Jawaani Hai Deewani. The effectiveness of our release slate was evident in our financial performance.

Television syndication continued to contribute strongly to our performance in the quarter as we struck deals with companies such as Sony and Viacom for the television broadcasting rights to certain films and we continued to deliver films from previously concluded contracts.

We're pleased to report that by way of update to our HBO Asia collaboration that we've secured carriage on Tata Sky and the channels HBO DEFINED and HBO HITS went live on Tata Sky as of December 31, 2013. We believe that given the profile of subscribers that Tata Sky enjoys and the metros that it covers, this will give further momentum to the subscription take-up of these premium advertising free channels within India. With this deal, the channels are now available on most major DTH and digital cable platforms in India.

Finally, during the quarter, we launched the premium initiative for Eros Now, our online service that showcases full-length movies and music videos. We will monetize the traffic generated through brand and advertising sponsorship, while we will offer a subscription offerings or transactional keyword to more discerning customers.

To give you an indication of the potential, our Eros Now channel on YouTube which only offers short-form content has crossed over 1.7 billion video views and generates over 80 million video views each month. This is the traffic that we have been actively converting.

As we look ahead, the outlook for the rest of the year is extremely positive. The two major releases for the fourth quarter, namely, one, the Telugu film starring Mahesh Babu, as well as Jai Ho, the Salman Khan starrer. Both released in January and were not only bagged by a strong pre-sales but also performed well at the box office.

Here I'd like to clarify certain media reports on the performance of Jai Ho in particular. We've always maintained that every film is a hit or a flop based on what budget it comes in for. Jai Ho was a social drama and not the usual song and dance pair that we're used to seeing Salman Khan in, plus the film's release date did not have the additional benefit of a long weekend and all these was already factored at the time in the pricing of the film. The film has fared reasonably well at the box office in India as well as internationally, but has not smashed any records as expected by trade analysts. We confirm we've had strong pre-sales to back the film and we enjoy rights and perpetuity so the film has made a The 2015 slate is also looking promising starting with the much awaited release Rajinikanth's Kochadaiiyaan on April 11th. The first half of 2015 will also see other high-profile releases such as the Happy Ending starring Saif Ali Khan; Action Jackson starring Ajay Devgan; Pyar Kiya To Darna Kya and so on and so forth. Sorry, that was Dekho Magar Pyaar Se as a Pyar Kiya To Darna Kya. More details about our film slate can be found in the press release we issued yesterday.

As you can see, we're excited for what the future holds for Eros. Our results this quarter demonstrates the success of our strategy of investing in high quality Indian film content and our ability to monetize it across numerous distribution platforms, both in India and abroad. With access to the capital markets and a promising film slate, we are confident in the opportunities ahead for this business.

With that, let me turn the call over to Kamal Jain, our Group CFO, India, who will walk you through our financial performance in more detail. We will then open the call up to your questions.

Kamal Jain, Chief Financial Officer

Hi. Thank you, Jyoti. Good afternoon, and thank you all for joining us today. I'll take you through the company's financial performance of Q3 and nine-month FY 2014. I'm pleased to report that the company has delivered a healthy top line growth during the period under review with strong operating margins leading to an exceptional bottom line performance.

In Q3 FY 2014, the total income stood at INR4,336.4 million reporting a growth of 17% or INR3,701.3 million in Q3 FY 2013. For nine-month FY 2014, our total income was marginally lower at INR8,293.3 million.

During the nine-month period, we released a total of 41 films comprising 15 Hindi films and 25 Tamil and one other regional language films. Theatrical performance for films like Ram-Leela, R...Rajkumar, Grand Masti, Raanjhanaa, Krrish 3, Go Goa Gone, Yeh Jawaani Hai Deewani, Phata Poster Nikla Hero and other regional language releases contributed to the overall performance during the period under review.

Healthy satellite sales augmented by pre-sales of new releases and robust catalog monetization also assisted the results performance. With regards to our profitability in Q3 FY 2014, EBIT increased by 50.5%, to INR1,352.5 million and during nine-month FY 2014 EBIT improved by 25.6% to INR2,316.9 million. We reported exceptionally strong growth in EBIT margin during Q3 and nine-month FY 2014 that stood at 31% and 28% respectively.

Margin enhancement was primarily on account of film slate cost being lower than the corresponding period last year during the profile of these movies released during the period, which has resulted in reduced amortization cost. This has been a part of our carefully executed strategy of having a mix of more modestly budgeted high concept movies along with high-profile movies amongst the diversified profile of Hindi, Tamil and other regional languages films.

