"Saregama India Limited

Q1 FY '25 Results Conference Call"

August 05, 2024

MANAGEMENT: **MR. VIKRAM MEHRA – MANAGING DIRECTOR – SAREGAMA INDIA LIMITED**
MR. PANKAJ CHATURVEDI – CHIEF FINANCIAL OFFICER – SAREGAMA INDIA LIMITED
MR. SAKET SAH – GROUP HEAD – INVESTOR RELATIONS AND ESG REPORTING – SAREGAMA INDIA LIMITED
MR. PANKAJ KEDIA – VICE PRESIDENT – INVESTOR RELATIONS – SAREGAMA INDIA LIMITED

MODERATOR: **MR. PULKIT CHAWLA – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and good day and welcome to the Q1 FY '25 Results Conference Call of Saregama India Limited hosted by Emkay Global Financial Services. 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pulkit Chawla from Emkay Global Financial Services. Thank you, and over to you, sir.

Pulkit Chawla: Thank you, Neha. Good afternoon, everyone and welcome to the Q1 FY'25 earnings call for Saregama. From the management we have with us today, Mr. Vikram Mehra, Managing Director; Mr. Pankaj Chaturvedi, Chief Financial Officer; Mr. Saket Sah – Group Head - Investor Relations & ESG Reporting and Pankaj Kedia, Vice President - Investor Relation Without any further delay, I shall now hand over the call to the management for their opening remarks. Over to you, Vikram.

Vikram Mehra: Thank you, and good afternoon, everyone. This quarter saw operating revenue of INR 205 crores and PBT of INR 51 crores. Our revenue increased by 26% over the last year and is in sync with a guidance of 30% revenue increase in FY'25. Our EBITDA increased by 9% and is currently at 33% of the revenue which again is in sync with the guidance that we have been giving for our adjusted EBITDA.

As always, I will request you to evaluate us on a rolling 12-month basis and not on a quarterly basis. I said this when we had a great quarter 4 last year and I'm saying the same thing in this quarter. On a full year basis, we are confident that we will end up meeting all our guidance that we have given to the market.

Let me start as always with the first vertical - music. The apparent drop in music segment revenue is on account of Carvaan which we are scaling down I can give you the comfort that the music revenue - which is a combination of music and artist management - is on track to achieve our guidance of 25% - 26% growth in the FY'25. We don't see any problem there.

This quarter saw the release of our chartbuster song Tauba Tauba from the movie Bad Newz. This song has topped every possible chart in the country - be it a Spotify, Instagram, Radio, YouTube you name it and we're there. It's the Spotify's no. 1 song in India since 9th of July. In fact, it is the global no. 1 music video on YouTube since the last 28 days. Today is the 29th day. As I talk to you, the no.2 and the no.3 song on the YouTube global list currently also belong to us.

The other songs of Bad Newz- 'Jaanam' and 'Mere Mehboob' - are also part of Spotify Top 50 charts for weeks now. We also saw the release of the Prabhas, Amitabh Bachchan and Deepika Padukone starrer Kalki 2898 AD. Just like the movie, the music is doing very well and has topped the Telugu charts. Other big album this quarter was of the movie Mandakini whose song, 'Vatteppam' topped the charts in Malayalam language.

In the non-film category, the company released songs like Morni by Raftaar, who's a very big rapper. Then there is *Kaala Chashma Laga Lijiye* by Neelkamal in Bhojpuri; *Piyu Maano Maru* by Kajal Maheriya in Gujarati; and the devotional song, *Suno Krishna Pyaare* by Swati Mishra and these are only some of the names that have taken. Overall, we released 330+ original and premium recreation songs across multiple languages which includes Hindi, Bhojpuri, Gujarati, Punjabi, Tamil, Telugu, Malayalam, Marathi and Bengali.

Our lineup for the next 12 months is all in place where we have the music of some of the biggest films of the year. In the month of July, we have just released 2 songs from the next movie called *Stree 2*. Both the songs are doing extremely well. One of them is global music video no. 2 and the second song is global music video no. 3 on YouTube music video charts. That means global no. 1, no. 2, no. 3, all belong to Saregama today.

Some of the movies which are going to get released in the next few months are Dharma production's Jigra which stars Alia Bhatt; Maddock film Skyforce starring Akshay Kumar; Surya’s Tamil Fantasy film Kanguva, , Mammootty’s Bazooka in Malayalam; Kannada superstar Sudeep Kiccha’s film. I have shared with you in May that this will be the year where we start the journey of future-proofing our company by investing in newer content. It will also be the year to start the process of moving Saregama from being the no. 2 label to the no. 1 label of the country.

This means this is a 3-year period where we will buy big in terms of content, but we will always buy smart so that we have one of the best ROIs in the market. This quarter the charge-off on account of new content has gone up by 48% year-on-year. We are currently in a transitional state where our new content expenses are going up in a step-function manner, resulting in the incremental revenue just about matching the content charge-off.

Over the period of next 18 months this will stabilize. The content investment will start going up linearly after that and not in a step function. And the additional revenue that we'll be generating on account of the content we will be taking over these 2 years and the new content that we will pick up will far exceed the charge-off that will start coming in, which means the profit should also start rising steeply.

With all this investment in new content, we maintain our guidance of a 5-year payback period. That means whatever you spend today across all languages, in a maximum of 5 years we will get our money back, and then we have anything between 55 to 75 years to make money from that content.

This quarter was the last one with the base effect of free streaming moving to pay. Two of our partner platforms - who had contributed revenue on the free side in Q1 FY'24 - from Q2 onwards completely moved behind the paywall., This impact gets over from Q2 onwards. On YouTube revenue front, quarter 1 saw some pressure on account of most advertising actually coming from the political advertising or was IPL advertising. June onwards we started seeing very stable growth. As we go forward in the year , we see the numbers looking good.

