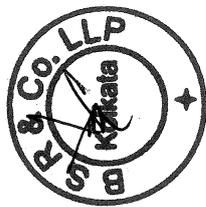


(Rs in Lakhs)

Statement of Unaudited Standalone Financial Results for the Quarter and Nine Months ended 31 December 2018							
Sl No.	Particulars	Quarter ended			Nine Months ended		Year ended
		31 December 2018	30 September 2018	31 December 2017	31 December 2018	31 December 2017	31 March 2018
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	<b>Income</b>						
	(a) Revenue from operations	15,064	13,842	9,374	40,034	24,024	34,561
	(b) Other income	232	227	145	4,770	677	1,422
	<b>Total Income</b>	<b>15,296</b>	<b>14,069</b>	<b>9,519</b>	<b>44,804</b>	<b>24,701</b>	<b>35,983</b>
2	<b>Expenses</b>						
	(a) Contract manufacturing charges	6,225	7,068	4,063	17,934	6,714	10,517
	(b) Cost of production of films, television serials and portal	962	1,214	(1,987)	3,499	(2,714)	5,223
	(c) Changes in inventories of finished goods and work-in-progress [(increase) / decrease]	(1,316)	(3,116)	1,094	(3,259)	4,063	(3,736)
	(d) Employee benefits expense (Refer note 5)	1,295	826	1,658	3,247	3,942	4,866
	(e) Finance costs	146	169	89	467	236	337
	(f) Depreciation and amortisation expense	87	86	96	260	286	379
	(g) Advertisement and sales promotion	2,728	2,631	981	7,578	2,412	4,010
	(h) Royalties	1,758	1,314	1,282	4,139	2,905	3,369
	(i) Provision for doubtful debts / advances	78	160	613	685	1,572	2,132
	(j) Other expenses	1,404	1,386	1,209	4,613	3,286	4,777
	<b>Total Expenses</b>	<b>13,367</b>	<b>13,738</b>	<b>9,098</b>	<b>39,163</b>	<b>22,702</b>	<b>31,871</b>
3	<b>Profit before exceptional items and tax (1-2)</b>	<b>1,929</b>	<b>2,331</b>	<b>421</b>	<b>5,641</b>	<b>1,999</b>	<b>4,112</b>
4	<b>Exceptional items</b>	-	-	-	-	-	-
5	<b>Profit before tax (3-4)</b>	<b>1,929</b>	<b>2,331</b>	<b>421</b>	<b>5,641</b>	<b>1,999</b>	<b>4,112</b>
6	<b>Tax Expense (Refer note 3)</b>						
	(a) Current tax	609	719	344	1,860	1,228	980
	(b) Deferred tax	92	116	(53)	198	(155)	81
	<b>Total Tax Expense</b>	<b>701</b>	<b>835</b>	<b>291</b>	<b>2,058</b>	<b>1,093</b>	<b>1,061</b>
7	<b>Profit for the period (5-6)</b>	<b>1,228</b>	<b>1,496</b>	<b>130</b>	<b>3,583</b>	<b>906</b>	<b>3,051</b>
8	<b>Other Comprehensive Income (net of tax)</b>						
	(a) Items that will not be reclassified to profit or loss	514	(1,121)	749	(1,277)	2,539	1,598
	(b) Income tax relating to items that will not be reclassified to profit or loss	(55)	126	(81)	147	(277)	(241)
	<b>Total Other Comprehensive Income (net of tax)</b>	<b>459</b>	<b>(995)</b>	<b>668</b>	<b>(1,130)</b>	<b>2,262</b>	<b>1,357</b>
9	<b>Total comprehensive income for the period (7+8)</b>	<b>1,687</b>	<b>501</b>	<b>798</b>	<b>2,453</b>	<b>3,168</b>	<b>4,408</b>
10	<b>Paid-up equity share capital (Face Value of Rs.10/- each)</b>	<b>1,741</b>	<b>1,741</b>	<b>1,741</b>	<b>1,741</b>	<b>1,741</b>	<b>1,741</b>
11	<b>Other equity</b>						<b>36,469</b>
12	<b>Earnings Per Share (Face Value Rs 10/- each) (not annualised) :</b>						
	(a) Basic (Rs.)	7.06	8.59	0.74	20.58	5.20	17.53
	(b) Diluted (Rs.)	7.05	8.58	0.74	20.56	5.20	17.51



(Rs in Lakhs)

