



“Saregama India Limited
Q2 FY2020 Earnings Conference Call”

November 14, 2019



ANANDRATHI



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Moderator: Ladies and gentlemen, good day and welcome to the Saregama India Q2 FY2020 results Conference Call, hosted by Anand Rathi Shares and Stock Brokers. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. I now hand the conference over to Mr. Shobit Singhal from Anand Rathi Shares and Stock Brokers. Thank you and over to you Sir!

Shobit Singhal: Thank you Stanford. Good afternoon to all of you. Welcome to the Q2 FY2020 earnings conference call of Saregama India Limited. From the management side, we have today Mr. Vikram Mehra, Managing Director, Mr. Vineet Garg, CFO and Mr. B.L Chandak, the Executive Director. Now I would like to handover the floor first to Mr. Vikram Mehra for his opening remarks post that we can start with the Q&A session. Over to you Sir!

Vikram Mehra: Good afternoon everyone. As we have committed in the last quarterly call, we are back to our usual profitable position at this quarter at a consolidated level, right now we wrote around 157 Crores revenue from operations which is around at 25% growth over the last quarter and a 9% growth on a year-on-year basis. More importantly compared to 20 lakhs PBT in the last quarter, we have gone back to a 24 Crores PBT in this quarter. So overall a good quarter as far as the numbers are concerned, but these numbers are hiding the toughness that we people are facing in the market. We are not immune to what is happening across in the market. The environment has been very, very tricky for us like for many other companies. What we are realizing right now all around that discretionary purchases whenever that need to be done by the consumer they are getting postponed, so on mandatory purchases right now is if I have to buy a soap, if I have to buy a toothpaste there is no change in the purchase behavior of people, which ever product they believe are a kind of luxury or something that they can postpone by a few weeks, months they are just going out there and postponing it and we have seen category after category many of us spend enough time talking to consumer at the retail outlet, it has been a difficult quarter with that kind of consumer sentiment and for us if this kind of sentiment hurts us from two sides. One we are in the market of selling products like Carvaan, other we had also dependant on advertising revenue because of a YouTube business and TV serial business on Sun TV. When brands start getting hurt right now on the revenues the first thing they do is to start squeezing the advertising spends which means we get affected on that side too. So all that has happened right now in this quarter. To more specifics how the question can happen right now and then how did we manage keep our head over the water, I think the music licensing business has helped us a lot. That continues to be a core business, I keep on saying



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call after, call after call, that the primary business of Saregama is IP creation and IP monetization and we will never take our focus away from that. The music part of that did very, very well, we people have been growing at 21% if I see on a half year numbers, on a year-on-year basis right now the licensing business grew by 21% in all verticals, streaming, publishing and to some extent even Youtube at least in first few months did pretty well. The good part about this is just an MG minimum guarantee growth, we are also seeing actual growth in terms of number of streams on OTT platform or number of views on Youtube platform. Just because there is a mandhi in the market right now does not mean people stop listening to songs, and that is a great part. In fact a lot of other empirical data tells us that whenever there is a recession hitting out there the consumption of entertainment goes up. So that part of our business is quite rock solid.

As far Carvaan is concerned we said it in April and I continue in July August call that our focus now onwards is to expand the footprint of Carvaan outside the top four or six towns. We want more and more traction to come right now from the class 2 towns, the Luknow's, Jaipur's, the Ujjain's, Calicut, and the Coimbatore of the world, we are expanding there through our dealer network in a very aggressive fashion. We already have a 27000 retail network footprint in the country. In fact, this quarter 46% of our sale has come right now from a smaller towns which is a steady increase that we are seeing quarter after quarter because our focus is sitting there.