In addition, we also witnessed considerable increase in contribution from our high margin catalog revenues. Our PAT for the nine-month period ended December 31, 2013 registered a growth of 29% year-on-year and stood at 158.3 million. In quarter three 2014, PAT improved by 41% to INR919 million as compared to INR652 million in quarter three FY 2013.

We have had a positive start to the current quarter and expect to sustain the strong performance in the upcoming quarters as well given the planned releases of highly anticipated films such as Kochadaiiyaan, Action Jackson and Happy Ending among many others.

Our strategy of further expanding into reasonable markets will enable us to capture two wider spectrum of audiences and further de-risk the company's business model from solely relying on the success of Hindi movies.

Going forward, we believe a diversified mix of upcoming releases and our movie catalog should assist Eros International towards a robust performance.

Questions And Answers

Operator

Thank you very much, sir.

Kamal Jain, Chief Financial Officer

Thank you.

Operator

Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from Urmil Shah of MayBank. Please go ahead.

Urmil Shah, Analyst

Yeah. Hi. Thanks for taking my question, and congratulations on a very strong quarter. I have two questions. One was on the growth trajectory for next year. If we see last year, it has been mainly mid-budget movies marketed very well, this year quite a bit of -- sorry, FY 15, quite a bit of big names are there in the slate. And we are also targeting strong catalog sales. So how is the growth outlook for next year looking?

And secondly, also wanted to understand your strategy on the regional movies. Now that we have released quite a bit of them in the last couple of years?

Jyoti S. Deshpande, Executive Director

Thank you so much for your question. It's a great question. I think the one thing that we always emphasize is the fact that this is not a hit-driven business and we don't want to be and we chose not to be dependent on the success or failure of one or two films for our results.

So the portfolio is something that we work well in advance to cultivate. We invest two years in advance to cultivate our film slate and that is what we continue to do. So if there are some high-profile names that you see in our slate that's because we've been able to strike those deals in advance, maybe a year ago at the prices that we want to bring life them in and that's why they feature in our slate.

The year that we are in now demonstrates that with very few large 100 crore plus films, we've been able to deliver staggering growth and results and that shows that we are good at picking winners and good at delivering profitability by managing the slate well in advance combined with pre-sales and de-risking strategy.

Regional is a very good point you raised. As you can see, the media picks up three or four films in a year and they keep talking about that, mainly in Hindi. In Tamil, you hear about Kochadaiiyaan and not really about all of the rest that we do. But the Tamil, Telugu et cetera is a very important strategy for us.

We're not only doing higher budget films within Tamil and Telugu, which can range anything between 45 crores and 60 crores but we also do a whole number of films which are in the 10 to 12 range. We've released some in this quarter and you're seeing our results steep into this quarter's results as well and that is something -- that is a strategy that we

Urmil Shah, Analyst

Sure. Thanks for that explanation. It was helpful. If I could pitch in with one more. This quarter the catalog sales is like up 13% to 14% of the revenue, while not comparable on a Q-on-Q basis. But if you look on an annualized basis over the next two, three years, what is the kind of revenue contribution which we should look for?

Jyoti S. Deshpande, Executive Director

Okay. So that's again a great question. I think typically, we've said this in the past as well that our Q3 is our biggest quarter because of all the holiday seasons and typically our larger films are in Q3. And typically, the catalog sales also follow the same trend when you bundle new films along with catalog films and push through digital and television licensing. You have that same pattern following in catalog sales as well.

So while the margin of this quarter is not an indication of margins going forward. I would say that what -- where we'd like to see catalog revenues coming from Eros Now and HBO et cetera, as they come through we'd like to see 10% to 15% of our total revenues definitely coming from catalogue.

Internationally where the catalog is more mature, you see more than that coming from catalog and while India plays catch up 10% to 15% of total revenue is not an unreasonable estimate.

Urmil Shah, Analyst

Sure. Thanks, and all the best for the next year.

Jyoti S. Deshpande, Executive Director

Thank you.

Operator

The next question is from Srinivas Seshadri of CIMB. Please go ahead.

Srinivas Seshadri, Analyst

Yeah. Hi. Congratulations to the management on good results. My first question is to Jyoti on the release slate. So just comparing what you published in the first quarter versus what you published now? And I see that a lot of the names are not featuring in, so just to name a few Sarkar 3, Aankhen 2, Bajirao Mastani, one Rajinikanth film, Chalo China, Illuminati and some types with Endemol Phantom, so just wanted some clarity on whether in FY '15 are all of these still there or some of them have kind of slipped or been taken off the slate?

