



“Saregama India Limited
Q3 FY '23 Earnings Conference Call”
January 24, 2023



MANAGEMENT: **MR. VIKRAM MEHRA – MANAGING DIRECTOR – SAREGAMA INDIA LIMITED**
MR. PANKAJ CHATURVEDI – CHIEF FINANCIAL OFFICER – SAREGAMA INDIA LIMITED
MR. BL CHANDAK – EXECUTIVE DIRECTOR – SAREGAMA INDIA LIMITED
MR. SAKET SHAH – HEAD OF INVESTOR RELATIONS – SAREGAMA INDIA LIMITED
MR. PANKAJ KEDIA – VICE PRESIDENT, INVESTOR RELATIONS – SAREGAMA INDIA LIMITED

MODERATOR: **MR. BHUPENDRA TIWARY – ICICI SECURITIES**



Moderator: Ladies and gentlemen, good day, and welcome to Saregama India Q3 FY '23 Earnings Conference Call hosted by ICICI Securities. 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 and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bhupendra Tiwary from ICICI Securities. Thank you and over to you, sir.

Bhupendra Tiwary: Good afternoon, everybody. On behalf of ICICI Securities, we welcome you to Q3 FY '23 Results Conference Call of Saregama India Limited. So from the management, we have Mr. Vikram Mehra, who is Managing Director; Mr. Pankaj Chaturvedi, who's the CFO; Mr. BL Chandak, who's Executive Director; Mr. Saket Shah, Head, Investor Relations; and Mr. Pankaj Kedia, who's Vice President, Investor Relations. So without much ado, I'll just hand over the mic to Vikram. Over to you, Vikram.

Vikram Mehra: Hi. Good evening, everyone. Quarter 3 saw operating revenues of INR 185 crores and PAT of INR 2 crores. That is a year-on-year growth of 23% in our revenue and 20% in PAT. So it's been a pretty good quarter. We would once again reiterate and request you to please look at our business always on an annual basis and never evaluate it on a quarterly basis. People often wonder why there should be a seasonality in music - actually, there is. The part of the music business, which is dependent on advertising revenue like YouTube - that fluctuates. Carvaan sales, which are dependent on the festival season too fluctuate over the year.

Also, our policy of recognizing overflows from agreements which have a minimum guaranteed base is such that the overflows are recognized only in the quarter when the money is received by us. So, there is fluctuation that keeps on happening from quarter-to-quarter. Hence, please look at the number always on an annual basis and not on a quarter-to-quarter basis.

If I look at our numbers on a 9-month basis and both our revenue and PAT has grown by 36% and 34% respectively. This is in continuation to the last year's growth numbers of 31% in operating revenues and 35% in PAT. There's a reason I'm stating and quoting the last year numbers. This is to give you the confidence that the growth that you are seeing is not something which has been happening for only a couple of quarters.

We now have been showing growth on revenue and bottom line for over 16 quarters now on a consistent fashion quarter after quarter. Whether it was during the time of COVID, post COVID, our growth story is continuing. And remember, we have just touched the tip of the iceberg. 750 million people have a smartphone, while only 200 million people are actually using any of the streaming services yet. There are a lot of new customers who will be coming in and consumption per customer is also expected to go up. On an average, people listen to 67 songs in a month. We believe in all developed countries; this number is closer to 120 songs per month. You will see that kind of growth happening in India, too., This means the Saregama growth story in the medium to long term is going to remain stable. Also, ours is a diversified business model, which ensures that there's not too much dependence on any one source of revenue, be it



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subscription or advertising or license fee or physical. We are quite diversified in that sense and will ensure that we'll be able to maintain our profitability as well.

The music business, which is a combination of both licensing and Carvaan saw its highest quarterly revenue at INR 154 crores. On a 9-month basis, Music segment grew by 25% year-on-year to achieve a INR 433 crores revenue. As mentioned, both licensing and Carvaan contributed to this growth.

Let me first start with licensing, which continues its growth number of over 20% year-on-year. This will be the fourth or the fifth year that we have been growing at this rate. We released multiple film songs across Telugu, Tamil, Malayalam, Bengali, Punjabi and Hindi Languages. We also released Sanjay Leela Bhansali's first non-film music album Sukoon. Punjabi saw 2 successful non-film songs from Satinder Sartaaj. Bhojpuri language saw 4 massive hits on the non-film side from its number one artist Khesari Lal Yadav. Collectively, they crossed 15 crores view on Saregama's official Bhojpuri YouTube channel in one quarter.

If we see over the last 9 months, we have taken a new content charge, which is inclusive of marketing of INR 50 crores. Just for reference, the same number was INR 30 crores a year back. The strategy of investing in new content is clearly paying off. It's not only allowing us to grow our new content market share but is also giving us huge impetus to our catalog.

Last financial year, we raised INR 750 crores with an explicit mandate to invest this money in new music content, and we are on track. I want to again assure you this money that was raised will be used only and only for music. All the other investments that we are doing – are from our internal accruals. Often asked question is how do we go about picking up new content? I think our biggest edge is the investment that we have done on data mining and building predictive models to decide what content to invest in.

And also, our longer-term deals, which have happened on the marketing side, is giving enough confidence to our partners that we can market content like nobody else -which is pushing them to work more and more with us. Movie music acquisition deals have been locked across Hindi, Telugu, Tamil and Malayalam languages. You will see some of the movies have been delayed. You will see a lot of them coming hopefully between March to June timeframe this year.