As I said in the beginning the overall consumer sentiment right now was lukewarm. People took Carvaan as a discretionary purchase something that an Indian mind they decided right now is needed to postpone it. The other problem which gone back and hit us in this quarter was the online sales that was being done which became very, very popular. Online sale meant right now are whatever data I understand around 60% of all the mobile sales in this quarter ended up happening on the online means. Some 45% of television sale happened through the online means, which means lower and lower number of people actually walked into our consumer durable store or a telecom store. One the sentiment is down, second people are buying right now online rather than the Brick and Mortar stores, we primarily sell from the Brick and Mortar store and not online. Reason being Carvaan being a new category and a new brand, most people want to touch and feel it before they go and buy the product. We have not reached the maturity level of a TV or a mobile phone that somebody can just go out their without seeing it purchase it from the online means so we are more dependent on the Brick and Mortar shops, there were low footfalls in the Brick and Mortar shop, it affected us also. On an overall basis right now, our numbers have grown, the Carvaan has still been able to manage to grow to 250000 units right now in the quarter, it is



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some magic, no. What are we people doing right now, we are pushing more and more of Carvaan mini, rather than Carvaan. Even when some prebuying started happening for Diwali, for corporate gifting we started seeing right now many of the people saying that they cannot afford this year to gift a Rs. 6000 product any longer. These are same bunch of people who used to buy products for this much of budget till last year. The sentiment being down, many of them decided that their budgets of gifting will come down. Remember it is also a discretionary thing to corporate gifting during Diwali time. What we people did right now is start pushing Minis during that time and we were able to sell large amount Carvaan Minis in pre-Diwali and pre-Dussehra, also the launch of Gurbani and Bhagavadgita has done a lot these were new units in the market right now, people have not seen the product, it worked beautifully with the Dussehra and Diwali timeframe so we were able to go back and cope up the loss of Carvaan sale by selling of more of Carvaan mini, but yes if you sell more of Carvaan Minis than Carvaan right now, then the average price that you are talking of a Carvaan unit being sold has come down this quarter.

I have told that the bad news right now that people were postponing their discretionary purchase but the good part is every consumer data that we people have collected this quarter and the quarter before that keeps on throwing back very high intention to buy scores for Carvaan. We have high intention to buy scores, we have low urgency to buy score, so most people when they hear about Carvaan say yes it is great product, I want to buy it, the movement you ask them right now is this the product you will buy immediately in the current environment those scores seem to be showing low, the people are saying yes "good one, will buy it", it is not that I want to buy it right now. We know with that as the sentiment right now, we know that the pressure on Carvaan sales is going to continue, is not going to go back and fall down dramatically. What we people know that going forward as things become better we will be able to once again up the overall number of Carvaan sale, till that time we have decided to take a very tight control on all the costs which are related to Carvaan which means sales and marketing budgets and we will be enforcing that in this Q3 and Q4.

The great story about Carvaan this quarter was the growth of Carvaan 2.0. Having said Carvaan 2.0 is our attempt to convert Carvaan from a one time margin product to a product which can keep on giving you revenue on an ongoing basis either through advertising or subscription, Carvaan 2.0 has got a wifi based return path which allows us to keep on streaming new content which we can update on a daily basis to the customer as the popularity of this content starts going up, we should be able to make money right now through advertising. Initially we launched only the content that we people owned, the



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popularity of Carvaan 2.0 can be seen by the means right now that big brands like BBC or TIKTOK or some of the radio stations they have come out and Moneycontrol they have all come out there and also offered their content as part of Carvaan 2.0. We believe in the days to come right now, Carvaan 2.0 can be positioned as the best of Youtube meets a Tata Sky setup box, meaning can I attract more and more content creative to offer their content but like Tata Sky we will be very choosy about what content is going to go through and if we make any money on it right now, we will be happy to share that revenue with the content creator. This way more and more content creators will be ready to make good quality content for Carvaan 2.0. It may just be a game changer as we go ahead.

TV business of ours, the content that we create for Sun TV after 8 quarters of repeatedly coming out there and saying that the numbers are doing okay but in terms of rating but we have done great in terms of advertising, this quarter has been a change, in spite of all the advertising cut pressure. I think we may be the only guys right now who are happy about their advertising revenue growth and this is courtesy one serial of our called Roja, which has now become the number 1 Tamil show in terms of rating. Saregama had never had a program which was overall the number one show. The benefits of being a number one show is that you can go back and ensure that the all the advertising time which is their get sold comfortably. We believe right now this trend should continue in Q3 and Q4 also because of this top program that we people own today.