Jyoti S. Deshpande, Executive Director

So, some new films have come in, some films, Bajirao Mastani for example, is in the next fiscal. When we say it was 2015, it would be fiscal 2016. Bajirao was always in fiscal 2016. And so we've got -- the Illuminati is still -- that was The first half of the year and pretty much up to December, all of the release dates are also fixed. We have a film with Balki, Amitabh Bachchan and Dhanush that we are doing which will come-in in November. We have Tevar, which is Arjun Kapoor, which will come-in in October. And then we have starting with Kochadaiiyaan in April, Action Jackson in June, we have all the films all the way up to September. Chalo China will definitely come this year as well.

So we just didn't write an exhaustive list of films. And also there are a number of Tamil films, there is a Diwali film with Ajith, that's not on the list, which was there. So there are a number of films that are further there which have not been named. So what we'll try and do is, we will try and at least give with release dates for the first six months. Shortly in the next couple of weeks, we will make an announcement with release dates for what we see the calendar say up to December.

Srinivas Seshadri, Analyst

Okay. Okay. So Jyoti, if I can put the question in a different way, maybe if you could kind of just give us some ballpark of the number of Hindi big ticket, mid-budget releases and the regional releases also which will be material for the year, that will be helpful for us to understand what numbers to build on?

Jyoti S. Deshpande, Executive Director

Yeah. So you have Kochadaiiyaan, which is the one big Tamil; along with that you can say that there will be at least three more regional language films, which will be big ticket.

Srinivas Seshadri, Analyst

Sure.

Jyoti S. Deshpande, Executive Director

Yeah. And that could be Tamil, that could be Telugu, so you can have Kochadaiiyaan plus three more. And in Hindi, you have Happy Ending, which is Saif Ali; you have Action Jackson, you have the Balki film and then you can have -you may have one more which is in that bracket.

Srinivas Seshadri, Analyst

Okay. So about four big, you can say, a big ticket films in the --?

Jyoti S. Deshpande, Executive Director

Yeah. But no -- yeah, that's what you can -- nothing which is staggeringly high.

Srinivas Seshadri, Analyst

Okay. But in case of the release, like what we've seen last year and this year also to some extent, especially those which fall in the second half or the fourth quarter.
Yeah.

Srinivas Seshadri, Analyst

They seem to be falling off to the next year. So when you're giving these estimates, is there a very high level of confidence that these will get released next year itself or?

Jyoti S. Deshpande, Executive Director

See, what happens is, even last year when we did for this year, even though we had films in the bag, which is why we -we were confident of giving a certain guidance of number of films. If certain things move also certain other films compensate, which was not in the fray before. And so that's how we manage the business. Typically, you have to do what is best for the films, so if a release date is clashing with World Cup or with some other large film, you're better off postponing it to the best date that's best for the release of that film rather than trying to stick with it. So as long as we build in that question within our estimates we are comfortable approaching it in this manner.

Srinivas Seshadri, Analyst

So these overall numbers could be managed through maybe some other acquisitions or something in case some of them slip?

Jyoti S. Deshpande, Executive Director

Yeah. And these films that we are indicating, so we are only talking about the films that we are confident that will come in.

Srinivas Seshadri, Analyst

Sure. Sure. That helps. Thanks. The second --

Jyoti S. Deshpande, Executive Director

And also in this year, I may add, so for example if we've said we've done 41 films, while we keep talking about Jai Ho and we talk about Raanjhanaa and Ram-Leela and R...Rajkumar, there are number of other films that we've done which, I'll say, 5 crores, 7 crores, 12 crores, Tamil smaller films that keep adding to the top line, as well as to the bottom line and contribute anywhere between 15% to 25% return.

Srinivas Seshadri, Analyst

Sure. Sure. Great. The second question is on Jai Ho. So, I believe the way Salman Khan has contracted with Star on the TV rights, just wanted to understand whether it will pass through your books or that's -- I mean, just on a cost and revenue kind of pass through will happen through your books as per the current agreement or will that happens --?

Jyoti S. Deshpande, Executive Director Srinivas Seshadri, Analyst

Sure. Sure

Jyoti S. Deshpande, Executive Director

Yeah.

Srinivas Seshadri, Analyst

So this will not have any kind of revenue or cost implication on your?

Jyoti S. Deshpande, Executive Director

Absolutely. Neither revenue nor cost.

Srinivas Seshadri, Analyst

Fair enough. And then just final is, what is the likely overall budget which will end up, production budget you will end up doing in FY '14? And based on whatever numbers you gave me, like, what is it likely to shape up for FY '15?