Statement of Unaudited Standalone Segment wise Revenue, Results, Assets and Liabilities for the Quarter and Nine Months Ended 31 December 2018							
Sl. No.	Particulars	Quarter ended			Nine Months ended		Year ended
		31 December 2018 (Unaudited)	30 September 2018 (Unaudited)	31 December 2017 (Unaudited)	31 December 2018 (Unaudited)	31 December 2017 (Unaudited)	31 March 2018 (Audited)
1	<b>Segment Revenue</b>						
	(a) Music	13,854	12,637	8,234	36,461	20,105	29,268
	(b) Films/Television serials	1,210	1,205	1,140	3,573	3,919	5,293
	<b>Total segment revenue</b>	<b>15,064</b>	<b>13,842</b>	<b>9,374</b>	<b>40,034</b>	<b>24,024</b>	<b>34,561</b>
	Less: Inter segment revenue	-	-	-	-	-	-
	<b>Total revenue from operations</b>	<b>15,064</b>	<b>13,842</b>	<b>9,374</b>	<b>40,034</b>	<b>24,024</b>	<b>34,561</b>
2	<b>Segment Results</b>						
	(a) Music	3,239	3,099	2,223	8,724	6,031	9,057
	(b) Films/Television serials	27	19	27	(76)	35	(205)
	<b>Total segment profit</b>	<b>3,266</b>	<b>3,118</b>	<b>2,250</b>	<b>8,648</b>	<b>6,066</b>	<b>8,852</b>
	Less:						
	(a) Finance costs	146	169	89	467	236	337
	(b) Other unallocable expenditure (net of unallocable income)	1,191	618	1,740	2,540	3,831	4,403
	<b>Total profit before tax</b>	<b>1,929</b>	<b>2,331</b>	<b>421</b>	<b>5,641</b>	<b>1,999</b>	<b>4,112</b>
3	<b>Segment Assets</b>						
	(a) Music	41,068	41,624	31,851	41,068	31,851	32,887
	(b) Films/Television serials	4,707	4,343	3,476	4,707	3,476	3,375
	(c) Unallocated	17,529	16,892	19,734	17,529	19,734	20,158
	<b>Total segment assets</b>	<b>63,304</b>	<b>62,859</b>	<b>55,061</b>	<b>63,304</b>	<b>55,061</b>	<b>56,420</b>
4	<b>Segment Liabilities</b>						
	(a) Music	13,055	13,181	9,840	13,055	9,840	10,082
	(b) Films/Television serials	692	636	772	692	772	390
	(c) Unallocated	9,519	10,684	7,466	9,519	7,466	7,738
	<b>Total segment liabilities</b>	<b>23,266</b>	<b>24,501</b>	<b>18,078</b>	<b>23,266</b>	<b>18,078</b>	<b>18,210</b>

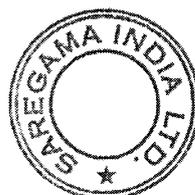
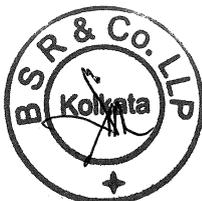
**Notes:**

- Financial results for all the periods presented have been prepared in accordance with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time.
- The above unaudited standalone financial results for the quarter and nine months ended 31 December 2018 have been reviewed and recommended by the Audit Committee in their meeting held on 25 January 2019 and approved by the Board of Directors of the Company at their meeting held on even date. These results have been subjected to "limited review" by the Statutory Auditors of the Company who have issued an unqualified review report on the unaudited standalone financial results for the quarter and nine months ended 31 December 2018.
- Tax expenses is net of Minimum Alternate Tax (MAT) Credit adjustment of Rs. Nil for the quarter and nine months ended 31 December 2018 (Rs. 728 lakhs for the year ended 31 March 2018).
- Out of the 53,38,628 equity shares of Rs. 10/- each issued for cash at a premium of Rs. 35/- (issue price - Rs. 45/-) pursuant to the Rights Issue in 2005, allotment of 5,290 equity shares (relating to cases under litigation / pending clearance from concerned authorities) were in abeyance till 31 December 2018.
- Employee benefits expense include charge/(reversal) in relation to Stock Appreciation Rights granted to eligible employees under the following Schemes:

Particulars	Quarter ended			Nine Months ended		Year ended
	31 December 2018 (Unaudited)	30 September 2018 (Unaudited)	31 December 2017 (Unaudited)	31 December 2018 (Unaudited)	31 December 2017 (Unaudited)	31 March 2018 (Audited)
Stock Appreciation Rights Scheme	218	(269)	775	3	1,110	780

- The figures of the previous periods/year have been regrouped/ reclassified, wherever necessary, to conform to the classification for the quarter ended and nine months 31 December 2018.

Kolkata  
25 January 2019



For and on behalf of the Board of Directors

*Vikram Mehra*  
Managing Director  
DIN: 03556680

**ANAND RATHI**

**Saregama India**



**Q3 FY19 Result Conference Call**

**28 January 2019, at 4:00 pm IST**

**Hosted by Anand Rathi Research**

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**Participants**

**Mr Vikram Mehra**

(Managing Director)

**Mr Vineet Garg**

(CFO)

**Mr B L Chandak**

(Executive Director – RP Sanjiv Goenka Group)

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**Primary Access Numbers for Participants**

**Mumbai Access: 022 6280 1386 / 7115 8287**

**Local Access: 7045671221**

**(Ahmedabad, Bangalore, Chandigarh, Chennai, Cochin, Delhi (NCR), Gurgaon (NCR), Hyderabad, Kolkata, Lucknow, Pune)**

**International Access**

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**Hong Kong: 800 964 448**

**UK: 0808 101 1573**

**Singapore: 800 101 2045**

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For further information, please contact

Call Leaders

**Shobit Singhal**

**Office No: (022) 6626 6511**

**Mobile: 9768637537**

# SAREGAMA INDIA LIMITED

EARNINGS PRESENTATION | Q3 FY 2018-19



Saregama,  
the only company who won  
4 gold effie's in 2018

---

2 BRONZE

2 SILVER

4 GOLD



# Snapshot



soul of India



India's oldest music label and youngest film production house



High Dividend Yield and a Zero Debt Company



Strong and professional management team with experienced stalwarts from the entertainment industry



Owning Intellectual Property (IP) rights for more than 120,000 songs, 5,500+ hours of television serials and 20 movies



India's first song was recorded in 1902 under the company's erstwhile label - HMV



Digital licensing agreements across global OTT platforms, TV channels, radio stations, telcos



Revolutionary product Carvaan: Digital Music Player with 5000 preloaded songs, easy UI and high quality speakers



Leading producer in terms of number of hours of content produced for Tamil television serials