Overall, we aim for the music vertical - which includes licensing as well as artist management - to grow its revenue by a minimum 25% - 26% during the year. Artist management - the new vertical that we have under music, wherein artists are made popular through our IP releases which may be music or short format films or longer format films, and then we monetize these artists by booking them for live events, weddings and brand endorsements and Saregama gets a share of their money.

During the quarter, 30-plus new influencers and music artists were added, making our overall portfolio upwards of 150. These artists ,among them, have over 100 million followers and subscribers on Instagram and YouTube. As the investment in newer content goes up these artists are going to become bigger and bigger. Even the most pessimistic estimates on digital advertising growth are giving a number around 15%. A large amount of this money is going to flow down to content which is riding on the digital platforms.

And the might that we have between our own content and the content which is created by the artist whom we are managing, we believe we will be in e a very strong position to grab a lion's share of this advertising budget both on the music side and more importantly through Pocket Aces' Clout. We believe we will be having a clear no. 1 position here.

Two of the artists on the music side released their songs. There were Arjun Tanwar's song, *Banjare* that was launched, and Maahi released his second song *Jaadugari*. Overall, with a stated goal of acquiring 25% to 30% of all new music releases in India, the licensing vertical should double its revenue in 3 – 3.5 years, which is 25% to 26% growth year-on-year. And this entire investment is going to be funded through our internal accruals or the QIP money . No additional investments or fundraise is needed.

Let me now shift to the video vertical where we make films under the brand name Yoodlee, we make digital series under the brand name Dice which belongs to Pocket Aces, short format content under Filter Copy, Nutshell, etc and TV serials for Sun TV.

The explosion of smartphone ownership and cheap data are the biggest drivers of this vertical. We are still in very early stages of building this business. We believe, over the next 5 years, we should be able to grow this business at 25% CAGR. Please remember, every time we look at video, video must make money on its own and we are all very clear about it. But we should also keep in mind the amazing amount of impact it has on the music business.–Firstly, it allows us guaranteed content. Since most of our competitors also have a video arm, we never want to be caught in a position where it becomes difficult for us to acquire content from the market. Secondly, the music content , which is put in a Yoodlee film ends up giving us a much better ROI than something that we're acquiring from the outside, obviously, because we have complete control on what music and what singers are involved in that music.

This quarter saw the release of two Punjabi films, Gippy Grewal's *Shinda Shinda No Papa* and *Ni Main Sass Kuttni Part 2*. Quarter 1 also saw the release of *Bada Sheher Choti Family*, our branded web series with Maruti as a principal sponsor which was released by Filter Copy. *Agra Affairs*, a Dice creation was delivered to Amazon Mini TV. And Gobble had a web series called, *Carpool Biryani* which had the backing of the sponsor Thumbs Up.

In the last few quarters with various consolidations that are going on in the media sector, there is a little bit of uncertainty on the digital platforms and TV channels. We believe all these things should sort themselves out over the period of next 12 months. And the market is, once again, going to have a lot of hunger with more and more of video content, both on the film side as well as on the short and long format video content side.

On the live events side we have started the Dil Luminati tour of Diljit Dosanjh in Vancouver with a record-breaking turnout of over 50,000 fans. Overall, 11 concerts were held in Canada and U.S.A. Multiple shows are planned in India and UAE in the coming quarters. We also launched *That's So Viraj - With Friends* a live comedy shows with a Clout exclusive artist called Viraj Ghelani. These are great examples of synergy being drawn between various verticals of Saregama so that the overall result is much greater than the sum of individual parts.

Two of the shows were held in Mumbai and now we are planning the shows internationally also. As shared in the past, events business is a very high revenue, low margin but a high IRR business. So, in quarters where there are a lot of concerts, it may make our EBITDA margins look a little low. But the fact is very little capital gets locked in events business, and that also for a very short duration, which results in a very high IRR for the business even though the margins are less.

A typical scene is that if a concert is happening, our actual money is getting locked for not more than 15 -30 days, and more often than not our ticketing partner ends up giving us an advance, which takes care of the investment that we have to make initially.

As far as Carvaan is concerned, we have rolled out a new retail strategy whereby we'll be selling this product only from e-commerce and modern trade stores. This entire thing is getting rolled out in various parts of the country. Over the next few quarters, we will start getting out of the individual stores. While our top line -- will shrink on account of getting out of the retail stores, we believe our profitability margins are going to improve through better control on the cost structures, which were directly attributed to physical distribution.

As promised earlier, from this quarter onwards, we have started sharing the Carvaan revenue number separately. This quarter, Carvaan revenue was INR24.7 crores, which is a significant drop over Q1FY24 .

If I talk long term, over the next 3 years, we will be investing over INR1,000 crores in new music content. This will not only contribute to immediate growth, but also put the company on a long-term growth path. And this is something I want to reiterate. We've always had the option to be happy being a music-only or catalogue only company and drive very high margins. And yes, the margins can be very high if we continue only being that. We believe that's not going to prepare the company for the future. We are making these high margins because we made the investments 30 years ago on the catalogue content. Similarly, we have to make investments today, so that 50 years down the line also, the company remains relevant and remain one of the most successful entertainment companies you've ever seen in India.

Also, we don't want to be dependent ever only on one vertical. And in today's digital environment, all verticals are feeding off each other. Events feed off music, music feed off films, films/ are used to promote artists and the same artists are then going out there and performing in events. So, for us there's a lot of synergy we can drive off each other. And you will start seeing the impact of this over the next 2 to 3 years.