Jyoti S. Deshpande, Executive Director

I don't know if I want to harbor exact numbers.

Srinivas Seshadri, Analyst

Yeah, just a thought.

Jyoti S. Deshpande, Executive Director

But I think in couple of previous calls also there was a lot of talk about the slate cost and we kept emphasizing that one of the things that we are trying to do is manage the cost of our portfolio relative to its profitability.

And the year-to-date results proves exactly that -- the fact that relative to the revenues to costs have been well managed. And that is something that we want to continue to do. We don't anticipate our slate cost for next year to be extraordinarily higher than this year as well. If it all in the same ballpark or maybe 10% more.

But in terms of CapEx, we are actively continuing to invest in 2015, 2016 slate as well. Having said that, we don't expect the CapEx figure to go beyond what we've invested in this year as well. We are happy with the pace that we are going at and we are comfortable that we are able to secure all the films that we are going after.
Sure. Can you give some numbers for FY '14, like, what's likely to be, because most of the year has gone by, so you would have a

clear idea on that?

Jyoti S. Deshpande, Executive Director

Kamal, do you want to?

Kamal Jain, Chief Financial Officer

Yeah. Yeah, we already have done a nine months around some 600 crores and it will be in the range of about 750 -between 700 crores to 800 crores for a year.

Srinivas Seshadri, Analyst

Okay. 700 to 800 crores?

Kamal Jain, Chief Financial Officer

Yeah.

Srinivas Seshadri, Analyst

Okay.

Operator

Thank you. Our next question is from Sanjeev Hota of Sharekhan. Please go ahead.

Sanjeev Hota, Analyst

Sure. Thanks for the opportunity, and congrats to the management team for a good quarter.

Operator

Sorry to interrupt. Mr. Hota, your line is causing a lot of disturbance. Probably there is a mobile device.

Sanjeev Hota, Analyst

Hello. Is it fine now?

Operator

Yes, please. Go ahead.
Yep. Congrats to the management team for a good quarter. I have a couple of questions. First is on the revenue breakup you could provide for the theatrical, televisions syndication and digital for the Q3 and nine months?

Kamal Jain, Chief Financial Officer

See, we have -- basically what we've done is, we have divided the segment into three, which is theatrical, satellite and then overseas, digital and new media and all that we have put into one. And so we have approximately about 38% to 39% from theatrical, satellite is about 25% and balance is overseas plus new media, digital and ancillary.

Sanjeev Hota, Analyst

What's the reason for not sharing the absolute figure? (Technical Difficulty) So what is the reason for not sharing the absolute figure for the domestic investor?

Kamal Jain, Chief Financial Officer

No, that's what I've said just now. So this percentage is absolutely like an absolute number also, you just can apply on the --.

Sanjeev Hota, Analyst

So it's -- what is the figure for the last quarter?

Kamal Jain, Chief Financial Officer

This is what I've --

Sanjeev Hota, Analyst

Last year?

Kamal Jain, Chief Financial Officer

The last year was, as far as theatrical was a little higher, I think it's about some 42%, 43% at this particular, say, nine months; and for television, it was about 22%; and balance was overseas and digital and then new media.

Sanjeev Hota, Analyst

So it's again a range as 42%, 43%, when we will start sharing the absolute figures?

Kamal Jain, Chief Financial Officer

Yeah. I think we'll be -- in coming period, I think we'll be sharing those numbers as we align ourselves.
I think from the annual from the annual -- so in May when we announce, we can make it consistent.

Sanjeev Hota, Analyst

Yeah.

Jyoti S. Deshpande, Executive Director

To clarify, the trend is the same as the Plc consolidates the India, so 70% of the Plc's Group EBITDA comes from India. So the proportion or the ratio is similar. However, for Plc, some more digital revenues may be slightly higher and in India, that SKU is to theatrical and television rather than digital. The digital --

Sanjeev Hota, Analyst

The reason I'm asking is that --

Kamal Jain, Chief Financial Officer

Are slightly lower.

Sanjeev Hota, Analyst

Yeah. The reason I'm asking is that, (inaudible) reported is that their television syndication revenue is almost gone up by 92% Y-on-Y, so that has driven the margin performance, so did the same similar kind of growth that we have seen in our television syndication here?

Jyoti S. Deshpande, Executive Director

See, a large part of it would come from India, but also a significant part of what Plc reports comes from all those new markets that we go into, we keep reporting saying we've gone into to Taiwan, we've gone into South Korea. So in all those markets we would exploit across all rights. You would do theatrical, you start with theatrical, television and new media. So when you do licensing contracts you would bundle all rights and license into those markets. So that would weigh more in Plc's favor rather than India.