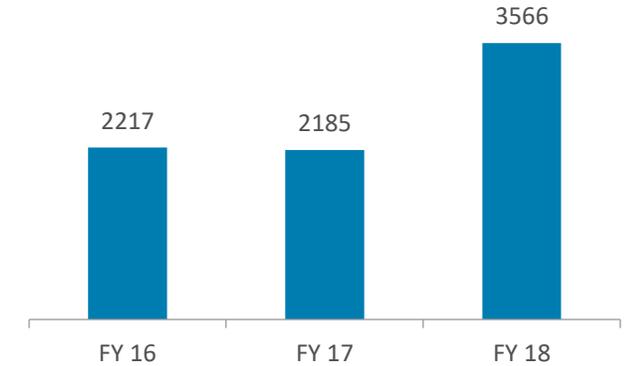


Producing digital thematic films targeted at the youth segment

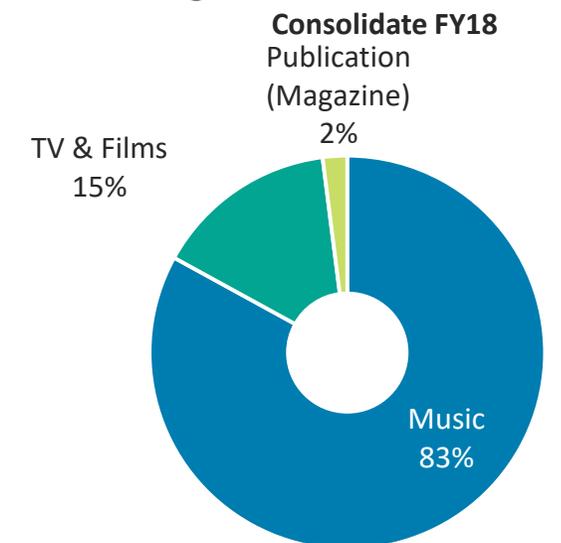
# Company Overview

- Saregama India Ltd., an RP Sanjiv Goenka Group Company, is India's oldest music label, youngest film studio and a multi-language TV content producer. Over the years, the Company has expanded its business from audio to home video, publishing, digital, events, films production and distribution and audio visuals.
- The Company has a music library of 1.2 lakh songs, covers 18 languages spread across eight music categories – Bollywood, regional films, ghazals, devotional classical, Indian pop and kids music.
- Since 2017, Saregama has been making headlines again owing to the launch of two unique initiatives, Saregama Carvaan and Yoodlee Films.
- Carvaan is a perfect blend of digital technology and a retro form factor, in less than a year from its launch, it is now Saregama's flagship product.
  - Saregama Carvaan, Carvaan Premium, Carvaan Gold and Carvaan mini are portable digital music players that come with features such as Bluetooth, USB, FM/AM and a collection of in-built songs.
- Yoodlee Films, Saregama's film production arm is positioned as writers studio. The films produced by the studio are driven by the powerful stories targeted at young audiences across the world who primarily consume content on personal devices
- 5500+ hours of Tamil serial programming telecast on Sun TV and features in top 3 slots of afternoon prime time.

## Consolidated Revenues (INR Mn)



## Segmental Revenue Breakup



# Strategic Overview

Saregama's long term strategy : To be a pure play content company capitalizing on the global data boom  
Diversified monetisation of Existing IP to fund IP Creation for Future

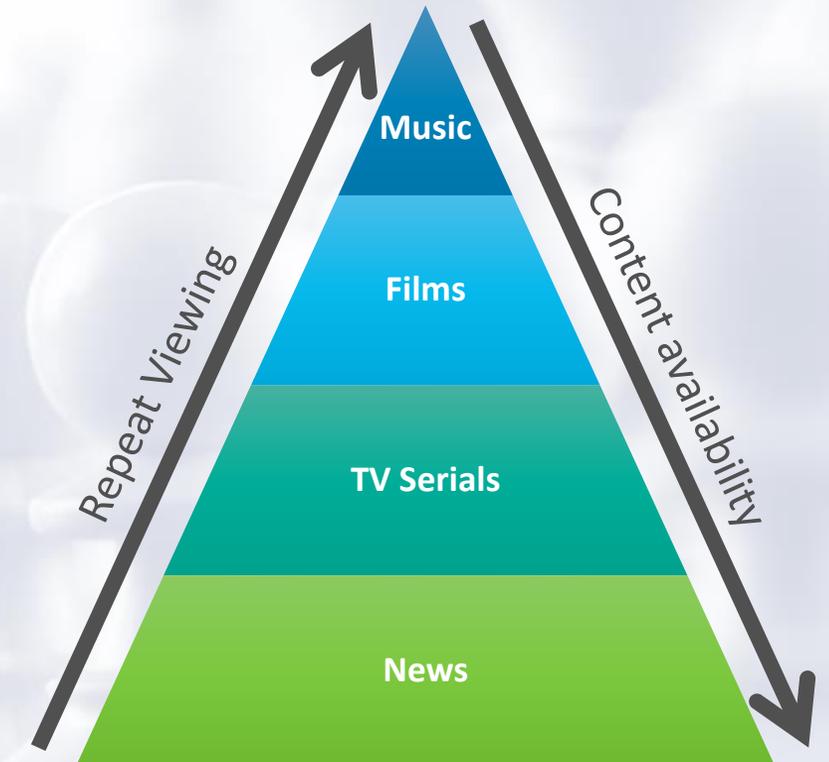
## IP Monetisation

Higher monetisation of existing content through:

- 1 Greater presence on 3<sup>rd</sup> party digital and TV platforms globally
- 2 Launch of Saregama branded physical products with embedded music

## IP Creation

- 1 New film music acquisition across Hindi, Tamil, Marathi and other languages
- 2 Production of thematic films /series targeted at youth consuming on digital platform.
- 3 TV programs in South Indian Languages.