Another commitment we have been making right now, two years back we told you we are entering the film project in the Yoodlee that the stay up had give us time to establish ourselves and second year we were able to break even, from this year onwards right now we will be writing profit and that is what it has happened out here. We have sold four movies, we have been able to go back and write profits in this quarter. The big thing for us was that we are only production studio today which has been able to give original film both to Netflix and Hotstar. In fact Hotstar started it original films business with two back to back films right now coming from Saregama cable under the Yoodlee brand name.

So overall a difficult quarter for management team in terms of financial numbers, we have come good and we hope to hold this momentum going forward. Thank you.

Happy to take questions now.

Moderator:

Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.



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Ravi Naredi: Nice to listen on everything. Sir in spite of launching so Carvaan of different nature, we could not achieve good numbers. Can you tell about this?

Vikram Mehra: Let me explain to you right now. First we launched various kind of Carvaan variant to ensure that we have a product that each of the price point starting from Rs.2500 all the way to Rs.12000. Also since we are newbie in the consumer durable business, to get enough shelf space at the dealer outlet it is mandatory that you have multiple variants otherwise dealer does not even give you any shelf space. If you walk to that consumer durable outlet today and that is kind of challenge from my side. You will find Carvaan getting great space in spite of we people not seeing dealer outlet anything for it. It is there are ranges large enough range. In terms of why the numbers, numbers we have grown this is one of the biggest quarters you have seen. We have sold 250000 units of Carvaan. What we are seeing right now is that the higher price Carvaan sale not go up. It is a lower Carvaan Minis which does much better which is nothing but a reflection of what the environment today is. People are not buying products right now which will dispose purchase decision can be postponed.

As a management team, I can again repeat right now we are not worried, we know that the intention to buy is high, the movement the overall sentiments in the country become better, people are ready to go back and not postpone purchase decision but buy things, Carvaan has got a very strong equity, till that time we will control our cost structures connected to Carvaan very stringently so that the bottom line can be maintained.

Ravi Naredi: Right and what was the net profit margin for Carvaan in Q2.

Vikram Mehra: I cannot go in that much of detail. We have maintained a gross margin of 25% and my commitment is there right now that by the end of the year Carvaan will be a very low net margin business. It will not be a loss making margin business, it will not a high margin business, this year and next year. So both years right now, Carvaan will remain low net margin business, FY2021-FY2022 onwards the Carvaan starts becoming high single digit net margin business.

Ravi Naredi: Okay so now onwards we are more looking about the other income?

Vikram Mehra: Sorry Sir did not get you?

Ravi Naredi: Licensing income we are basing on licensing income?



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Vikram Mehra: No Sir licensing income is growing very well. Licensing income as I told you right now if I do 6 months numbers right now on a year-on-year we grew by 21% and we are easily confident that this trend is going to go back and become better only in the next two quarters. We will continue to grow right on pushing Carvaan knowing very well that expecting some big numbers from Carvaan around maybe difficult unless overall consumer sentiments in the market improve.

It will not be drag on the bottom line that is a commitment I can make on behalf of the management.

Ravi Naredi: Ok thank you Sir.

Moderator: Thank you. The next question is from the line of Priyankar Sarkar from HSBC Asset Management. Please go ahead.

Priyankar Sarkar: So congratulations on a good set of numbers.

Vikram Mehra: Thank you.

Priyankar Sarkar: In fact the other numbers compared to numbers of other companies in this tough environment so it is a great result I would say. Sir couple of questions on the movie business, Sir how many have we produced till date starting from Ajji the first movie? It is my first question. Second is that are we going to be profitable on each and every movie like cost plus model or is it going to be like on a portfolio basis will be making money? that is my second question and what is the three year kind of target for the movies. We had some pretty aggressive target back in the days that year and a half back do we still maintain those kind of figures, if you can kindly elaborate on that?