This includes the highly anticipated next directorial movie of Karan Johar called Rocky Aur Rani Ki Prem Kahani. There is another Dharma Production called Rola, starring Vicky Kaushal and Ammy Virk. There's one more Vicky Kaushal and Sara Ali movie called Zara Hatke Zara Bachke. There is a Vijay Deverakonda and Samantha film called Kushi. There are 2 Suriya films in Tamil. There's also a Mammooty and a Prithviraj Sukumaran film in Malayalam. These are some of the big titles that I can think of. Their music has already been acquired by Saregama.

We will continue investing across all Indian languages, both on the film and non-film side. We have already achieved leadership position across a few of the languages, and we are at number two in some of the other languages. We expect to be at number one position in the next 12-18 months across all major languages in India.



Carvaan numbers maintained the growth trajectory. They touched 168K compared to 141K last year. Remember, this year, the festival sale was divided between quarter 2 and quarter 3 because of the timing of Diwali. This is unlike last year where the entire festival sales boost came in quarter 3. That's why you see the growth numbers between quarter 2 and quarter 3 are different this year compared to last year. This is because a lot of festival sale had been booked in quarter 2 already. If I combine both the quarters, that is quarter 2 and quarter 3, we have sold 324,000 units of Carvaan. And all these numbers are coming only out of customer pull. There is no advertising backing Carvaan now for over three years.

The latest variant of Carvaan, Carvaan Mobile has given us a lower price point, which is helping us penetrate smaller markets. The con of this is that the average realization of our sold Carvaan unit has come down. Although, the upside of penetrating smaller markets far outweighs the cons. This means that though the unit sales have gone up substantially compared to last year, the revenue numbers would not have grown. But it is still a healthy growth compared to last year. There is no marketing push, which is planned for Carvaan even in Q4.

Film, Series and Events vertical touched around INR 100 crores in the first 9 months. It is a matter of great pride for us. It literally means that the revenue has doubled compared to the INR 50 crores revenue that we wrote in the first 9 months of the last financial year. And most of it is coming on the back of the new vertical that we have created called Live Events. Overall, Film, Series and Events now constitute 15% of the company revenues.

One of the big advantages of this vertical is giving us a huge edge in music acquisition. This is because of the fact that we can now give breaks to people on live events also means that artists are more forthcoming and more open to selling their stand-alone songs also to us. They see a much deeper relationship possible with Saregama compared to any of our competitors.

But again, remember that Live Events business is a relatively low-margin business. So as the mix keeps changing, it will have its impact on the PBT percentage, though the music PBT percentage remains unaffected.

Yoodlee saw action this quarter, 2 Malayalam and one Punjabi movie got released during this quarter. Prithviraj Sukumaran's movie Kaapa got released in Malayalam. It opened to great reviews and a good theatrical collection. The movie also got released on Netflix recently and opened at number one trending position and is currently trending in number two across India on Netflix.

Our TV serials that we make and are put up on Sun TV, they continue to do very well in terms of TRPs. We launched a new Tamil serial called Iniya, replacing our existing serial called Roja after 1,300 episodes. Remember, we had launched another serial called Illakkiya in quarter 2, which had replaced Chandrslekha, a serial that had also completed 2,000 episodes.

All the three serials that we have on Sun TV are actually slot leaders, giving us a strong position.



Live Event business saw two Diljit Dosanjh shows in this quarter, both in India. We also premiered our own IP show Disco Dancer in London. This is our first attempt to go out there and create movie-based musicals, which can attract many people in their 40s and 50s. basically people who have a greater spending power. We will use the equity of those movies and get the customers in and enjoy the songs that are part of these musicals. We also intend to record these songs and then monetize the videos of these songs on various platforms like YouTube and Facebook.

The next season of Disco Dancer will be happening in the financial year '24. So overall, we are comfortable right now and happy with the way this quarter has progressed. Our mainstream music has done well, and it continues to grow at over 20%. The Films, Television Serials, Event Business, will always be seasonal in nature, depends on which event is coming in which quarter. But on an overall basis at INR 100 crores, I think it's becoming a substantial chunk of our overall revenues. That will be all. Thank you. We'll be happy to take questions now.

- Moderator:** We have a first question from the line of Ankush Agrawal with Surge Capital.
- Ankush Agrawal:** Firstly, just a clarification. So, our music licensing business has grown at a usual 20% plus rate for this quarter as well, right?
- Vikram Mehra:** Yes, it's over 20%. We will be sharing the growth numbers, both on Music and Carvaan separately at the end of the financial year. Yes, I'm giving the comfort right now, it is upwards of 20%.
- Ankush Agrawal:** So, Vikram what explains our lower PBT growth of just 11%? Like, have we made some kind of losses in the Carvaan business or what explains that?
- Vikram Mehra:** Mix is changing. Remember, as we people are going further and further, the Live Events, Films and Series is a much lower margin business.
- Ankush Agrawal:** No, I'm talking about Music segment PBT growth, the segmental -- music segment PBT has grown about 11%.
- Vikram Mehra:** There also, content charge for the newer content has also been considered.
- Ankush Agrawal:** Yes. But on content charge growth for this quarter has been the lowest for last many quarters, like last 2 quarters, we were growing at like triple digit rate, the content charge was growing, but now the base is quite increase, right? So, this quarter content charge increased about 35-odd percent. So just trying to understand the equation over here. Are there is some other costs that have increased on the music business side or something that you want to highlight?
- Vikram Mehra:** No substantial change has happened there. Content charge for Q3FY23 is INR 15.9 crores versus INR 11.5 crores last year. So, the moment I add that much amount of INR 5 crores in the current quarter Music segment number that itself changes the Music segment PBT Growth.