Sanjeev Hota, Analyst

So it's fair to say it's almost 70%, 80% television syndication revenue this quarter, almost gone up by Y-on-Y?

Jyoti S. Deshpande, Executive Director

You can say that. Also it goes to point out the fact that year-on-year, last year we did not have TV rights to certain films, large films that we released in that quarter, whereas this year we had all the films that we released we had all rights. So that is also reflected, it's an A category film.
Okay. And what is the amortization cost for the quarter and the nine months? Are you sharing that?

Kamal Jain, Chief Financial Officer

Yeah. I think it's -- for the nine-month I think we have about 306 crore as the amortization costs, which is part of -performing [ph] the part of the direct cost.

Sanjeev Hota, Analyst

Okay. And at this quarter, what is the cost?

Kamal Jain, Chief Financial Officer

And for the quarter, about (inaudible).

Sanjeev Hota, Analyst

Okay. And if you could touch up on the what is the margin outlook we can see for FY '15 going forward? It could be lumpy, but if you can give us some trend going forward into FY '15?

Kamal Jain, Chief Financial Officer

Sorry.

Sanjeev Hota, Analyst

Margin outlook?

Kamal Jain, Chief Financial Officer

So, the margin for this particular period, I think, was really good. As we mentioned, this is because of the good performance of the films and which were reasonably budgeted for the period. But this is not -- certainly not the indication of the margins going forward. We will definitely -- we are performing as usual the way we've been performing on annualized basis. So not that this quarter is symbolizing anything to do with on the future margins.

Sanjeev Hota, Analyst

It could be close to 24%, 25% on an annualized basis?

Kamal Jain, Chief Financial Officer

I can't number that. But yeah, definitely, on annualized basis I think we'll be more or less the same what we've performed on overall basis.
And some bookkeeping question, what is the total debt and cash on the books currently and what is the advances from the parent?

Kamal Jain, Chief Financial Officer

No, the overall net debt to the period is around 280 CRM and which is net debt, which is more or less the same which was there during the last period. And in the net debt-to-equity ratio is still less than 0.3, so which is quite on leverage [ph] with respect to that is concerned.

Sanjeev Hota, Analyst

Is there any net reduction in the debt or it remained the same?

Jyoti S. Deshpande, Executive Director

There is more or less -- the debt positions remained more or less the same at the gross level also, there is not much increase.

Sanjeev Hota, Analyst

Okay. And advances from the parent?

Kamal Jain, Chief Financial Officer

The advances from the parent, as I said, to be over a period of time in last few quarters you said as though amount which was advanced by them got adjusted towards the films got delivered, so not a very large sum of amount which is basically there. As of now, it is about around 20 crores, 25 crores?

Jyoti S. Deshpande, Executive Director

Hey, let me jump in here. We've raised $55 million all of it is still sitting with us, we've not deployed it. And if we do deploy it, it will come through India only. So the parent balance sheet being strong should be construed as India's balance sheet being strong, whether the money sits outside or in India.

Sanjeev Hota, Analyst

And one clarification that the arrangement between the parent is going to expire in October 2014. Can we return it that is not -- it is going to be the same what it is for currently?

Jyoti S. Deshpande, Executive Director

Yeah. We will announce when we are ready, but I have said this repeatedly, there is no cause for concern or we don't anticipate any changes to the arrangements.
Okay. And one clarification that you have already indicated for the Jai Ho, that we do not have the satellite right. And it's the same for the one that Mahesh Babu starrer that --

Jyoti S. Deshpande, Executive Director

No, no, we have -- we have the entire IPR for 1.

Sanjeev Hota, Analyst

Because there is some media report that reporting that the satellite right has been sold to the Gemini TV, so it's come under our books?

Jyoti S. Deshpande, Executive Director

Yeah. Yeah. Yeah. The entire film belongs to us and all sales have been done by us.

Sanjeev Hota, Analyst

Okay. Okay. Great. And the last question is on the tax rate. What could be the tax rate for FY '15?

Kamal Jain, Chief Financial Officer

If you see on the consolidated basis, I think we'll be around the same rate between 26% to 30% on consolidated basis.

Sanjeev Hota, Analyst

26% to 30%. Okay. Great. All the best. Thank you.

Jyoti S. Deshpande, Executive Director

Thank you.

Operator

Thank you.

Jyoti S. Deshpande, Executive Director

Can I request that people not to ask 20 questions. They should limit -- each person should limit their questions to one or two or three max.