Vikram Mehra: So let me answer your question number 2 philosophically, our approach in the movie business is that every movie has to make money. We do not believe in a scenario right now that one big movie can come out then recover the cost of all the flop movie, that is why our focus is more, our digital focus rather than a theatrical focus internally we people look at this the right now that the worst case scenario a movie has to recover 75% of its cost. On this juncture as the equity of Yoodlee as a film production house is going up, we are able to grow back and start getting revenues for us which are in sync with the kind of value we bring and hence we are turning profitable. Our cost structures have not changed that much right now. Earlier people were treating us as a newbie who had no experience of making films now with 8 our films with Netflix and two sitting in Hotstar of which five of the films



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are originals, there is a decent amount of credibility we have gone on there and built. Today, right now there is a list by a very senior media journalist which has come out, which is saying 200 of the greatest films of this decade. Out of the 200 greatest across all languages of India, 3 are Yoodlee films. So we are getting a credibility built right now which allows us to charge a better premium for the content we bring to the table. For your first question, you said how many films, we people are in a various stages of production which include around 17 films are there of which 10 deals have already been done, remaining 7 as they keep on getting ready, deals will keep on happening.

Our bigger target right now how much will we do, we continue maintaining right now that we are looking at 100 films over 5 year. Our process are build that we can do these many number of films as a catalogues start becoming bigger and bigger, first our negotiation power goes up, second what you guys will appreciate a lot is of typical movie when I am giving it right now for a licensed to a Netflix, if it is a short-term license we are writing off the entire cost the first time when we are licensing the deal, so cost is written off, when it come for renewal whatever money comes right now straight coming to the bottom line, so as these movies keep on coming out right now for the second tranche of licensing and the third tranche of licensing right now, there is good money to be made and with so many video platforms in the country and abroad there is a dearth of good content. Any of us who watches Netflix and Hotstar and Amazon always keep on complaining there is a shortage of content, so we know production houses right now which have got a good reputation who keep on maintaining quality right now in their content will be in a good position to keep on getting renewals for their movie deals.

Priyankar Sarkar: Sir there are so many if you go to area like Lokhandwala every 100 meter there is a production house and everybody aim is to sell it to the Netflix and Amazon of the world, so what is it actually that is getting differentiated?

Vikram Mehra: But how is it right now we are the only people, give me one production house which, I am not talking about theatrical films so lets not get Salman, Sharh Rukh and Akashay or an Aamir move in this game right now, because they are not in that game. Give one production house since you know about this area which has even put two films right now on Netflix, we are the only guys who have got 8, so there is something we are doing right, is the same way that we are doing something right in a music selection when you go out there and we are making new music also profitable for us. We have a very robust process developed internally on script selection. It is not that we are the creatively genius people out here, we have used a lot of left-brain part of ours to build system and processes which are independent of the films head or the managing director of this company to decide which



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film should go through. Our processes throughout the best possible script, the way we people go out and manage our cost structures right now, I am extremely proud. I am happy to comment anytime I am ready to go back and share that with you which ensure that every movie of ours gets over on-time and under cost. Those are things which are giving advantages.

- Priyankar Sarkar:** Fair enough Sir. Thank you. thanks a lot for answering my question.
- Moderator:** Thank you. The next question is from the line of Jaydeep Merchant from Janak Merchant. Please go ahead.
- Jaydeep Merchant:** Hi Vikram, congratulations on the good numbers.
- Vikram Mehra:** Thank you.
- Jaydeep Merchant:** Vikram just wanted to understand the status of the stock appreciation rights, if you have any comments to make on that.
- Vikram Mehra:** All we have right now that we have now the AGM approvals to go back and covert these stock appreciation rights in to stock options and we will start work on this right now immediately so you will action happening out from next week onwards.
- Jaydeep Merchant:** Okay thank you.
- Vikram Mehra:** So we are very clear right now the parties who are affected in this right now stock appreciation right they have also given the clearance out there to it, board has given the clearance, AGM level we have got the clearance. We are moving on it immediately.
- Jaydeep Merchant:** Okay thank you Vikram.
- Moderator:** Thank you. The next question is from the line of Kush Gangar from Care PMS. Please go ahead.
- Kush Gangar:** Was Saregama Carvaan profitable at net business for current quarter Q2?
- Vikram Mehra:** Let me not get into Q2 level right now. Was Saregama Carvaan profitable things in 2018-2019? Yes, low single digit net margins. What will Saregama Carvaan be in 2019-2020? Very low single digit net margins numbers. Quarter becomes a very tricky part what



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happened in the first quarter, the marketing was done up front and suddenly that quarter started looking pretty bad right now while the benefits of that are coming to the Q2, so if do quarter by quarter right now, it becomes a tricky part because we booked the marketing cost immediately while sales happens right now after a lag. On yearly basis I can go back and tell you right now it will be very low single digit net margin numbers.