At the consolidated company level, we expect revenue, excluding Carvaan, to grow at a CAGR of 30% over the next 3 years and PBT to double over the next 3 to 4 years. On the EBITDA side, we maintain our adjusted EBITDA guidance of 32% to 33% with the strength of -- the IP that we own, a long-term strategic thinking, adequacy of capital on our balance sheet and a fast-growing digital footprint.

Today, we have direct or indirect control of 262 million follower internet footprint between various channels of Saregama, Pocket Aces and the artists that we people manage. Strength of all this will ensure that we will be successful in our aim to become one of the biggest and the most profitable IP company from India. Thank you, and we'll be happy to take questions now.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kavish Parekh from B&K Securities. Please go ahead.

Kavish Parekh: So, at the start of the call, you alluded that the music business needs to be looked at on a 12-month basis. Even then music revenues are up only 7%, further margins too have been volatile. what explains this, sir? What led to the sharp fall in margin -- music margin this quarter? And secondly, any colour on the performance of Pocket Aces? Numbers suggest that Pocket Aces is now close to breakeven. So, is that the right understanding?

Vikram Mehra: So let me answer Pocket Aces first. End of the year, you will find Pocket Aces at a breakeven level. We are not there yet, but we will be there before the end of the year. Regarding the first one, when you're, looking at our music revenue, you have to combine music and artist management.

On a combined basis we have been growing at over 23% year-on-year. In fact, this year, , our guidance is that we will grow at 26%. You had a question on the profitability. Please remember, at the moment, we started investing more and more on the newer content. As stated earlier, the increase in revenue in the initial year was just about matching the charge-off that we will end up taking on the content. Give it another 18 months, post which the impact of the revenue will be far higher than the charge-offs that we'll be taking. And you will be seeing profitability also start moving at the same rate as revenue.

Kavish Parekh: Right, right. Just as a follow-up on the artist management vertical, revenues from the same have started flowing in only 3Q FY '24 onwards?

Vikram Mehra: No. We started reporting them separately now. They were earlier part of the music vertical.

Kavish Parekh: All right. Thank you, sir. That was it from my side.

Moderator: Thank you. The next question is from the line of Yash from Stallion Asset. Please go ahead.

Yash: Just got one basic data-keeping question. How much revenue comes from YouTube and Instagram for Saregama across all the segments?

Vikram Mehra: I can't give you specific platform level information, it's confidential in nature.

Yash: Okay. But you just directionally, would it be like a majority of your revenue or are there other streaming platforms that also contributed or is it more diversified? That's what I'm trying to understand?

Vikram Mehra: We don't have dependence on any 1 platform or 1 partner to that extent. YouTube definitely is a large enough player right now, but so are the streaming platforms like Spotify, short format platform like Instagram, so are the big television channel networks who end up taking a license from our side and so are the societies from whom we end up getting money typically in Q4. We have very consciously worked in a fashion that there is no overdependence on any one player.

Yash: Okay. Got it. Thank you.

Moderator: Thank you. The next question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.

Jyoti Singh: Sir, my question is on the event side performance. If you can shed some light and also impact on revenue coming from the Diljit Dosanjh concert that was held in U.S. and Canada in Q1. And third, sir, just wanted your view on the influencer side, like we are focusing to advertising through influencers. So, like a lot of focus RPSG Group to go with the influencers. So, this will be going to be our strategy for most of the group companies that we are doing?

Vikram Mehra: I'm in a position only to comment on Saregama. When we look at influencers, we strongly believe that in the days to come, more and more younger people will prefer following their local influencers that they look up to rather than only the top cricketers or the top Bollywood actors. People go by the brand recommendation made by somebody they can relate to rather than only a movie idol. And brands are recognizing this. So, more and more brands want to work with the influencers. We understand this reality.

Hence, we want to build up that vertical. The key challenge is anybody can tomorrow start representing influencers. Why we are unique is because we are the only influencer management company, which is also in the business of creating content. Hence, the influencer who signs up with us, we can make the influencer that much bigger by giving them chances to appear in our music videos or give them chances to appear in the video content that we are creating for a Filter Copy or a Gobble or a Nutshell or a Yoodlee.

Once the influencer becomes big, whatever money influencer makes through brand endorsements, through live performances at weddings or any other mode , we end up getting a percentage share of that revenue. This is as far as the influencer part is concerned.

On the event side, remember the nature of the business is that you invest some money for a very short span of time. Concerts typically don't require long gestation periods. If a concert is happening in the month of October, , we end up putting our money only in the month of August. In the month of September, we end up getting advances from our partners who may be doing the ticketing for that show. The money is locked in for a limited time. October, the deal gets over, money is back, brand money is also in. So, the same money can be circulated 6 to 8 times during the year. Hence, on the margin side, it will always be single-digit margin , but on the IRR side, it becomes triple-digit IRRs if the money is deployed properly. Hope I've answered all your questions.

Jyoti Singh: Yes, sir. Sir, just one more thing. As we are now focusing more of launching younger generation singles. So, what your comment on that side like because it will be lesser in cost. So, it will obviously going to help us to reduce our costs. So how it will go into benefit for us?

Vikram Mehra: It will benefit us, but maybe the reason that you have given may not be right. When you work with very big artists, you end up paying a large amount of money to the artist. But the marketing requirements are lower, because artists are already very well known. When you're working with younger artists, the artist fee is practically 0, but the marketing fees are very high because the artist needs to get established in the market first.

Our strategy of investing in the newer artist is that not only do we want to make money from the songs that the artists are creating. But if the artist becomes big, they will get invitations to perform in weddings or corporate functions or brands will like them to do brand endorsements. We will also get a share of that money. So, unlike your big artists where you make money only from the songs, with the younger artists - the risk is higher - but the monies can be made both from the song as well as from the fee that the artists will be making.