Operator Deepan Sankar, Analyst

Hello. Good evening, sir. Just want to understand our strategy of acquiring movies has changed with the time that, for example, one or two years back we had the screens available -- release availability of 2,000 to 3,000 screens. Now the screens availability also has increased. So, has this changed our strategy of acquiring movies in terms of cost per se?

Jyoti S. Deshpande, Executive Director

No, it's -- I think, I don't think it has any direct correlation to costs. What 4,000 screens being available means the revenue potential from a film, if it's a high performing film, is very, very high. What it also means, I mean, where we've taken this strategy is we've backed it with regional content where we can release a Hindi film simultaneously with a Tamil or a Telugu film without really conflicting on the same audiences, because they're mutually exclusive audiences, then you can have a larger box office number for that particular day without cannibalizing on each other's revenue. So that is the strategy that we have actively pursued to scale our business, otherwise we invest in content based on its own merit not whether we can release it in 4,000 screens or 2,000 screens. 2,000 screens can also be profitable given what is the cost or budget of that particular film.

Deepan Sankar, Analyst

Ma'am, my question is -- I'm coming from the background, that can we also look into -- pitch in for high budget movies, because the business potential has improved. So do we have such outlook on that?

Jyoti S. Deshpande, Executive Director

No, so if a high budget movie -- if you hear about films doing 300 crores, but if the film cost 200 crores then there is not much on the table, right.

Deepan Sankar, Analyst

Okay.

Jyoti S. Deshpande, Executive Director

So everything is based on what cost it comes in from and whether you believe that the film has to be a super hit for you to make money or even if it does a reasonable performance like Jai Ho has done, are you still in the money, that is how we do our green lighting process.

Deepan Sankar, Analyst

Okay. Okay. Okay. And also want to understand, how this satellite revenues model has moved? From the media reports, we get to know that some movies are getting in the range of 50 crores to 70 crores or so. So how does that movies look like? So any performance of the movies also will impact this satellite revenues back?

Jyoti S. Deshpande, Executive Director

Yeah. So basically some of the deals that we've done, we've got a minimum guarantee and plus the box office success has been pegged to the minimum guarantee, which meant that we got some more licensing fees. After the films were breakout successes, I would say, Ram-Leela and Rajkumar both will fit the criteria of what I'm currently describing. So not just the big, big budget movies; even films like Ram-Leela or Rajkumar are such a great prices as long as they'd perform well in the box office and also underpinned by pre-sales. So the MG underpins the pre-sales and after the film is released and successful in the box office, you claw some more moneys from the channel.

Deepan Sankar, Analyst

Okay. Okay. And my final question is like, how is the overall cost of making movies has moved per se, like, actors cost and also the production budget?

Jyoti S. Deshpande, Executive Director

No, I think it's -- there is no significant change to the last couple of years. It depends on the subject, depend whether you're shooting abroad or you're shooting here, depends whether it's action or it's a romantic movie, so above the line still is a large part. So for example a film like Ram-Leela, the actors cost would have been very less. And all of the film went -- all of the cost went into the production values of the film. So each film is different, each subject is different. There is no real general rule of thumb, but no trains that are alarming as such.

Deepan Sankar, Analyst

Okay. Thank you, and all the best.

Jyoti S. Deshpande, Executive Director

All right. Thank you.

Operator

Thank you. Our next question is from Hardik Shah of KR Choksey. Please go ahead.

Hardik Shah, Analyst

Thanks for taking my question, and congratulations on good set of numbers. Management, can you give the guidance about like how the HBO Now is moving like before the Tata Sky was being part of your list and like now, like, for 1.5-month the Tata Sky is already there. So what is the change in the number of subscribers you have seen?

Jyoti S. Deshpande, Executive Director

We are not at liberty to give out subscriber numbers. All we can say is that, the positive momentum that we were expecting from Tata Sky is something that has come through and we hope it sustains. The one thing that we can tell you is that Tata Sky, we launched head in first. We did not do any free period or any trial period or anything, we straightaway went in and got in the subscribers. So again, momentum is positive, but too early to give out any numbers.

Hardik Shah, Analyst Jyoti S. Deshpande, Executive Director

I'm not able to comment on that, because unfortunately we have a business partner in this and our confidentiality terms don't allow us to share numbers.

Hardik Shah, Analyst

Sure. This is regarding the bookkeeping. The net debt has been more or less same Y-on-Y 280 crores, right? But instead of that the interest cost has drastically shoot up, what is the reason for the same?

Kamal Jain, Chief Financial Officer

No, basically interest cost is a combination of interest (inaudible) on certain fixed deposits. So during the period, we have liquidated certain fixed deposits, so incomes were not there, so that's why the net interest cost is little higher.