# Business Verticals

Saregama is the pioneer of the Indian music industry and has evolved into a premier diversified content player with Intellectual property rights of songs, TV serials, movies having presence across platforms like television, radio, digital, telecom, etc.

## Business Verticals



### Music Segment

FY18 Revenue Share  
**83%**

- Includes intellectual property monetisation of music content.
- The Company owns global and perpetual rights for over 120,000 songs.
- The revenue is driven from various B2B partners like streaming online platforms, radio, television, caller ring tone, Youtube, brand advertisements, films, etc.
- The Company launched its revolutionary product 'Carvaan' in 2017, an innovative audio player with preloaded songs and other features like USB and FM radio which has been highly acclaimed and has taken the market by storm.



### TV & Films Segment

FY18 Revenue Share  
**15%**

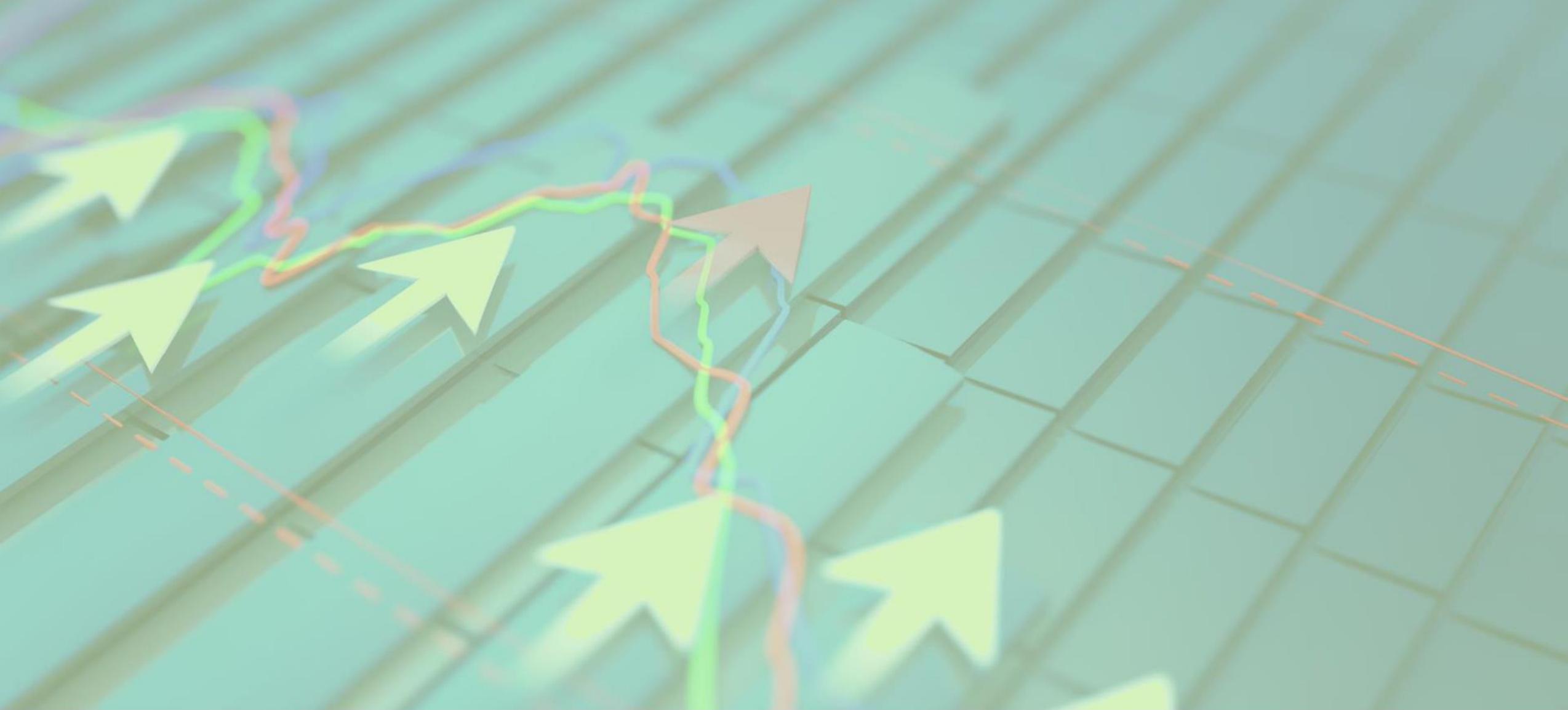
- This segment has leadership in Tamil Sun Network channels and has been producing content for Sun TV for last 17 years and broadcast 3-4 serials on Sun TV at any given time
- Company owns rights to 5,500+ hours of Tamil Series
- Yoodlee Films is the production division which focuses on thematic digital films in all languages with tightly controlled budgets



### Publications Segment

FY18 Revenue Share  
**2%**

- This segment includes the publication of Open Magazine and a weekly current affairs and features magazine.
- Open has sustained circulation and ad revenues with an association of premium brands including Audi, Omega, Volkswagen, Toyota, Honda, Samsung, Airtel, IBM, HP, TAJ, ITC, Skoda, etc.