Kush Gangar: Comparable to last year?

Vikram Mehra: Comparable to last year maybe lower than last year.

Kush Gangar: Okay the reason why I am asking is because segmental results, your films divisions did superb, that is the reason the fall in music profitability got overshadowed so compared to last year the music division did poorly in terms of profitability so that is the reason I was asking about?

Vikram Mehra: The problem is the phasing part. All I can go back and tell you right now last year in the first six months the marketing spends on Carvaan were low, second six months they became higher, this time the first six month we have seen a higher marketing spends on Carvaan, next six months you may see lower. So the movement we come to the end of the year I will be in a better position to answer this which is the nature of how the spends have been done. Second part, I said it in my opening part, I am again acknowledging it. The reality is that though we have grown Carvaan sales to 250000 units in this quarter which is a very substantial growth majority of the growth has come Carvaan Minis which is a lower priced SKU. Our gross margins have maintained at 25% right now, but the average check value starts coming down.

Kush Gangar: So last year we did around 100 Crores in advertisement and sales promotion and this year figures should be similar to those level?

Vikram Mehra: So let me not comment on this directly. Again when you say advertising right now that number that you see not just Carvaan it includes all the new music that we people acquired the marketing of that which is a commitment we make to the movie producer also sits under this, so why this queue starts happening right now, in Q3, there is no new film music that we are releasing. In Q4, there maybe 2-3 new film music that we will be releasing so the only marketing spends will start looking higher, that is not connected to Carvaan.

Kush Gangar: Okay and the reason for trade receivables increasing by around 30 Crores?



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- Vineet Garg:** We sold 4 movies this last quarter, so I think that is one the reason the receivables for that some is received and some is in the line of receiving and there is small increase in receivables for the retailer as well because the number is quite high compared to the last year quarter as well and this year quarter as well, so I think it is a normal standard trade period, there is no extended period.
- Kush Gangar:** Our films segmental revenue profitability was quite high, was that primarily due to ad time getting used in Sun TV?
- Vikram Mehra:** No nothing with that right now, so film profitability nothing do with it, the film part did very very well because again it is just facing issue right now, it will be profitable full year basis also but in this quarter there were four movies that got sold. The movement year-on-year came to the next quarter you may not have that many movies getting sold. Television side that is a reality out here, TV was writing losses quarter after quarter this quarter right now even television has turned around, courtesy one serial called Roja.
- Kush Gangar:** Sure thank you.
- Moderator:** Thank you. The next question is from the line of Ritwik Rai an Individual Investor. Please go ahead.
- Ritwik Rai:** Sir couple of things I wanted to understand if could give us some idea of Carvaan, you just spoke about it but in terms of the advertising and promotions stand, about what percentage of it like this quarter is about 30 Crores about what percentage of it is dedicated to Carvaan?
- Vikram Mehra:** Sir I cannot get into that specific numbers out here. All I can tell you right now that when we give you gross margin number of 25% for Carvaan, the gross margin is calculated after deducting the cost of goods sold, import duty, service cost, warranty management cost, logistics, warehousing, content cost because the content also has a royalty connected to it and all below the line expenses.
- So putting up a stand at dealer outlet all that is deducted while calculating gross margin, that is 25%. I am saying my gross margin to net margin the only deduction which is happening is above the line marketing cost. That will give you an idea right now what numbers are we talking about and I am telling you our net margins numbers at the end of the year are going to be very low single digit percentages.



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Ritwik Rai: Okay fine and Sir the other thing I wanted to ask you that of course the movie have done very well in this quarter, what could we expect going forward, does this signify something changed that we can kind of extrapolate going forward because now kind of settle down?