Moderator: Thank you. The next question is from the line of Lokesh Manik from Vallum Capital. Please go ahead.

Lokesh Manik: Just 1 question from my end. The music revenue this quarter was at INR140 crores versus INR149 crores June of last year...

Vikram Mehra: It's not INR142 crores. It's INR142 crores, plus INR16 crores, so it's INR158 crores.

Lokesh Manik: INR158 crores.

Vikram Mehra: Artist management always has to be seen as music, please. I've been stating this.

Lokesh Manik: Fair enough. So, my question was, even if you see INR157 crores versus INR150 crores, and we had a content charge last year at INR18 crores for this -- the June quarter last year. So are we not seeing the throughput or there's nothing much to read into this...

Vikram Mehra: Nothing. My only part, which I said earlier also, when you're comparing INR158 crores versus INR149 crores number, also see us excluding Carvaan revenues on both sides. Carvaan has seen a reasonable decline in this quarter. Music licensing revenue - which is a combination of music and artist management - on its own as a vertical is very steady. But I'm continuing with my guidance of a 26% growth during the year.

Moderator: Thank you. The next question is from the line of Pulkit Chawla from Emkay Global Financial Services. Please go ahead.

Pulkit Chawla: Vikram sir, my first question related to YouTube. So just wanted to understand the impact of realizations on YouTube compared to, let's say, sequentially you did highlight there has been some decrease because of diversion of advertising funds annulated. Approximately what proportion of the YouTube views that you typically do report? Is that on the Shorts platform?

Vikram Mehra: On the reporting side a significant number of views are coming actually from the Shorts platform. Since others start reporting all views, that's why we have to report views in similar fashion. Earlier days we never used to report Shorts. On the realization side, Shirts are fixed fee deal whereas views on Saregama owned channels and UGC on YouTube is a variable deal.

Pulkit Chawla: So, I just wanted to understand you mentioned about, let's say, because our YouTube views have actually gone up this quarter on a sequential basis, but there seems to be some weakness on a realization basis ?

Vikram Mehra: In April, May combined we saw more advertising money flowing on news, elections and then on IPL, which happens every year because most big advertisers want to advertise on IPL and nothing else. And this is what was expected, and I had said this in my last quarter's analyst call also. June became completely stable, and we were back to normal, and July has been going very steady for us.

Pulkit Chawla: Got it. Second, on the event side, this quarter, you had 11 concerts with Diljit in the U.S. Canada, but revenue obviously doesn't seem to be that high if you're comparing on a sequential basis. And you did highlight that you've had a relook at the entire strategy last quarter. So, is that -- if you could throw some light on that?

Vikram Mehra: On the events business, can you just be a little bit more specific, Pulkit. What is the exact information...

Pulkit Chawla: You've done around 11 concerts with Diljit, right? But I think if you look at the revenue on a sequential basis, there hasn't been too much of an improvement also. And you did highlight in terms of your -- you had a relook at strategy, right, last quarter. So just wanted to have some colour on as to what the -- what the new strategy has been in the event side?

Pankaj Chaturvedi: The revenues that we realize depend on what kind of structuring is being done. For our overseas events, we've got different partners managing the shows.

Vikram Mehra: The event revenue in U.S., the way we have treated it - is very different from the deals that we have in India. In India, we are managing it 100%. In U.S., it's easier to go out there with a local partner. And we ended up taking only our share out of it on the profit side. We didn't want to take a risk of such a large revenue coming on our books.

Pulkit Chawla: Got it. Yes, that's helpful. And my last question is on the artist side. I mean, given that you've reported, let's say, low single-digit margins for the couple of quarters that you've reported your numbers, where do you typically see medium-term margins trending towards in this particular segment?

Vikram Mehra: Remember, there's no capital that artist management requires. All the capital is on music. Artist management on its own, apart from having a team, there's nothing else that we people are spending there. Typical margins on the music side of artists can vary anything between 20% to 30% to 40%, while on the influencer side is between 15% to 20% as the gross margin from which you deduct the expenses of your team members out there. So that's a range you are going to be in unless you have a breakout artist coming out. Remember, this is whatever we make as additional money because there is no cost.

Pulkit Chawla: Got it. That's it from me. Thank you very much.

Moderator: Thank you. Our next question is from the line of Dheeresh from WhiteOak Capital Management. Please go ahead.

Dheeresh: Just for clarity, the -- in Pocket Aces, revenue is being partly reflected in artist management as well as in video. Those are the 2 places where it is getting reflected, right?

Vikram Mehra: You're right.

Dheeresh: So, when you say that INR16 crores, so you said music is INR142 crores plus INR16 crores. So this INR16 crores which you're carving out now, in the base quarter, June '23 quarter, how much would have been the artist management?

Vikram Mehra: Artist management today is a combination of what we are doing with Pocket Aces. And in Pocket Aces also there are music influencers and acting influencers as well as the artist management that we are doing within Saregama. It's a combination that you are seeing in there.

Dheeresh: Correct. So, the INR16 crores this quarter is a combination of your legacy artist management and the Pocket Aces artist management, right? In the base quarter, June '23, you would not have the Pocket Aces artist management, but you would have your existing base legacy artist management. So that legacy artist management in the base quarter, if you can give a ballpark number to that extent?

Vikram Mehra: Let me not get into that much of detailing at this moment. See, again, the objective is to understand that is the music business is growing at the pace at which management had given the guidance. I'm holding my commitment that we are on track for a 26% year-on-year increase on the music business, which is a combination of music licensing and artist management.