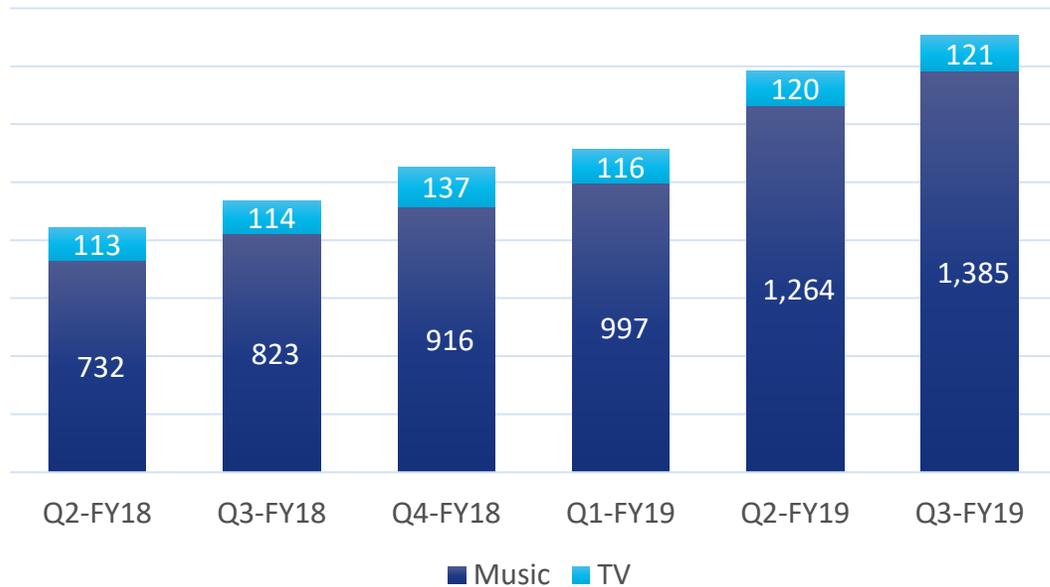
## Financial Highlights

# Q3-FY19 Financial Summary

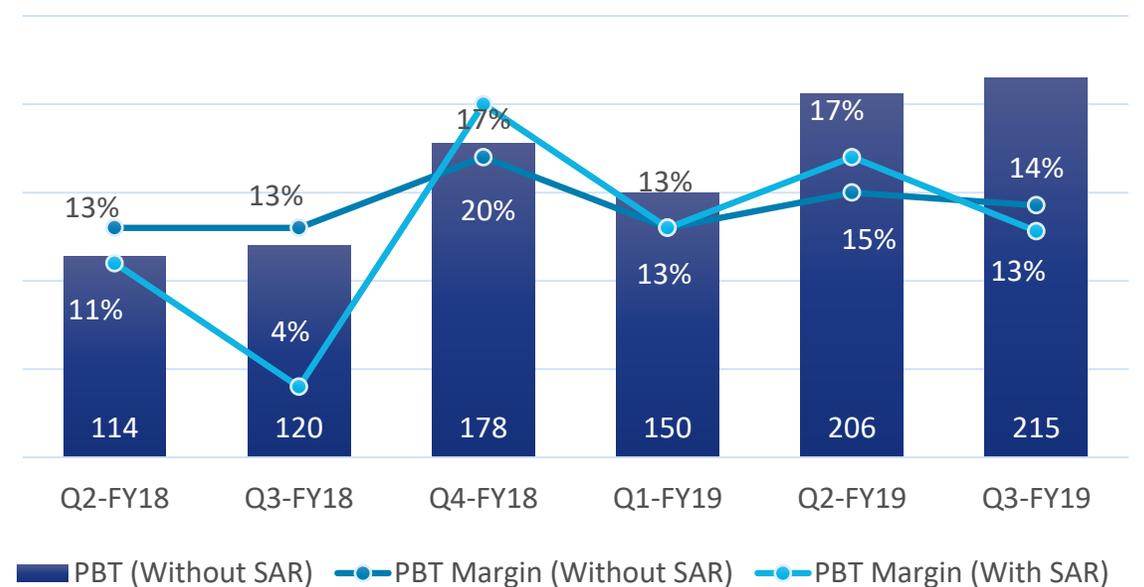


Particulars (INR Mn)	Q3-FY19	Q2-FY19	Q-o-Q Growth	Q3-FY18	Y-o-Y
<b>Revenues</b>					
• Music	1385	1,264	10%	823	68%
• TV & Films	121	120	1%	114	6%
<b>Total Revenue</b>	1506	1,384	9%	937	61%
<b>PBT without SAR Provision</b>	215	206	4%	120	79%
<b>PBT after SAR Provision</b>	193	233	-17%	42	360%
<b>PAT</b>	123	150	-18%	13	846%

Revenue (INR Mn)



PBT (INR Mn) & PBT Margin



# Q3-FY18 Financial Performance



Particulars (INR Mn)	Q3-FY19	Q2-FY19	Q-o-Q Growth	Q3-FY18	Y-o-Y Growth
<b>Revenue from Operations</b>	1506	<b>1,384</b>	9%	<b>937</b>	61%
Other Income	23	23	0%	15	53%
Total Revenue	1529	1,407	9%	<b>952</b>	61%
Total Expenses	1337	1,175	14%	910	47%
EBITDA*	238	232	3%	138	72%
<i>EBITDA Margin (%)</i>	<b>16%</b>	<b>17%</b>		<b>15%</b>	
Depreciation	9	9	0%	10	-10%
Finance Cost	15	17	-12%	9	67%
<b>PBT without SAR</b>	<b>215</b>	<b>206</b>	4%	<b>120</b>	80%
SAR Charge	22	-27		78	-72%
<b>PBT with SAR</b>	193	233	-17%	42	360%
Tax	70	83	-16%	29	141%
<b>PAT</b>	<b>123</b>	<b>150</b>	-18%	<b>13</b>	<b>846%</b>
<i>PAT Margin (%)</i>	<b>8%</b>	<b>11%</b>		<b>1%</b>	
Comprehensive Income	46	-99		67	
Total Profit including Comprehensive Income( Net of tax)	169	<b>51</b>	230%	<b>80</b>	111%
<b>Diluted EPS (INR)</b>	7.05	<b>8.58</b>	-18%	<b>0.74</b>	852%