- Ankush Agrawal:** So, it's largely on the content, is your point of view.
- Vikram Mehra:** There is no one-off stuff, which is happening here, that is substantial enough. The Carvaan business for us for the last three years, I've been saying this, is a breakeven business. With Carvaan, the only chances of losses are marketing, and we have stopped marketing Carvaan. Rest assured I'll never come to you saying that our numbers are getting lost because of Carvaan. If we ever want to reinvest in Carvaan, we will inform you first.
- Moderator:** We have next question from the line of Swarnashish Chatterjee with Asterisk Capital.
- Swarnashish Chatterjee:** My question is, if we say our breakeven is five years, so actually, we invest or acquire a music by INR 100. On average, in the next five years, we get INR 100, right? But it should be-- actually, it's right. On the first year, it should be very high, may be INR 40, INR 50. On the fifth year, it will be very low. So, my question is, what is my -- if I acquire a music by INR 100, what is my profit in the sixth year or fifth year when the music is not popular anymore?
- Vikram Mehra:** I just want to clarify --that there is this understanding that music has a life of 1 year and 2 years, and it does very well in the initial days. While I'm in agreement with you that the first year is the highest number, that's why we also take 38% charge-offs also in the first year because first year is the highest number for any song. Year 2 falls, which is reality, but after that it starts picking up once again. So, our typical trajectory is year 1 is the highest, which comes down in year 2.
- So, some of the songs in year 3 is further down and year 4 onwards the numbers start going up again. This is because the digital growth, is higher than the rate at which natural numbers are falling. So that's the reason our catalog or even movies that we've acquired 4 and 5 years ago, their monthly numbers are higher than the previous month. This is a general misconception that music typically has a shorter life or today's music has got a shorter life, while catalog music used to have a much longer life. We have seen this with our own content, with our competition's content who had music of late '90s and 2000s.
- We are now seeing with a brand-new music of our own, that music, which once get into the playlist or top of mind of any customer, if he or she starts singing that song, then that songs stays with them until the day they die. It remains as their favorite song. So for my father, it would be Mukesh and Mohammed Rafi singing for Dilip Kumar. For me, the same thing happened with Bachchan and Kishore Kumar. And in current generation, it will be Arijit Singh signing for Ranbir Kapoor and that we think will stay.
- Swarnashish Chatterjee:** Okay. And sir, I have one another question. Suppose in India, 50% of streaming companies become paid subscribers. So, then our profitability goes up, but then what happens to our breakeven? Because do you think even competition will push the acquisition cost also because our profitability has moved up.
- Vikram Mehra:** So, I stated this, if the streaming platform, which is just one part of our overall revenue mix, the other parts are also equally important. But the day the streaming business turns paid, it will give a huge profit kicker to all of us., Not just to me, but to my competition also. This means that



payback periods may become shorter. But if the payback periods become shorter, there may be an increase in the content cost.

If we are still able to maintain a discipline of not picking up content with a payback period of greater than 5 years, we are still in the same space. My revenue goes up, maybe my cost also goes up. I still maintain a payback period of 5 years. So that's our guiding principle. We do a combination of film music versus non-film music, Hindi music versus Bhojpuri or Gujarati or Bengali or Telugu or Tamil music. And we do so across languages, because it puts me in a position to balance my investments in each of these languages. This ensures that on an overall basis, I'm still within 5-year payback period.

Moderator: We have the next question from the line of Ravi Naredi with Naredi Investment Private Limited.

Ravi Naredi: I was asking that the company that we are trying to separate, we had done an EGM, what is the benefit to shareholders of Saregama? And what is the business that company is doing?

Pankaj Chaturvedi: The shareholders of the company have approved the demerger. The result of the shareholders meeting has also been filed in our petition with NCLT in the month of January. We are monitoring this, and the things are on track. The final order should come to us before 31st March.

Vikram Mehra: On the benefit side, it's just about getting our company more sharply focused. Around 5, 6 years ago, we made the first round of changes in Saregama where we got out of all non-core businesses. There were some other investments that were lying out there within Saregama, and some parts of the business, which were not core to what Saregama does. So, to bring more focus within Saregama, we decided to hive it off as a separate business so that both businesses can do justice to their core.

Ravi Naredi: Okay. Sir, second, when we met our QIP, when our fund will be utilized in the company, whatever purpose we raised QIP?

Vikram Mehra: We are constantly looking at opportunities, whereby we can pick up catalogs. But at a price point that is value accretive to all our investors. There's no point picking up large catalogs, if they come, -- at a price point, which makes no financial sense for us. The good part is we have the money to close the deal at any time. But we are following a very prudent policy so that we don't end up overpaying just because money is sitting there with us.

Ravi Naredi: Right. That is intelligent thing.

Vikram Mehra: Internally, I can give you this comfort that we are maintaining a very strong audit on the financial investments because this money has to be utilized only and only for music and nothing else. So this money is typically invested in relatively very low risk debt. That way the money is protected and the moment we get opportunities of investing in other businesses, which somewhere are going to help our music business either directly or indirectly, we will move in immediately. We are any time are in dialogue with at least 4 to 5 companies, but the deals must happen at the right valuation.



Ravi Naredi: And Vikram, your new initiatives like Diljit Dosanjh and Disco Dancer, please tell few words for same how they are running revenue-wise in our company in third quarter?

Vikram Mehra: Sir, you can see the third quarter numbers, where the Live Event is reported along with Films and Televisions. We did around INR 27 crores. I think for Live Events Q1 and Q2 were bigger because we held concerts in US and Canada in those quarters, quarter 3 were only India as far as Diljit Dosanjh is concerned. Live Events business has got 2 reasons why we're doing it.