Dheeresh: But without artist management, the music licensing itself also should be in 20% plus, right? Because before we had acquired...

Vikram Mehra: There's no without -- it's the same business for us. It just that there were so many questions coming on artist management. So, we started reporting them separately. It's the same business. At the end of the day, those artists are appearing in my music videos. And we are taking risk by having the same artist appearing in 3 of my music videos or singing 5 of my songs. So, the revenue I'm going to make from it right now is also a music revenue. We are very clear. It is a music-driven business.

Dheeresh: Okay. And just -- I mean, I know there is some variability quarterly, but compared to the other industry peers, why is there so much deviation in the quarter-on-quarter performance?

Vikram Mehra: In the quarterly presentation, again, we have given the quarter numbers for the last, 17 quarters. And the nature of the beast is this. One, there's advertising revenue, which is highest in quarter 3 .Both on the video side as well as on the music side, a large contribution is a percentage of the advertising revenues, which is seasonal in nature.

Second, the way our deals are -- there are minimum-guarantee deals with potential for overflows. For minimum guaranteed deals, we book revenues basis only the minimum guaranteed value -- and overflows come when they actually start hitting us once we exceed the minimum guarantee. And these deals at times are allowed to live for the entire period of 2 years. They sometimes get renegotiated earlier because of various reasons. The moment we're renegotiating the deals, overflows are going to get booked. Whenever you're looking at us, please look at us on a 12-month basis.

Dheeresh: Okay. Understood. Thank you for taking my question.

Moderator: Thank you. The next question is from the line of Swapnil from JM Financial. Please go ahead.

Swapnil: So, my first question is with respect to your Carvaan revenue. Could you give a sense as to what was the Carvaan revenue last year same quarter?

Vikram Mehra: See, we have only started sharing those numbers from this quarter onwards. You have the number for the last full financial year. It will be easy for you to make an estimate from that. We have seen a decline in this quarter, I will acknowledge that. We have cut down our retail network dramatically, and we will keep on cutting it down over the next 2 quarters. By the time we end this financial year, it will become only an e-commerce and a modern trade product.

Swapnil: Okay. Got it. The second question is with respect to a multiyear deal that one of our competitors have signed with a global music label, which I think is helping them get better rates from global OTTs. Have you thought on those lines, getting in those kinds of deals where we align with some global music label and...

Vikram Mehra: I will not comment about competitors. Let me tell our strategy. We, as a company, want to be taking this looking 20, 30 years ahead. The whole reason we're investing in newer content is the same. And similarly, the rationale that our fortune should be in our hand, whereby we build relationships with each of the individual platforms rather than for a guaranteed amount of money handed over to some other labels. That means, I will have no understanding in future how Spotify is functioning, or an Instagram is functioning. We don't want to be caught in that particular situation.

Please remember, every step we are taking in this company is not looking for just the next 12 months. We are looking at anything between at least 5 to 10 years ahead. And saying in the days where there will be a limited number of platforms, there should be enough competence sitting within Saregama that we know how to read data which is coming in. A good example today is on a daily basis, my team keeps note of the views and streams of every song out of 150,000 songs, on every platform. If there is more than 5% variance in the daily views or streams compared to the last 1-month average, we take immediate actions on this.

All this intelligence that we are building on the analytics side and on marketing side, they can come only if you have direct relationships with platforms. I often say that even if somebody is ready to pay a little bit of a premium, we let go of that. We much rather prefer that we build this competency now and have direct relationship going on the platforms.

Swapnil: Fair enough. That's very well explained. The next question is with respect to how much content acquisition are we planning to -- I think in the cash flow statement, you have shown around INR47 crores of content being acquired for this particular quarter. For the full year, where will we stand?

Vikram Mehra: We have given an estimate of INR1,000 crores for the next 3 years. At a very broad level, we are looking at number of anything around a little upwards of INR300 crores.

Swapnil: Okay. And how much cash would we have on the balance sheet as of today?

Pankaj Chaturvedi: We have disclosed this Swapnil, it is more than INR600 crores if you see our cash flow statement in the investor presentation.

Swapnil: Okay. Got it. Thanks a lot. All the best.

Moderator: Thank you. The next question is from the line of Mayur Patel from 361 AMC. Please go ahead.

Mayur Patel: Just want to confirm one thing, Music and Artist Management segment grew by 6% year-on-year in this quarter. So, are we on track to deliver 25% plus for the year?

Vikram Mehra: We will grow music and licensing business of ours, which is music plus artist management minus Carvaan, at a minimum 26% . We're confident we will end up achieving those numbers before the year ends.

Mayur Patel: Sure, Vikram. Just one more thing. Can I just -- my line was not clear. Content acquisition was INR27 crores in this quarter, and you're guiding for INR300 crores for this year. Is it right?

Vikram Mehra: That's a content charge, not acquisition value.

Mayur Patel: Okay. What was the acquisition value for this quarter?

Pankaj Chaturvedi: We don't share the acquisition value every quarter. Like the guidance has been given on the content investment. That's the value of the total content that gets released during the quarter. And the INR1,000 crores is the number for 3 years, around INR300 crores plus is a number for this year.

Mayur Patel: We are on track to achieve this INR300 crores content acquisition for this year?

Pankaj Chaturvedi: For this year, yes, INR300 crores plus is the target and we are on course to meet it.

Mayur Patel: Fair one. I will come back for more questions. Thank you.

Moderator: Thank you. The next question is from the line of Aashish Upganlawar from InvesQ Investment Advisors. Please go ahead.

Aashish Upganlawar: Sir, just one bookkeeping question. Would it be possible for you to share the content cost between amortization and other parts of the P&L that has gone in this quarter?