\*EBITA without SAR

# 9M-FY19 Financial Performance



Particulars (INR Mn)	9M-FY19	9M-FY18	Y-o-Y Growth
<b>Revenue from Operations</b>	4003	<b>2,402</b>	<b>67%</b>
Other Income #	477	68	601%
Total Revenue	4480	2,470	<b>81%</b>
Total Expenses #	3916	2,270	73%
EBITDA*	637	364	75%
<i>EBITDA Margin (%)</i>	<i>16%</i>	<i>15%</i>	
Depreciation	26	29	-10%
Finance Cost	47	24	96%
<b>PBT without SAR</b>	<b>564</b>	<b>311</b>	<b>82%</b>
SAR Charge	0.4	111	-100%
<b>PBT with SAR</b>	<b>564</b>	<b>200</b>	<b>182%</b>
Tax	206	109	89%
<b>PAT</b>	<b>358</b>	<b>91</b>	<b>293%</b>
<i>PAT Margin (%)</i>	<i>9%</i>	<i>4%</i>	
Comprehensive Income	-113	226	-150%
Total Profit including Comprehensive Income (Net of tax)	245	<b>317</b>	<b>-23%</b>
<b>Diluted EPS (INR)</b>	<b>20.56</b>	<b>5.20</b>	<b>295%</b>

\*EBITA without SAR

# In Q1 FY2018-19 other income includes Rs. 340 MN estimated Insurance claim receivable & Total Expense includes Rs. 376Mn towards cost of damaged stocks because of fire in the warehouse.



## FY19 Operational Highlights

# Music Segment Operational Highlights

## Q3-FY19 Operational Highlights:

Diwali boost for Carvaan  
**297K** units sold in Q3-FY19 a jump of 30% over previous quarter.

Crossed **One Million** bench mark Sales

**3.9K** new billing dealers added in Q3 total **19.6K** dealers.

**Carvaan Gold** (Sound by Harman/ Kardon, Companion app, AM Radio) @14990 and **Carvaan Mini Gurbani and Tamil Legends** @2490 launched.

SAREGAMA  
**CARVAAN™**



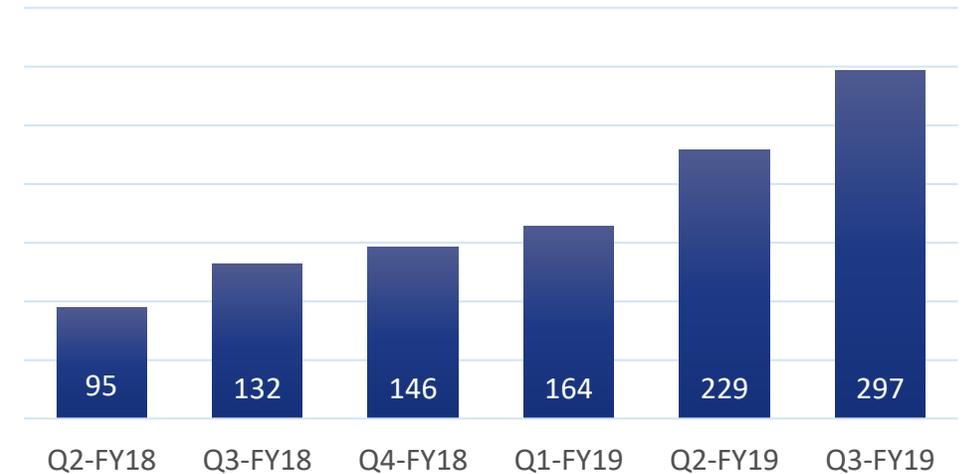
## Future Outlook:

New Carvaan variant – Carvaan GO will be launched in immediate future

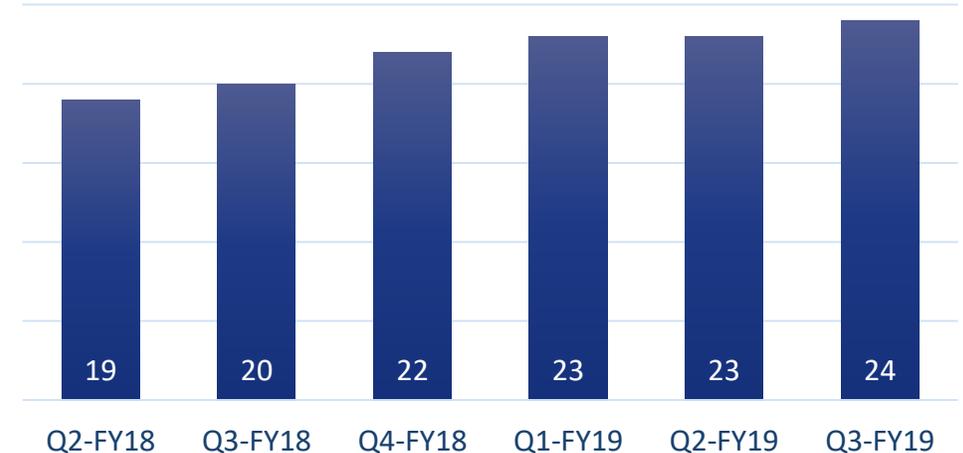
Number keep Growing Revised FY-19 Estimates : **900K** units