One, yes, there is margin, but the margins are very small here. What it does is that when an artist comes to know that not only can he sing songs for Saregama, but he can also do Live Concerts with Saregama, then the artist wants to work with the company that much more than he wants to work with the competition.

The competition may be offering only songs and nothing else. That's our main edge. So multiple artists are now reaching out to us and saying, listen, we want to give you our songs, maybe at a discount, but can you also do something on the live business with us. So, it's just building synergies. For us, it's just a natural extension of our music business. We are very clear on the Live Event side that we will do only and only music related events. We are not going to start holding exhibitions and conferences, that's not the business that we are in. So, if there is a live event happening, it will be mostly IP-related and always connected to music.

Ravi Naredi: And sir, last, my question is revenue growth is 25% in 9 months, do you think such growth possible in future and for how much we get?

Vikram Mehra: I'm not going to run away from the fact that there will be short-term pressure coming here and there in the industry as OTT services move from advertising to subscription. But we are reasonably confident that the quality of our catalog and our new music acquisition will ensure that we will be writing this 22% to 25% growth even in the short run and in the medium to the long run. As far as since Events and Live business is concerned, we have been showing that our growth is far higher. In 9 months, we have literally grown 100% there. So, I don't see too much of a trouble right now for that business also to grow at 25%.

Moderator: We have next question from Bhupendra Tiwary: with ICICI Securities.

Bhupendra Tiwary: My first question was on the new content. So, you talked about Ranveer Singh movie, I think 2 Vicky Kaushal movie and then Vijay Deverakonda movie and then couple of regional content apart from, I think, the tie-up we have with Arijit and Sanjay Leela Bhansali, one we released on this time around. So now one, I just wanted to understand how the pipeline is of content? I think I believe that the movie pipeline itself was smaller last year in terms of the Hindi movie vis-a-vis the pre-COVID times.

So how is the overall pipeline, I mean, new content pipeline that we see apart from the big names, so I understand that. And has it changed the economics kind of I think in terms of the competitiveness, has it come down in terms of the content acquisition cost? What are you observing there? That was my first question, after which I'll ask the couple.



Vikram Mehra:

Movie production is back in business. The problems of COVID are long forgotten. Also, increasingly you're seeing movies getting released in theaters rather than going to a digital platform directly. This is good news because any movie that goes to theaters, typically the music of that movie does far better than a movie which is going to the digital platform directly. So, you will have visibility on all the 4 big languages, Tamil, Hindi, Telugu, and Malayalam.

And there are multiple releases lined up both with the bigger stars and the smaller stars, budget movies, smaller budget films. When we acquire music in any particular language, we follow a portfolio approach, whereby there are some big more expensive but high-profile films that you end up taking and then multiple smaller to middle budget films that we end up taking. The risk factors are greater in smaller films. But if they fire, they fire big time.

Larger budget films typically do well because you pay that much amount of money only and only because there's a big star cast, composer and singers connected to it. So that's how typically this entire planning goes about on the film music side. Hindi film acquisition typically happens anything around 8 to 12, 15 months in advance of the release of the film. That's a stage at which composers are being finalized and singers are being finalized and situations are being finalized and that is the time we come in often, if it's a large budget film. If it's a smaller budget film, then we come in only when the songs are fully ready. On the Tamil and the Telugu side, we end up acquiring music typically 6 to 9 months in advance for very big guys and maybe a month earlier for smaller budgets films. Have I answered your question?

Bhupendra Tiwary:

Yes. I think most of it. Now the second part of the question was -- I mean, second question was largely on the web series. We had a couple of web series lined up for release -- I mean, under the process. So how are they are lining up? And do we expect a couple of them releasing by FY '24, I mean, what is the timeline?

Vikram Mehra:

Always remember, there always will be a delta between us closing the deal with the platform and handing over the series to them and getting our money and recognizing the revenues, while the platform may take its own time to finally schedule the release of the series, depending on whatever suits them. Our series model is safer, because we typically start work on the series only once we have a mandate from a platform. We are trying to pitch series both on the large scale, as well as the small to medium scale. At the same time, there's a lot of emphasis going on films in regional languages, which is Malayalam, Punjabi, and Marathi, which can first hit the theater and then eventually go to TV and digital platforms.

Bhupendra Tiwary:

Sure. So, we had 2 or 3 series, if I'm not wrong, which we were working on, which we had announced, 2 I could remember, web series, I think. Has it been -- I mean, has the shooting and all those things completed or it's under...

Vikram Mehra:

So majority of the part is completed here. Unfortunately, our contracts with our platform forbid us to any mention of anything until the time they are not ready to talk about it. So, the film business in that sense is simpler because you decide you want to do a film, within 6 to 9 months a film shoot is completed. Series business is a longer wait time because scripting itself takes



longer, then production happens and then it's all with the platform to decide when they are ready to announce it.

Bhupendra Tiwary: Sure thing. And the third question, I just wanted -- I mean, I had a doubt, I mean, I saw the presentation. In the streaming partner thing, I couldn't see Gaana. So, I was just wondering, I just wanted -- I mean, are we continuing with -- are we on Gaana or it's just that kind of a thing, just last question.

Vikram Mehra: As a policy we don't talk about individual partner deals. But I had a similar question being asked to me at the end of quarter 1 on our deal with Meta. And that time also said this, and I'm repeating the same thing here. Often, we will have deals going or deals being put off as part of the negotiation process with various partners of ours. Our role as a management team is to ensure that while we are negotiating with the partner, and having -- at times having to take a tough stance of pulling off our content from those platforms, the overall revenues cannot fall. If we are pulling off content from one platform, we need to ensure that - the customer of that platform moves to some other platform and listens to my song.