Pankaj Chaturvedi: See, the content cost is in different line items. It's part of the advertising costs as well as our depreciation. But to give a full clarity on the charge, we are reporting the entire content cost separately in the investor presentation.

Aashish Upganlawar: Okay. So, what was it this quarter, total?

Pankaj Chaturvedi: It was INR27 crores.

Aashish Upganlawar: INR27 crores?

Pankaj Chaturvedi: Yes.

Aashish Upganlawar: Okay. So, sir, I think our policy is of writing off maybe 38% in the first year. So reverse calculation of this would be a right figure to go for the content expenditure that we have booked this quarter?

Pankaj Chaturvedi: Not really because the phasing of the content getting released is very important. The marketing gets charged off immediately when you release the content, whereas acquisition cost will get charged off pro rata based on when the content gets released. So, if you simply divide by 38%, that will not give you the right number.

Aashish Upganlawar: Okay. But this will incrementally keep going up over the quarters now because we have started spending on content as per any plan?

Vikram Mehra: Four to 5 quarters, you will see this number going up and then stabilizing.

Aashish Upganlawar: Right. Okay sir. Thank you.

Moderator: Thank you. The next question is from the line of Prateek Bhandari from AART Ventures. Please go ahead.

Prateek Bhandari: Just wanted to understand as to where are we in terms of the revenue for Padhanisa? Have we started generating the revenue for that, the music app?

Vikram Mehra: No, for Padhanisa, it's still in a soft launch phase. We are still refining and working on it. That's why there's no marketing happening out there. There is revenue, but that revenue is more of a soft launch part. It will require another month or 2 before we start promoting the product.

Prateek Bhandari: Okay. And you also mentioned that for Pocket Aces, you have an intent to grow with a CAGR of 25%, and by this year-end, we shall be at a breakeven. Are we still on the same track?

Vikram Mehra: Absolutely.

Prateek Bhandari: Okay. Thanks a lot.

Moderator: Thank you. Our next question is from the line of Akhil Gulecha from Pkeday Family Office. Please go ahead.

Akhil Gulecha: You keep saying that we should look at music and artist management as one vertical, and we will do that going ahead, but we can't look at it this quarter because there was no artist management in quarter 1 of FY '24. So, for a like-by-like comparison, we have to look at the music revenue and, it just feels like the music licensing revenue by itself, like excluding artist management, which is an inorganic acquisition. The music licensing revenue by itself has not really grown this quarter. Why is that happening?

Vikram Mehra: I've clarified it. I'll again repeat all these 3 things. It's not an apple-to-apple comparison if you don't do artist management combination because artist management not only include the artists which are part of Pocket Aces(which is the inorganic acquisition). but also includes the artists, which are Saregama artists, which was part of the revenue in the same quarter last year. That's one.

Second, this music revenue, what you are seeing includes Carvaan also, which has shown a decent decline during this quarter on a year-on-year basis. These both are more accounting issues right now than anything else.

The third part -- I said this in my opening statement,-last year, 2 of the platforms which have now moved from free to pay were still free, and we had accounted for the minimum guaranteed revenue in that quarter. Those platforms in Q2 onwards completely moved behind the paywall and the revenues have come down dramatically. We saw the impact of that in Q2, Q3, Q4 FY '24, and as stated, have also been seen in quarter 1 of FY '25. It's only from Q2 onwards, that impact will completely go away.

Akhil Gulecha: Okay. It's largely because of the shift from free to paid. So, you think for the next quarter, that should go away. Music licensing by itself should be on track for 25%, 30% growth.

Vikram Mehra: From Q2 onwards, it's not even part of my denominator.

Akhil Gulecha: Okay. Okay. Understood.

Moderator: Thank you. Our next question is from the line of Divyanshu Mahawar from Dalal & Broacha Stock Broking Private Limited. Please go ahead.

Divyanshu Mahawar: I just wanted to know a broad industry question that, if say, let all these platforms move behind a paid wall, so what impact do you see in the piracy? And is there any change in the payback period happens if all these platform moves to a pay subscription model?

Vikram Mehra: Okay. So let me answer your first one. Let's talk about markets like Bombay, Delhi, Kolkata and Chennai. If you move everything to pay, and somebody wants to say, okay, I don't want to listen to paid content neither do I want to go to YouTube, where will they go?

If you ask a random person today, they don't even know where to get pirated music any longer. Piracy in the larger cities is dying on the music side. Smaller towns, it's still there, but it's a different kind of piracy whereby the local telecom guy or somebody side loaded some pirated music on to your phone. That is still existing, it's not dead yet.

But in the larger cities and towns, the piracy has come down. We are reasonably confident that if we move everybody from free to a paid, currently, you have about 185 million to 200 million monthly active users on the free side. Some of them -- they'll move to YouTube, some of them even do side loading. Our belief is that at least 50 million of those people in the first 12 to 18 months itself are going to move towards the paid side.

Now on the paid side, let's understand how does the math work. Our deals with all the paid platforms are like this: whatever money they make from the customer, say they make INR100 per month for the sake of simplicity. We will get on an average 50% of that money as content pool. That means platform made INR100, INR50, he is going to keep, INR50 it'll give to the content guys, which will get divided equally across all the songs heard during the month.

If the person is a heavy listener, listens to 100 songs in a month, still every song is now going to be worth INR0.50. Today, on an average on the free side, we end up making close to INR0.10. And you may go back and say, okay, he is not a INR100 customer, he is a INR50 customer, still we make INR0.25.

So yes, the realization that all of us as an industry are going to make is going to improve significantly as we move towards paid side. All you need to do is to look at some of the global music labels to understand the impact of paid subscription on the financial health of the music labels.