Vikram Mehra: The movie unlike a music licensing business right now, which is an extremely solid foundation base business with a big base so there are 20% advancing, we are growing by anything between 20%-25%, the jump is huge in terms of profitability. Movie business right now this is a we just completing 2.5 year, we are not taking any big projects, high risk ones right now because that is what all investors ask us to do start slow and do with a smaller movies right now because there was a fear that movie business may have its own risk involved in it, so we continue with that approach only right now, we will keep on going slow and steady. It will be profitable.

Ritwik Rai: The only thing I am asking about in terms of profitability also it has improved.

Vikram Mehra: Again, it will be profitability end of the year also. It is not just one quarter became profitable, second quarter is going to go into losses, that you refresh, but are we suddenly going to go back and say and every quarter this amount of profit that will start coming in? unfair because we are doing a slow and steady number growth only in the movie business.

Ritwik Rai: Alright Sir one last thing about the film music part you have taken a more aggressive route as compared to your films right, the music acquisition and you also indicated that in Q4 there would be a couple coming up so what is the kind of expenses that you have done for acquiring these two to three titles.

Vikram Mehra: I cannot get into specific deals. I think we have also gone on record saying that we will be spending closer to 200 Crores in terms of the commitment over the next 3 years, acquisition right now for new film music acquisition while in financial year 2018-2019, we had spent 32 Crores on new music but that is the number what we will spend in 2019-2020 one is done right now I will happy to go back and share it, at this juncture right now you work and think that our overall plans are closer to 200 Crores over the period of 36 months.

Ritwik Rai: Alight thanks very much Vikram.

Moderator: Thank you. The next question is from the line of Aakash Chatuvedi from Torero Capital. Please go ahead.



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Aakash Chatuvedi: Hi Vikram so my question is regarding the credit period that you are extending to various segments, so has there been any change given the change in sentiments on ground?

Vikram Mehra: No.

Aakash Chatuvedi: Okay so what period do you give?

Vikram Mehra: So there are different parts right now, so whom are giving credit period, some of that movie licensing deals specific to Netflix which is standard part right now and we continue working on that arrangement. The second big part happens on the OTT streaming platforms the credit period strategy does not change right now. Everything is quarter in advance, but at times the nature of our agreements is that it takes longer time to sign the agreement, but that is standard process that have been going for decade now, so nothing has changed at this juncture. Carvaan 2 distributors is always cash and carry, nothing is changing out there, we give credit to the modern retail outlet that credit period remains constant.

See the advantage the right now, when you have a high quality IP product whether it is Saregama ka music or it is Carvaan is that you are in a good in a position to withstand pressure from partner.

Aakash Chatuvedi: Fine.

Moderator: Thank you. The next question is from the line of Sameer Patel from Savvy Capital. Please go ahead.

Samir Patel: Yes good afternoon Vikram and team, congrats on good numbers.

Vikram Mehra: Thank you.

Samir Patel: My question is regarding Yoodlee films. Can you just explain the process a little bit as to how the revenue item comes in and how is the whole process from the time you release it a first time and the second subscription you talked about

Vikram Mehra: You are asking how do we are accounting for Yoodlee films?

Samir Patel: Correct.



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Vikram Mehra: First as the way it happens right now, the film is 100% produced by us, firstly 100% line produced by us, which means we have control over every cost element unlike the big studios who buy the films from somebody else and then sell it, we create our films so that is one advantage we bring to the table right now, if we are making these many number of films, we now have a benchmark for every small cost element across 17 of our films. We do long term deals with the cameraman, we do long term deals with the lights guy so that we can reduce the cost structures lower, which is on the cost side. Once the movie is ready as a policy Saregama never sells over its IP. IP is always retained by us, we license our movie either all rights or limited amount of rights to a digital platform for N number of years, thus movement of first digital deals happens the entire cost of the film gets charged off, the date of first digital deal is happening is happening right now, the cost of the film gets written off.

Samir Patel: In the same quarter?

Vikram Mehra: In the same month, with a movie which is costing Rs.100 and I have sold it for whatever Rs.70 or Rs.120, the Rs.100 cost is going to be return off in the same month in which the deal is happening and so is the revenue.

So the movie rights are always retain by us, so we keep whatever money we make out of movie is a separate source of income which we start recognizing as it starts happening. In some cases now our first set of movie deals that we did, all rights were given out there to somebody, now we have started breaking the rights and we are giving few right away even if you write away we are writing down the entire cost of the film, recognizing the revenue from those rights and keep on monetizing the other rights in the days to come.