So if you are fond of listening to our latest Arijit song or Badshah Ka Pani Pani, and if it's not there on platform A, you will go to platform B and listen to it, and we get compensated that way. So in fact, in spite of the fact that we may not be there on some of the platforms in this quarter, my music revenue has still grown by over 20%.

Moderator: We have next question from the line of Dheeresh Pathak with WhiteOak Capital.

Dheeresh Pathak: A few questions. First is, what percentage of our YouTube views would have an ad load?

Vikram Mehra: See, I cannot comment as specific and particular as that. The YouTube revenue depends on 3 factors. Factor number one, how many views have our videos been able to generate, the number of videos on which an ad is put and the rate at which ads are coming in. So, the part 2 and part 3 are more in the hands of YouTube than in our hands, they keep on fluctuating. But overall, we are seeing a healthy growth coming out of YouTube.

Dheeresh Pathak: Because we have some sense that the views you are anyways sharing with us in aggregate on the YouTube platform, and then based on your top client disclosure, we can work out the monetization per view, it is coming out to be much lower because the only thing that can explain is that you have a very low ad load, your content on YouTube. Otherwise, the number is not making sense to me at least and I can take this offline more clarity.

Vikram Mehra: Yes, the rates keep on moving. When we people report the YouTube number data, its reporting data both for YouTube as well as YouTube Shorts, which is a YouTube property, and it's a collective part of that. YouTube Shorts is a property, which is very similar to Instagram. The simplistic way in which you're trying to arrive at the number may not be the right way to do it. I'm happy to clarify more stuff on offline.



- Dheeresh Pathak:** That was useful. Then in the annual report, there is a breakup of the licensing revenue between domestic and international. So, what is the basis on which you define those 2?
- Pankaj Chaturvedi:** The revenues, which is from our customers outside India are classified as International and remaining is domestic.
- Dheeresh Pathak:** So, the client billing might happen outside India, but it is happening for consumption by users of that platform in India, that would still show up as international, right?
- Pankaj Chaturvedi:** If the customer is outside India and Company is billing in foreign currency, the same would be classified as International Revenue.
- Dheeresh Pathak:** Okay. So, the international revenue is paid in foreign currency, and that saw a sharp increase as per the annual report last year. The growth when we saw in licensing, a lot of it was from the international revenue. There was not much growth in domestic. So, was there a specific reason for that?
- Vikram Mehra:** . Some of the biggest boys who are there in this game are international guys. There are specific deals where there's a huge increase that people saw, and hence you saw this number.
- Remember whether it's the audio or video streaming platforms some of the bigger names are international guys
- Dheeresh Pathak:** Yes. So that's what I'm saying. So hypothetically, let's say if it is YouTube, you get YouTube consumption is happening by YouTube users in India, but you struck a deal with them at an international level, so you'll classify that as international revenue stream, right?
- Vikram Mehra :** I'll be able to -- answer your question or underlying doubt because otherwise we go in circles here. I can't disclose beyond a point on the call as it is confidential information. So, if you can tell me what your concerns is, I'll try to address that.
- Dheeresh Pathak:** Actually, when we saw the increase, the breakup, we saw that a lot of the growth came from international revenue. So, what I'm trying to understand is -- is the bucketing of the revenue based on consumptions of streaming by users based out of India? Or is it just the billing is happening outside India, but users of that streams are still in India?
- Vikram Mehra:** Billing. It is nothing to do with consumption. It depends where is the party with whom we have got the commercial deal being signed and where are they based. And whether they are asking the Indian entity or international entity to do the deal.
- Dheeresh Pathak:** Understood. That makes sense. There is a seasonality in Q2. Is there a reason that some renewals happen, or the overflow based on minimum guarantee gets billed in Q2 that Q2 is typically a higher quarter, a big quarter?
- Vikram Mehra:** Actually, Q3 is the best quarter we have because of factors. One, that is the festival season and Carvaan sales typically does the best in that quarter. And then YouTube revenues typically peak



at that time because of that many ads being delivered and rates being higher. Q3 is the highest, then Q2, then Q4, followed by Q1.

Dheeresh Pathak: Okay. One last question. This content charge, this comes across various line items, right? Because when you acquire content on the balance sheet, at least my understanding is it is showing up in 3-line items, one is an intangible, second is in inventory and third is in current assets. So, this content charge that you mentioning is summation of all those new costs which are capitalized and then expensed through the P&L in operating costs, as well as amortization, as well as royalty, right?

Pankaj Chaturvedi: That's correct. So apart from the 3 items on the balance sheet, you also have a marketing cost, which is entirely charged to P&L. That is also part of the content charge as we have defined in our presentation as well.

Dheeresh Pathak: What you put as intangible versus, what you show in current assets, is it just the genre that regional is put into intangibles and Hindi is put into current assets?

Pankaj Chaturvedi: Money paid as an advance for our content is clubbed under current assets. Once it gets released, it moves to intangibles assets. So, it's only the stage of the content, which determines where it is going to be placed on the balance sheet.

Dheeresh Pathak: But everything will initially move to current assets and then will move into intangibles, is that the way to think about it?

Pankaj Chaturvedi : Yes. That is usually the life cycle of the content.

Dheeresh Pathak: Last annual report, you also put music rights in inventory for the first time. So, is there a specific reason for putting it in inventory, which was not there earlier?

Pankaj Chaturvedi : Yes. So, there are royalty-based deals. The nature of those content acquisitions is different, and we have been accounting those consistently under inventory, and that's the reason you find in all the 3 buckets.

Moderator: The next question is from the line of Nitin Sharma: with M.C. Pro Research.