Divyanshu Mahawar: And second question is, sir, that is are you looking that government is taking a step towards piracy issue? And how do you see this subscription movie going forward in coming years? Means, is it implementing on the ground level?

Vikram Mehra: We at the industry body, which is called IMI, work very closely both with the state and the central government to bring down piracy. There is a very strong conviction at the government level to kill this concept of piracy and get everything on the legitimate side, not just on the music, but even on the film side. Even judiciary is very actively helping us out as content IP owners to help control piracy and put the people who are indulging in it behind bars.

Other part, remember, our biggest saviour on top of it, is technology. If I ask you, you or your family, how do you guys watch and listen to anything, even with video? Chances are it will be an app on your mobile phone or an app on your smart television. Very few people these days consume content through browser. In the app world, technology allows us to find out very fast that an app is infringing on our content and giving our content without taking license, . All we need is to reach out to Google or Apple and seek their help to take actions against the app. And both are very proactive and helpful in this space.

Divyanshu Mahawar: Thank you sir.

Moderator: Thank you. The next question is from the line of Ravi Kumar Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Sir, operational costs, do you include content cost, contract manufacturing charges, cost of production of film. This cost at higher side, INR68 crores in this quarter. What is extraordinary expenditure?

Pankaj Chaturvedi: We have the release of films. We have events. We have music also, which is on the higher side. Everything in revenue, which is on the higher side will have a higher operational cost.

Ravi Naredi: Okay. And this segment revenue ended, video, by INR46.53 crores revenue. So, what is not able to gain anything material from this video, what is this?

Vikram Mehra: As I said, on the video side, we are still in the early stages. We have -- to give you comfort once again, on the capital allocation policy, there's a very strict guideline we all abide by, which is not more than 18% of the total capital allocated will ever go towards the films, series or video segment of ours.

Within that, we hope that in the next 12 to 18 months, we will reach a situation whereby we should be able to generate 8% to 10% margins and a much higher IRR because most of the times when we are working in this space, that capital has actually come from somewhere else, and we don't end up putting all the capital as our own capital. That's what the endeavour is on the video side, sir.

Ravi Naredi: And sir, now we reached 70-plus films in our database. So, what is your experience, which you want to share with us now? 70-plus films we are having in our database.

Vikram Mehra: As we go forward , future strategy remains that we will be investing only in regional cinema. We are not making direct to digital films. We make only regional films that can be taken to theatre. The financial discipline is that 70% of the cost of production should get recovered before the release of the film by licensing the TV and the digital rights of the film.

The music that we end up getting out here we have far better control and hence, we get higher ROI there, which are sitting on the music side. On the video and on the serial side, we continue with our strategy at Pocket Aces that we will make content only once we have a pre-licensing or a pre-commissioning from any of the bigger digital platforms.

Ravi Naredi: Right. And sir, lastly, Rocky Aur Rani Ki Prem Kahaani movie, we are -- anyone made, and we have attached with that movie. Any such -- in future, we repeat the same performance?

Vikram Mehra: Just for your information at this juncture, along with Rocky Rani, there was one more movie called Zara Hatke Zara Bachke. Zara Hatke Zara Bachke has done even better than Rocky and Rani in a relative sense because it was a cheaper movie. And Bad Newz, which is the movie just got released, this is the first movie whose song has remained a number 1 position both on Spotify and YouTube for 29 days globally.

Yes, our performance may not be Rocky Rani because it's better than Rocky Rani. We are very proud of Rocky Rani and Bad Newz is also from Dharma. You will continue seeing good selection of very big movies, more importantly, movies whose music has a lot of potential to go out and survive. Kalki is another very good example. Kalki has done very well in theatres -- the biggest movie of the year. And the music was ours and music has also done very well.

Ravi Naredi: Right. And you are doing very hard work. We wish all the best, sir.

Vikram Mehra: Sir, I keep on repeating this and I want to say to everyone, listen we have an option to look at only a short-term profit strategy versus preparing this company for 20, 30 years down the line. We are very clear, while we keep an eye on today's profit, yet we are actually preparing this company for tomorrow.

Ravi Naredi: That I agree. Thank you very much.

Moderator: Thank you. The next question is from the line of Rohan Advant from Prad Capital. Please go ahead.

Rohan Advant: Thank you for the opportunity. Sir, I've understood your guidance up to the adjusted EBITDA level. We know that on the content charging cost which was INR86 crores in FY '24. Can you broadly guide us on based on the acquisition that you plan in this year, what would that content charging cost be in FY '25?

Vikram Mehra: The content charge will be pretty high in FY '25 because the total amount of content investment we are doing in FY '25 is going to be 50% higher than what we did in FY '24. So that's will straightaway have a large enough impact coming on content charge-off.

Rohan Advant: So, at those PBT level, do you expect to grow in FY '25?

Vikram Mehra: Sir, the growth will be there, but the growth is going to be much lower than the growth which is coming in revenue. As we are starting this process of doing large investments in content, for the next 18 months or so(that is 6 quarters), you will have the situation where the revenue will grow at a steep enough pace, but PBT is not going to grow at the same pace. But -- after that, PBT growth is going to become much faster. We are confident that on a 3-3.5year basis, we should be able to double the PBT that we wrote in FY '24.

Rohan Advant: Got it. And sir, secondly, on the paid versus free. If you look at Jio and Wynk, which are owned by telecom operators, where they bundle their offering, do you think they're ever going to get -- turn paid?

Vikram Mehra: Sir, you said in Jio and Wynk case, what? I'm not clear about...

Rohan Advant: They're owned by telecom operators, right, which where they would be bundling their services with other offerings, right? So, I mean, does it make sense for them, I'd say, unlike a Spotify, like does it make even sense for them to turn paid or they are likely to remain free forever from a customer's perspective because it's bundled with some other services?