Samir Patel: So that just means that now how may use at 17 films or 20 films you are already through?

Vikram Mehra: 10 films we already sold off or licensed out, you have another 7 films at various stages of production, some are pre-bought already by somebody, some are in stages right now, the licensing should happen anytime.

Samir Patel: So the 10 which are already licensed that is what is already in the numbers.

Vikram Mehra: It is only in our numbers yes.

Samir Patel: So up till now whatever you have recognized...



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Vikram Mehra: The entire cost of the 10 films have been charged off and you have the revenue been recognized.

Samir Patel: Okay good. This is like whatever we see in this quarters number is something which should at least continue if not in an exponential fashion but at least we should see good numbers from the films?

Vikram Mehra: I will not agree with what you are saying right now, because there are four movies deal that happened in a single quarter it is just a phasing issue, what you will see for sure that year-on-year basis right now this will grow and it would remain profitable, that is one, last year Yoodlee film was breakeven this year Yoodlee films will be profitable and it will grow with time. Will it grow at the speed of that four films done in a quarter? no, we are not making 16 films, so this is phasing issues that happens. Second what you can be very sure of that there is nothing right now that it has been capitalized right now and it is going to hit the books at later juncture, entire cost we charge of for what you see what the reality is.

Samir Patel: Great. Thanks a lot Vikram that was the only thing I wanted to clarify. 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 team for closing comments.

Vikram Mehra: As I said earlier right now, it has been a difficult environment. We have managed to get over it right now with a good quarter. We remained bullish on the music licensing business. We expect it to grow overall around 25% plus minus 2% kind of rate and we will keep on investing in newer content on the Hindi side, Punjabi side, Tamil side. There are some bigger movies coming out there in Q4 and we are also going out there and acquiring films with financial year 2021 some even come in 2021-2022. You will see both investments as well as returns coming out there from the music licensing business. In light of the current environmental condition that are going on, we people are revising our Carvaan number estimate for the full year from 1.2 millions units to a 1 million units but what we assure you right now that as part of the strategy we also cutting down the sales and marketing spends right now because in an environment where consumer is consciously postponing the purchase decision, there is no point spending good money. We will conserve our resources to fight this battle once the environment becomes a more friendly, we will dramatically reduce our sales and marketing spends so that we go back and keep on protecting margins. The new Carvaan Go 2.0 with much more powerful speakers will get released in the month of December. We believe it should give some amount of flip right now and our strategy is



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to can I get more and more Carvaan Minis people to come to Carvaan Go because the price point Carvaan Go is priced in-between Carvaan and Carvaan Minis so we are trying to position our product out there to up the spends from the customer. The karaoke product of ours right now we plan to release some time in the month of January 2020. The Carvaan brand we are now extending right now to the digital space also so you be seeing a host of content coming out under the brand name of Carvaan lounge in which many old songs are going to be get remixed, we already had lot of interest and sponsors to come on board, we will experiment with this process right now in the next of couple of quarters, but in a fashion right now once again the old Saregama strategy, will do lot of experiments out here, all low cost experiments to go back and see how does it work but we are keen to extend the Carvaan brand to the digital space also. It will help both ways, we can make more money out of the Carvaan brand and Carvaan brand becomes bigger even without sending money on it. We are also planning to extend Carvaan brand right now to some form of live music events in the days maybe the end of the current quarter right now to gain a better position as our plans concretize to tell you what all will happen on the live events, strategy out there is also the same, try it small, try it with other partners right now, so that we learn pretty fast so that we can scale up the business in the day to come. Overall management team we continue right now our bullishness on the core business on music licensing, Carvaan will continue in a steady fashion. We commit to you that it will not become a loss making proposition it will go back and deliver very low single digit net margin numbers, the films business will continue growing strength to strength. TV has turned profitable. We have all the intentions to keep it that way. Thank you.

Moderator:

Thank you very much sir. Ladies and gentlemen on behalf of Anand Rathi Share and Stock Brokers that concludes this conference. Thank you for joining us and you may now disconnect your lines.