Carvaan continues to win awards for Innovation & Marketing

### Carvaan Sales (units '000s)



### Carvaan Gross Margin (%)

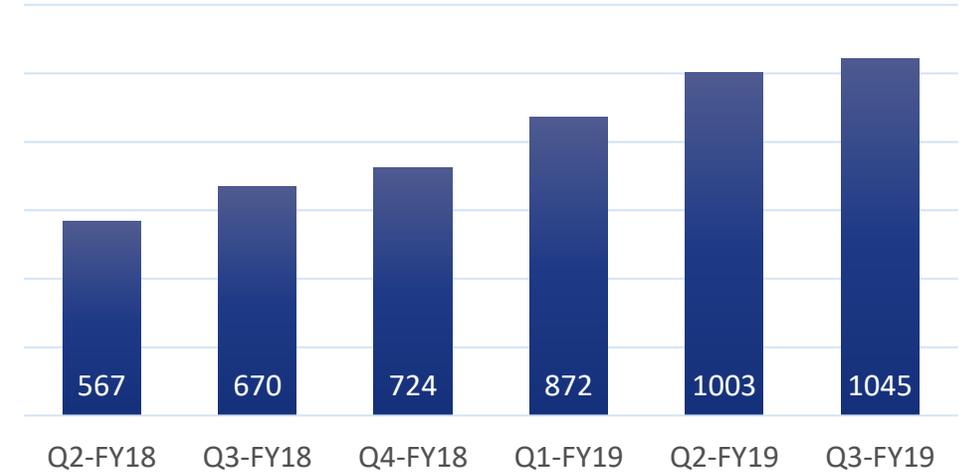


# Music Segment Operational Highlights

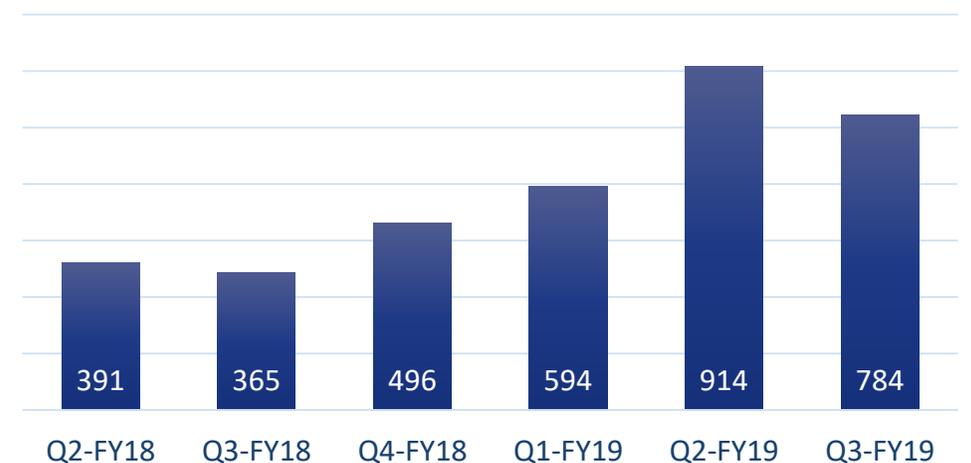
## New Film Music

	HINDI	REGIONAL
Q1		
Q2		
Q3		

### OTT Streams (Mn) per Quarter



### YouTube Views (Mn) per Month



# Films & TV Segment Operational Highlights

## Q3-FY19 Operational Highlights:

### Films (Yoodlee)

- **AshcharyaChakit**
  - Released as a Netflix original film and is Trending for 34 days
- **Music Teacher:**
  - World Premiere at Chicago Asian film festival. Also showcased at Houston Film Festival.
  - Heroine Amrita Bagchi wins award
  - Will soon be released on Netflix Original

### Television Business

- New show Roja continues top rated show in the afternoon band
- Valli is in its 6th year of telecast and is the longest running serial in Sun TV
- Jo Jo Laali (Kannada show) completed 465 episodes

## Future Outlook:

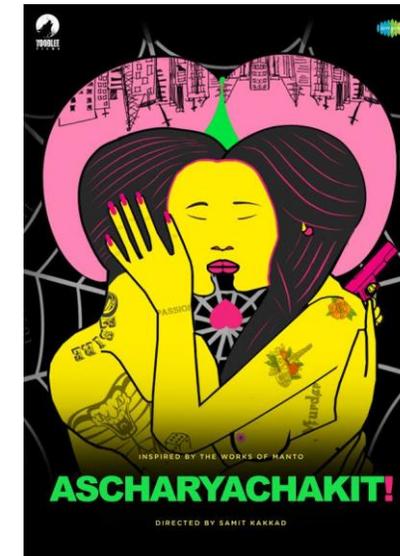
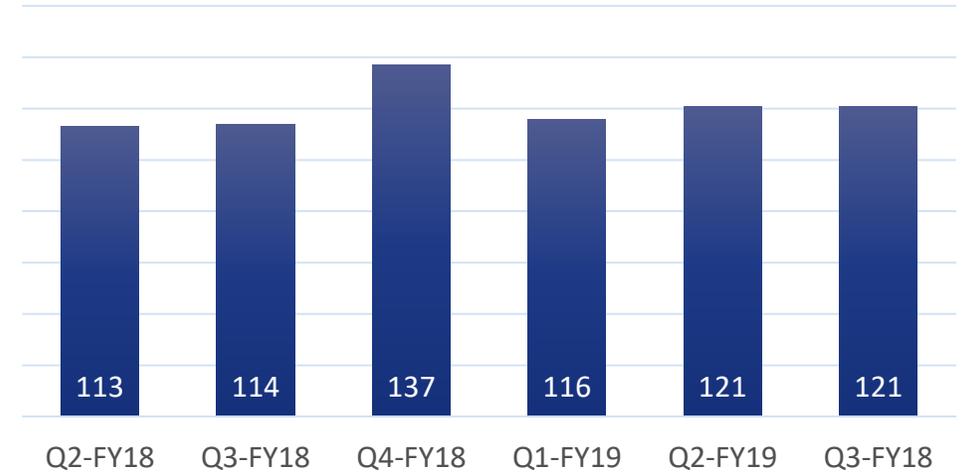
### Films (Yoodlee)