Hardik Shah, Analyst

But on Y-on-Y the debt, the net debt amount has been same?

Kamal Jain, Chief Financial Officer

Sorry.

Hardik Shah, Analyst

But on Y-on-Y basis, the net debt amount has been same?

Kamal Jain, Chief Financial Officer

Yeah, but during the period our interest cost in general were a little higher. As you know the base interest price were higher, so certain amount of short-term debt what we took in the format of commercial papers or whatever were a little higher as compared to the previous period.

Hardik Shah, Analyst

Sure. And sir, as you mentioned in the press release, like, there is some catalog monetization, so what are the one-time amount kind of thing, can you share that amount?

Kamal Jain, Chief Financial Officer

Yes. Like we've already mentioned, we're earning a catalog overall between 10% to 15%, so this particular quarter period we had about 13% to 14% kind of a number, overall number from the catalog monetization.
And sir, (Technical Difficulty) You have mentioned like the production budget will be more or less same in the coming year. And assuming like the monetization of the movies will be better in coming year. So do you believe the free cash flow (Technical Difficulty) will be positive in the coming year or it will be more or less negative?

Kamal Jain, Chief Financial Officer

Free cash flow, even if now also you look at it, we are reasonably well placed with respect to the adjusted basis free cash flow. And I think going forward like we are more focused, as mentioned earlier, is how to monetize our catalog more and more and through the new monetization avenues like HBO, Eros Now and all that. So I think going forward those avenues will be giving us larger revenue, which will be absolutely sitting back into the margins and the profits and which will give us higher free cash flows. I think going forward, we'll be in a much better position to generate free cash flow.

Hardik Shah, Analyst

Sir, I'm sorry to dwell on the same question. But like on the absolute basis, I agree that like movie-wise you might be making profits like 25% return, but on the overall basis do you believe like in FY '15 or FY '16 the free cash flow will be totally -- on the total basis will be positive?

Kamal Jain, Chief Financial Officer

We won't be able to give you a certain in terms of periodicity with respect to that. We will be able to give you absolute numbers just for free cash flow. As I said, we are reasonably placed even now also on an adjusted basis on the free cash flow and going forward it will be much better, because catalog monetization will be better.

Hardik Shah, Analyst

Sure. And last question, if I can squeeze in. Of total production budget, how much is going for the regional movies and how much is going for Hindi movies?

Kamal Jain, Chief Financial Officer

Typically, about 15% to 20% of overall costs basically are allocated to the regional movies and balance is for.

Jyoti S. Deshpande, Executive Director

I think that will push up a little bit. I would say between 25% to 30% will go into regional movies late.

Kamal Jain, Chief Financial Officer

Yeah.

Hardik Shah, Analyst Jyoti S. Deshpande, Executive Director

Yeah. Thank you.

Operator

Our next question is from Jigar Shah of Maybank. Please go ahead.

Jigar Shah, Analyst

Good evening, and congratulations to all of you. And I wish that you have very soon a quarter, which is 100 crore net profit, you're 8 crores throughout this time. So my question is more directed to Jyoti. The U.S. listing, I thought was a very important landmark. I think company was making this attempt for quite some time and it succeeded. And then, obviously, it's a good proud moment. What is going to be the real significance of this. I mean, basically the sum that you raised was not much. Also, I think the pricing was not that great probably you would have liked a higher pricing, so what is going to be the real advantage to that -- to U.S. as a studio. I want to know -- this is the first --

Jyoti S. Deshpande, Executive Director

Excellent. Excellent question, excellent question. See, one of the reasons why we moved to the New York Stock Exchange from AIM is, because AIM we perceived was illiquid and we wanted to move to New York. So that we can have access to the global capital markets.

The other reason was that, as a market leader in our sector and as one of -- probably one of the only companies that is listed in our sector, we were the ones who were sort of putting our best foot forward, educating the market about our industry and our company's positioning within the industry.

So being compared to the right peer group, we've given examples of Lions Gate in the past, say, five or six years ago. Lions Gate was the 600 million market cap company, today it's a $5 billion, $6 billion market cap company. Having the right analysts' coverage, we have all the top banks covering us. Even in India, we are all the time wanting to talk to analysts, so that the top analysts cover our stock and educate the market, allow you to understand how the business works, how we make money, where the risks are, where the rewards are.