Nitin Sharma: Can you please talk about the ad rev environment around the YouTube. Some sense, has it slowed down or is it at par, what it was in first quarter or so?

Vikram Mehra: So unlike the western part of the world, we have not seen the advertising scenario as such slowing down on the digital front. I'm not going to just talk only about YouTube. If I look at various properties, we have seen that, as always, quarter 1 was a weak quarter, which is traditionally the weak quarter from an advertising perspective. Both quarter 2 and quarter 3 saw a very, very decent growth on the advertising front. This is a very different narrative from what you will hear from the television world where the revenue seems to be falling down on



advertising, but not digital. Our experience shows right now that the revenues are still holding steady.

Nitin Sharma: Understood. And 2 for bookkeeping question. So, what led to fall in the other expenses in this quarter?

Pankaj Chaturvedi: So, it's some of the expenses we had to regroup, reclassify with the revenue. So that's basically a P&L neutral item as it's not impacting P&L.

Nitin Sharma: Okay. So, is it from item already classified as bad debt and then it got recovered, something like that?

Pankaj Chaturvedi: We can't go into specific line item, some of the expenses we had to regroup, reclassify with the revenue which had no impact on the bottom-line.

Nitin Sharma: Understood. And the last question, I see a clothing segment on your website. Can you please talk about this?

Nitin Sharma: There's a clothing segment on your website, I think some T-shirts or catalogs being sold. Can you just talk about it? Is this some promotional activity or a new segment?

Vikram Mehra: You're talking about clothing segment. There are small experiments that are being done right now all times about how to further monetize our IP. Many such experiments always run at a very, very small scale. We typically don't talk about it till the time they don't reach at least some substantial chunk. So, this is one of the multiple experiments being carried out on the merchandising side. When the segment becomes substantial either in terms of cost, or hopefully in terms of revenue, then I'll talk about it, it's just too early.

Moderator: We have the next question from the line of Savi with 2Point2 Capital.

Savi: I just had a question on the service business. If I look at the segmental results for 9 months, that has fallen as compared to last year, fallen by quite a bit, whereas the capital employed has increased substantially. So, while the profitability has decreased by more than 50%, the capital employed has almost doubled. So, both the profitability and the return on capital has declined for this segment. Is this -- I mean, how should I read this?

Vikram Mehra: So, for the first part, you should read it this way that fortunately or unfortunately we are combining the Live Events business also. So whatever impact you're seeing is on the Live Event. Live Event is not even a 1-year-old business. It has got its own one-off costs that has been put out here. And hence, you are seeing some profitability being on the lower side on a 9-month basis, still it is healthy enough business. As far you are talking about the money, which is locked here, there are multiple large projects that have been kick started as we people try to scale up the entire film business, so that's what's there. You will see many of the films coming out over quarter 4 of current financial year and quarter 1 and quarter 2 of next year.



Savi: So you are obviously monitoring the return on capital in the business because at the end of the day that is important in the long run.

Vikram Mehra: Absolutely, I'm with you right now. So there is -- hopefully next year or maybe a year after that we will start splitting maybe the Event business separately, then you can actually see the actual money locked out there on the film side as well as the return that is giving. We have committed to a 15% to 20% margin. That's the only thing I've stated until now on the Films and Series business, and we are holding ourselves to that commitment.

Savi: Okay. And on the content cost side, where there's obviously a Q-o-Q decline. There's a Y-o-Y increase, but I mean the amount of investments that we are making does not seem to be significant in context of the amount of cash we have. So is it that the competition has increased significantly, and we don't want to partake in that and that's why we are staying away from acquiring...

Vikram Mehra: I'll tell you what exactly has happened here. There were 4 big films that were supposed to be released in quarter 3. When we people go out there and plan our calendar of releases, we keep in mind that in any month, there's no point having too many big projects being released in the same language. Unfortunately, on the Hindi side, lot of films have got pushed. Seeing the debacle of some of the larger budget films on the Hindi side, many producers went back to the drawing board to further fine tune their films, which has pushed the release dates of some of our films.

They were supposed to come out in Q3. Some have now got pushed even beyond quarter 4 to quarter 1 of next year. Just that aberration that you're seeing here. We cannot suddenly decide if 3 films are being planned for a quarter, saying, right now those films are not coming, just put some other replacement in So this is a problem that you are seeing only and only because of Hindi films getting pushed.

Savi: And on the dividend side, I don't know if you can comment on this, but dividend amount seems to be quite substantial. So...

Vikram Mehra: I have no say in this., Yes, last year also we ended up giving 300% dividend. So the intent is very clear that we want to maintain a track record of being a good dividend paying company. I'm not running away from all the other commitments I've made to you as a management team member that we are holding ourselves to growth rates of between 22% to 25%, both on the music licensing, as well as films business.

We are holding on to our commitment that the funds raised from QIP will be used only and only for music and nothing else. So I'm agreeing to those revenue numbers also, I'm agreeing to 32% to 33% OIBCID as well as not touching those funds

Moderator: We have next question from the line of Anika Mittal with NVest Research.

Anika Mittal: Sir, my question is from, again, from dealing with the earlier participant, like we are seeing the layoff and cost cutting from the organization, right? And cutting on the advertisement cost due



to the rising inflation, I think OTT is spending by the players like Netflix due to lower than expected subscription growth, likely to impact our revenue growth. So, if that is the case, so do we have any alternative revenue streams that can compensate us because OTT in film segment and advertisement from YouTube has a major impact on our revenue stream.

Vikram Mehra:

You'll be happy to know that majority of our revenue is protected through fixed fee or minimum guarantees. So, any quarterly seasonality or even an annual seasonality can be borne by us very easily. Further, we get a share of advertising revenue and subscription revenue. In lot of cases, there's a licensing fee that we end up getting. So, we are reasonably protected.