Vikram Mehra: The question is, are they ready to go back and keep on incurring large losses on this particular app. There may be other things that they can bundle, content is not cheap. I am reasonably confident that all these concerned people are smart businessmen. Also remember, when you are streaming a song, the amount of data consumption that happens is not very high, it's not video. It's audio at the end of the day.

The benefit they may end up getting -- on the data consumption side is there, but it's limited. I'd like to believe that the telecom-led OTT platforms are also going to make a move to paid and you are looking at around an18 months to 24 months maximum. All the 3 big platforms would also be moving behind the paywall. There is already a lot more work happening in this space than a year before. And we are seeing that impact on the subscription revenue. The base is very small. The percentage of growth looks very, very big. But for me it's akin to seeing green leaves after rain, it's that stage. I'm very confident that we'll have a large subscription fee growing there.

Rohan Advant: Understood. Thanks for taking my question and all the best.

Moderator: Thank you. The next question is from the line of Govindarajan C from CSIM. Please go ahead.

Govindarajan C: Yes. Thanks for taking my question, I mean this has been asked many times on this call on the Music segment. See we have three sub segments in music, the licensing to OTTs, the artist management and Carvaan. The artist management is a relatively new one. Last year, you did INR20 crores, of which INR13 crores in the fourth quarter. It's very hard for us to make any sense of how this year is going to be. If it suddenly comes into revenue base, and we have no idea of what the seasonality of the business is, how much of the growth from music, you've guided 25% growth.

But would it all come from artist management because it's a very, very different margin profile. And I think that's the reason people are asking again and again, right? That licensing is a very high-margin business. Artist management is mid. You're seeing single digits, Carvaan is probably breakeven...

Vikram Mehra: Margin profile of the music vertical at the gross margin level is not going to change.

Govindarajan C: Yes. But I mean, we would still -- it will still be useful if you tell us, a, how music licensing -- pure music licensing grew in the first quarter. And how you expect that to grow in the full year?

Vikram Mehra: It will be unfair on my part to start getting into a quarter part. Our artist management vertical always will be a very small subset of the music licensing business. I can do artist management vertical only in non-film music. Non-film music itself is a small vertical. Film music, which is a lion's share of my music business today , there's no concept of artist management because I can't plug in my own artist there. Majority will continue coming out from the pure licensing business alone.

Carvaan will degrow. So, on an overall basis, the margin profile is not going to change here. You are looking at between licensing and artist management, the combined number growing at 26% year-on-year. Unfortunately, beyond that, it's just too much of detailing, and I can't put that out in the market yet. You will start seeing these numbers panning out. I'm also maintaining our guidance of adjusted EBITDA at 32% to 33%. I'm not changing that at all.

Govindarajan C: Okay. One small clarification, you did INR16 crores of revenue from artist management in the first quarter. Will the quarterly run rate broadly be similar or is there a lot of seasonality?

Vikram Mehra: No. In artist management, there is not that much a seasonality. So Q3, Q4 will be higher, but the seasonality -- because it's not directly only advertising-dependent, is far less out here than compared to the hardcore music business where we get a share of advertising money from platforms which is completely seasonal in nature.

Govindarajan C: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.

Jyoti Singh: My question, sir, on the edited song side that now a lot of influencers and brands are using the song for the promotion on YouTube as well as on the Meta edited version. So how we realize the revenue of that song?

Vikram Mehra: Ma'am two things. One, if a brand is using our music to promote any commercial interest of theirs, they have to take a separate license. Over the last 3 to 5 years, we have invested a lot in technology, which allows us to track that on any of the social media platforms. If anybody is using music or a derivative of that music, which means even if using in your voice, Husn Tera TaubaTauba of Bad Newz , our system will be able to catch it. And we pull down that post of the brand immediately and then pursue them legally to take a license from us. .

Jyoti Singh: Okay. And sir, last one more question. A lot of blockbuster movies are there in FY '25 and recovery in Hollywood. We are expecting a better year for Saregama?

Vikram Mehra: Ma'am -- we have never grown our top line by 30% year-on-year. This year, we have already projected a 30% growth year-on-year. Our revenue is going to grow significantly. The profits we are going to make , we will ensure that we invest those profits in picking up newer, successful and popular content. So that it's not just 1-year growth story, but it's a multiyear growth story.

Jyoti Singh: Thank you, sir. All the best.

Moderator: Thank you. Ladies and gentlemen, we'll take this as the last question. I now hand the conference over to the management for closing comments.

Vikram Mehra: Thank you. I'll just reiterate, please always look our numbers on a 12-month basis. We have started an ambitious journey to start investing in new content in a very aggressive fashion. Many of you will recollect Saregama had not invested and/or picked up any new content in the first 18, 20 years of this century. This journey started only 4, 5 years ago where we came back into new music.

We want to ensure that today if we are making a lot of profits, it is because we invested in content of 60s, 70s, 80s, 90s and we'll repeat that. So that when we are in 2040 or 2050, we are still the number one company. Secondly, subscription in music side is coming, subscription on video side is going to become even more prominent as has happened in every other part of the world. That's the time that the people who have got the highest quality IP content whether on the audio side or the video side they are the ones who're going to benefit a lot.

We will continue our journey of building and growing this company at an astronomical rate whilst also keeping an eye that the profits need to be maintained. There will be first 12 to 18 months, where profits may not grow at the pace at which top line is growing. But post that, profits will start growing at the same pace and eventually start exceeding the rate at which revenue is growing. Thank you and we expect all help and support and your blessings on this. Thank you.

Moderator: Thank you. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.