So that in the next three to five years when as the industry goes through consolidation and as we participate in that consolidation, we emerge stronger and better and have a strong balance sheet to back that stage as and when we enter it. So that is really the rationale of, it's a long-term strategy. It was not about immediate how much money we set out to raise, which is why we just raised the small amount which also we've not spent if there was no immediate use for those proceeds. It's just gone into our war chest and we plan to take it from there.

Jigar Shah, Analyst

Okay. So if I probe a little bit more into that same question. See, for the Indian movie slate whatever you are doing, your budgets are not really too different over the last two, three years, if I see; the mix has changed, the monetization has improved and so on and so forth. And you have done a little bit of other businesses like HBO et cetera, those initiatives are good, but the thing is that unless you get to a kind of Hollywood, Bollywood collaboration and take the size of the movies bigger in that sense, that particular dream, I guess, will be achieved like that. So is there any progress happening on that front or is it too early or do you have any thoughts on that?
No, there is more opportunity, I guess, within the Indian entertainment space other than just investing in Hollywood movies. In fact, we spend the longest time, believe me, in New York trying to explain to people how we are different from Hollywood and how the risks of the Hollywood business are very different from us. So we have no plans of entering Hollywood as such. We do plan to push Eros Now in a big way, we plan to -- we will look at the premium television space beyond the HBO opportunity in the years to come. And we will continue to scale, so right now if you're doing 50, 60, 70 movies, the opportunity to do more movies to scale what is the smaller regional movie to make it a bigger potential, that is something that we are constantly doing.

Jigar Shah, Analyst

Okay. Fair enough, and wish you all the best.

Jyoti S. Deshpande, Executive Director

Thank you.

Operator

Thank you. Our next question is from (inaudible). Please go ahead.

Unidentified Participant

Yeah. Wish you a very, very congratulations for the amazing numbers. Yeah my question is, Kochadaiiyaan is all set to release on 11th April, right? So the revenues for that particular movie, since it's of much hyped movie, will it be accounted in the Jan to March quarter or the April to June quarter?

Jyoti S. Deshpande, Executive Director

No, only if, say, music has released in Feb-end or March or something then those revenues will come in. If there are any brand tie up that come through, those revenues will come in. Otherwise, all of the revenues will be in the April quarter only.

Unidentified Participant

How are the revenues actually calculated? Suppose say, a movie is set -- is released in the end of the quarter, so the revenues for that particular movie is accounted for in that particular quarter or the next quarter?

Kamal Jain, Chief Financial Officer

Yeah. Basically, we have a revenue recognition policy for the different monetization stream. So when the music is physically released, we book the revenue in that particular time, which could be one or two months earlier to the theatrical release of the film. And the theatrical release is generally booked during the time -- during the week of the theatrical release, so depending on whatever statements we get accordingly.

Unidentified Participant

Okay. Thank you. Thank you so much.

Operator

Our next question is a follow-up from Urmil Shah of MayBank. Please go ahead.

Urmil Shah, Analyst

Yeah. Hi. This question was more strategic in nature looking at two to three years down the line and targeted towards the digitization and our benefits for satellite rights. Now that even the basis for content aggregation is expected to come in, do you see any strategic shift on the money which broadcasters are willing to pay for buying movies?

Jyoti S. Deshpande, Executive Director

If at all the trends are positive, they're not negative at all, we've seen satellite prices exceed expectations in the last two, three years continuously although it is not something that we push in our internal estimates which do have shock absorption capability in it. I think what will happen is, as premium digitization goes up and premium channels start getting launched, so you've seen Star now come up with their premium non-advertising or advertising free offering. So advertising free is where most of the current networks will also go, which will create a whole different category and a whole different window for monetization. And then the ad free environment will come in. So we don't see any pressure on prices as such. If at all maybe for the same price you license shorter period of rights and so on and so forth or maybe the syndication model will come where one channel plays and then another channel shares the telecast after few months and so on and so forth. So the market will continue to evolve.

Unidentified Participant

Sure. Thanks. That was helpful.

Operator

Thank you. Ladies and gentlemen, that was our last question. I now hand the floor back to the management for closing comments.

Jyoti S. Deshpande, Executive Director

Thank you very much. Thank you, everyone, for your interest in the company. And for all the questions that you asked. I'd like to reiterate that we remain focused on the goals, we remain focused on the portfolio strategy, the de-risking strategy, the scalability of the business with Hindi as well as regional languages, the monetization of catalog, the HBO initiatives, the Eros Now initiatives and we remain determined to green light the right content at the right prices to maintain profitable balance sheet year-on-year. So, thank you for your support, and thank you for your continued interest in the company.

Operator

Thank you. Ladies and gentlemen, on behalf of Eros International Media Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.