Nobody is completely protected if the market really starts tanking. But we have been quite prudent over the last 2 years when our financial numbers were doing well, and our profitability has been going up.

If you see the manpower expenses as a percentage of revenue it has fallen down. So, we did not go overboard increasing our cost structure just because there was a great time that had come in between, and we maintain that kind of prudence even today.

Anika Mittal:

That's right. And sir, one more thing. You were talking about this Live Event business. So how much revenue we did in first 9 months, sir?

Vikram Mehra:

Overall between Films, Series and Live Events, we have done close to INR 100 crores in the first 9 months.

Anika Mittal:

But the point is, this is a low-margin business. Don't you think the overall ROC will get impacted if this business shall increase its share to the overall mix?

Vikram Mehra:

But it's an essential core of the business right now. One, we are in the larger business of entertainment, and not just music. Second, even to protect our music business, we need to be there in these segments. Films is something that every competitor of mine is working on. And you can go and check that almost every Indian player who is into music business is also into the film business.

It gives us a very secure way to secure music of the films because we start getting into the funding of it. Secondly, when we talk to these digital platforms, almost all of them are now licensing both music and films from us together. So, it improves my negotiation position to a very great extent.

Thirdly, as long as these are positive value accretive, I can't grow at a rate beyond 23% to 25% unless I'm ready to take a big hit on my margins. This is because to grow at a rate faster than that, I'll have to acquire music at a very, very high cost, which will have a dent on my bottom line. So, for us, good mix is that to manage our overall growth ambitions, we continue growing music at a 23% to 25% while maintaining our margins. Further, we push for additional growth from other areas, which have a synergy with music and still are positive margin businesses. That's how we look at it.



Anika Mittal: And one more thing sir, you were talking about advertisements are not going right for the TV world, right? So how do you see this thing on our revenue side?

Vikram Mehra: Our dependence on TV advertising is limited. All I can tell you at this juncture is that my TV serials is the only area, which is a smaller part of our business. that we make for Sun TV, where we have some dependence, and we have not seen a fall in quarter 3. But in general, I know in the industry, there has been a substantial fall. The good part about the TV serial business, is that we own the IP. So if there is any fall that we see on television, we are hopefully able to make up for it by putting the same content on YouTube and Facebook.

Anika Mittal: Just a clarification on the digital side, there is not any issue at all from the YouTube advertisement, right?

Vikram Mehra: Sir, I'll say quarter 2 and quarter 3, we have seen a very decent growth in the YouTube revenue.

Anika Mittal: And going forward also, you are not seeing any kind of reduction on digital ad spend?

Vikram Mehra: It's little difficult for me to give those kinds of absolute statements.

Anika Mittal: Based on your conversations with the people associated in the industry, right? So that's why give an idea only.

Vikram Mehra: What we need to do is to protect and shield ourselves from any one single thing. -- If some external industry goes down, it should not affect us too much. If I tell you right now, that if something happens to advertising on YouTube, nothing will change at Saregama, then it will be a false statement. All we can do is to protect ourselves contractually, so through minimum guarantees, through fixed fees and to a diversification of the business that we people are in.

Just to give you comfort, you were talking about Live Event business. While we keep thinking that economy is in a state that it is in, for a Diljit Dosanjh show that happened in Bombay, we sold 10,000 tickets. For Diljit Dosanjh show that happened in Gurgaon, we've sold over 12,000 tickets. And these are all tickets, which are upwards of 2,000 bucks. So, there is a market sitting here. There's a ticketing revenue also coming to us, there is fixed fee, there is advertising, there is licensing, there is physical. There are multiple things that we people are playing in, which gives us protection.

Anika Mittal: And sir, what's there on the QIP utilization side, can we expect something out of it in the near term?

Vikram Mehra: I think you will prefer that we are delayed. But we do prudent buying rather than overpaying and picking up catalogs, which will not be value accretive to us. So just give us a little more time. I know we are testing your patience but give us a little more time so that we can pick up catalogues at the right pricing. Until that time I assure you the money is fully protected and not going to be utilized for anything else.



Anika Mittal: And so, you mentioned quarter 3 is basically your best quarter historically, right? And numbers are also showing that. What is the reason for muted growth Q-o-Q? Because it was festive season and all this thing so.

Vikram Mehra: Yes, there is the festival season. Quarter 3 for Carvaan and YouTube typically ends up doing well. Then, there is also the nature of the contracts that we have. Usually, all the overflows come out there in quarter 2 or quarter 3 of the financial year, so it happens. So, there is that kind of a movement that also happens. I think the best way for you to look at us is on a trailing 12-month basis. That will give you far more comfort.

Anika Mittal: Okay. That's the thing. And where do you see our top line by the end of FY '23? And how big do you expect Q4, considering the significant business you did in Q4 FY '22?

Vikram Mehra: So, sir, as I said right now, traditionally, Q3 is our best quarter. Our attempt, obviously, will be to maximize the revenues in quarter 4. But the variations are not going to be wild variations. Yet traditionally, Q3 is the biggest quarter for us. Let's see which way the quarter goes. But on a long-term basis, I'm holding on to our guidance of music licensing growing between 22% to 25% and Films, Events and Series business on an annual basis, growing at 25%. I think that should give you more comfort than just a quarter part because quarters move here and there.

Moderator: We have next question from the line of Aditya Nahar with Alpna Enterprises. We move on to the next question. Our next question is from the line of Shubham Ajmera, with SOIC Ventures LLP.

Shubham Ajmera Sir, I was going through all our YouTube channels and there one of our main music channels that is Saregama music. There is a degrowth in the number of views on both Q-o-Q, as well as Y-o-Y. So, can you please highlight on it? And, on the new movies lined up for the...

Vikram Mehra: There is no degrowth on YouTube views. So, I can't comment on a specific channel. We have I think over 32 YouTube channels across all languages. Even in Hindi, we have got multiple channels, not just one channel. We have shared our quarterly numbers on YouTube. Overall YouTube numbers consists of, which is channels views, user-generated content, and YT Shorts. In fact, 44 billion views in Q2 have grown to 53 billion views in Q3.

Shubham Ajmera Sir, I was referring to Saregama music channel.

Vikram Mehra: It's a little unfair to pick up one channel and you think that's a flagship channel, it may not be. There are multiple channels. I'm happy to get into more details here. But overall, YouTube numbers for us have given a very substantial growth in this quarter.

Shubham Ajmera Okay, understood. And on the new movies lined up, so how much movies will be coming up in the next quarter and next Q1?

Vikram Mehra: At this juncture if I go by the release dates, which have been announced by the producers. the lineup on Hindi side, is Karan Johar's directorial movie Rocky Aur Rani Ki Prem Kahani which



is expected to release in April. If that does, then the songs will start coming out from the month of March. There is a Vicky Kaushal and Sara Ali Khan movie Zara Hatke Zara Bachke. Again, the dates have been announced for Feb/March as of now. We are still awaiting clarity on if they want to change the date. It's a very common practice in our industry for producers to change dates.

Then there is a Vicky Kaushal, Ammy Virk film called Rola lined up. Then there is an Ajay Devgn film coming called Maidaan. Also, there is a Ronnie Screwvala movie called Pippa. This in fact was planned for '22, then became early '23, now we're hearing it may go to mid '23. Then there is big Telugu film Kushi starring Vijay Deverakonda and Samantha Ruth. Specifically naming this because both these artists are very well known in the Hindi space too. We have Prithviraj Sukumaran's films in Malayalam coming in the Q1 and 2 Surya films which will be coming hopefully in Q3 of the next financial year.

We also have a Mammooty and an Ajith film, which are locked. Then on the Tamil side, we have a Sivakarthikeyan film and a Dhanushs film, which is locked. So, there's a range of stuff that we people are working in Hindi, Tamil, Telugu and Malayalam, which you will keep on seeing over the next few weeks, months, hopefully in the calendar year '23. We have also learned our lessons. So, we are going to be prepared that if there are a large number of movies getting pushed, then there will be a lot more non-film songs that will keep coming out.

Shubham Ajmera Understood. And on the Mango Music, like the acquisition which we have done last year of Mango Music, so just wanted to check like, is it started resulting in the financial terms as well?

Vikram Mehra: Yes, it has. We have jumped from literally not being a player in Telugu to a clear number two position in Telugu, which is a combination of some great new music and the Mango catalogue acquisition.

Shubham Ajmera Understood. And my last question is on the Carvaan business. So, like can you share the product mix in the Carvaan. How much percentage is from the newer mobile versions, which we have launched? And how much is from the older variant per se.

Vikram Mehra: Unfortunately, I'll not be able to share that information. But I've been stating for the last 2 quarters that Carvaan Mobile is playing a substantial enough role. The old Carvaan is a product -- is a 5-year-old product now and has got no marketing support over 3 years now. So it's been a newer products and variants of Carvaan like Carvaan Mini, Carvaan mobile obviously, which is helping us that much more to sell these many number of units.

Moderator: Ladies and gentlemen that was the last question. And now I'd like to hand the conference back over to Mr. Vikram Mehra: for closing comments. Over to you, sir.

Vikram Mehra: I'll just repeat whatever I said earlier. We maintain our bullish stance on music licensing. We expect a 22% to 25% annual growth over the next 3 to 5 years. The next 12-18 months, where we will see the transition of the OTT or the music streaming industry from an ad-based model to a subscription-based model, will have its short-term pressures and things will go topsy turvy.



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, But the moment I start looking at an 18 to 36 months or a , 60-month horizon, I see a very stable growth of revenue coming in.

But even during this period of 12-18 months, we are confident that we will be able to handle these pressures because of the diversified nature of our revenue and an increasing market share in the space of music. We will continue with our aggressive investments, both on film and the non-film music side across all the major leading languages of the country. We are on a constant lookout and conversations with multiple companies which are either music catalogs or companies which are connected to the world of music -may not be directly holding catalog - but may help us a lot in promoting new music.

We're talking to a multiple such entities and evaluating if any acquisition is possible at a valuation that makes financial sense. We continue with a cautious approach on Carvaan, and the focus will be to continue to manage our margins and not the top line. Carvaan will continue at least to do breakeven. The film, TV series and the events vertical, I expect it to grow at 20%, 25% growth year-on-year, and we hope to make anything around 15% margin on this business.

The events verticals specifically will have its ups and downs on the quarterly side depending on how many events in a quarter have we been able to go into. It will take a couple of years right now before stability that comes in. It will be a very low-margin business at least in the first couple of years. We will continue with this because strategically, it helps us with our music acquisition. Overall, I assure all of you once again that we are well protected from the vagaries of advertising revenues going up and down on a quarterly basis. But hopefully, we are well prepped and don't have high cost structures for us to suffer in case things go dramatically wrong. I'm hopeful right now that we will maintain our profitability and the growth projections, we have given you on a short to medium term basis. That would be all. Thank you guys, bye-bye.

Bhupendra Tiwary:

Thank you very much, sir. Ladies and gentlemen, on behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.