- 12 movies output deal with leading Indian broadcaster / digital platform
- Another deal on the cards

### Television Business

- Roja to move to prime time
- Another show on the cards

## Films & TV Segment Revenue ( Rs Mn)





# FINANCIAL OVERVIEW

# Historical Standalone Income Statement



Particulars (INR Mn)	FY16	FY17	FY18
Revenue from Operations	2,148	2,081	3,456
Other Income	99	159	142
<b>Total Revenue</b>	<b>2,247</b>	<b>2,240</b>	<b>3,598</b>
Total Expenses	1,997	2,003	3,115
<b>EBITDA</b>	<b>250</b>	<b>237</b>	<b>483</b>
<b>EBITDA Margin (%)</b>	<b>11.13%</b>	<b>10.58%</b>	<b>13.42%</b>
Depreciation	53	41	38
Finance Cost	3	23	34
<b>PBT</b>	<b>194</b>	<b>173</b>	<b>411</b>
Exceptional Items	96	-	-
Tax	22	73	106
<b>PAT</b>	<b>76</b>	<b>100</b>	<b>305</b>
<b>PAT Margins</b>	<b>3.38%</b>	<b>4.46%</b>	<b>8.48%</b>
Other Comprehensive Income	-	1,301	136
<b>Total Comprehensive Income (After Tax)</b>	<b>76</b>	<b>1,401</b>	<b>441</b>
<b>Diluted EPS (INR)</b>	<b>4.33</b>	<b>5.74</b>	<b>17.51</b>

# Standalone Balance Sheet



Equity and Liabilities (INR Mn)	FY17	FY18
<b>Shareholders Fund</b>		
(a) Equity Share Capital	174	174
(b) Other Equity	3,236	3,647
<b>Net worth</b>	<b>3,410</b>	<b>3,821</b>
(c) Non Controlling Interest	-	-
<b>Non Current Liabilities</b>		
(a) Employee Benefit Obligations	19	21
(b) Deferred tax liabilities (Net)	424	456
<b>Current Liabilities</b>		
(a) Financial Liabilities		
(i) Borrowings	-	129
(ii) Trade Payables	371	386
(iii) Other Financial Liabilities	115	347
(b) Other Current Liabilities	68	116
(c) Provisions	262	359
(d) Employee Benefit Obligation	16	7
<b>Total</b>	<b>4,685</b>	<b>5,642</b>

Assets (INR Mn)	FY17	FY18
<b>Non Current Fixed Assets</b>		
(a) Property, Plant and Equipment	1,893	1,881
(b) Investment Properties	25	24
(c) Intangible assets	62	61
(d) Investments in subsidiaries and Joint Venture	155	155
(e) Financial Assets		
(i) Investments	1,076	1,234
(ii) Loans	42	34
(iii) Other Financial Assets	-	-
(f) Other Non Current Assets	19	112
<b>Current Assets</b>		
(a) Inventories	99	473
(b) Financial Assets		
(i) Trade Receivables	556	781
(ii) Cash and cash equivalents	156	64
(iii) Bank Balances other than above	1	16
(iv) Loans	28	5
(v) Other Financial Assets	1	1
(c) Current Tax Assets (Net)	413	414
(d) Other Current Assets	159	387
<b>Total</b>	<b>4,685</b>	<b>5,642</b>

# Historical Consolidated Income Statement



Particulars (INR Mn)	FY16	FY17	FY18
Revenue from Operations	2,217	2,185	3,566
<b>Other Income</b>	122	133	102
<b>Total Revenue</b>	<b>2,339</b>	<b>2,318</b>	<b>3,668</b>
<b>Total Expenses</b>	2,073	2,091	3,203
<b>EBITDA</b>	<b>266</b>	<b>227</b>	<b>465</b>
<b>EBITDA Margin (%)</b>	<b>11.37%</b>	<b>9.79%</b>	<b>12.68%</b>
<b>Depreciation</b>	54	44	42
<b>Finance Cost</b>	5	24	34
<b>PBT</b>	<b>207</b>	<b>159</b>	<b>389</b>
Exceptional Items	116	-	-
<b>Tax</b>	22	73	106
<b>PAT</b>	<b>69</b>	<b>86</b>	<b>283</b>
<b>PAT Margins</b>	<b>2.95%</b>	<b>3.71%</b>	<b>7.72%</b>
Other Comprehensive Income	-	1,402	164
<b>Total Comprehensive Income (After Tax)</b>	<b>69</b>	<b>1,488</b>	<b>447</b>
<b>Diluted EPS (INR)</b>	3.92	4.96	16.24

# Historical Consolidated Balance Sheet

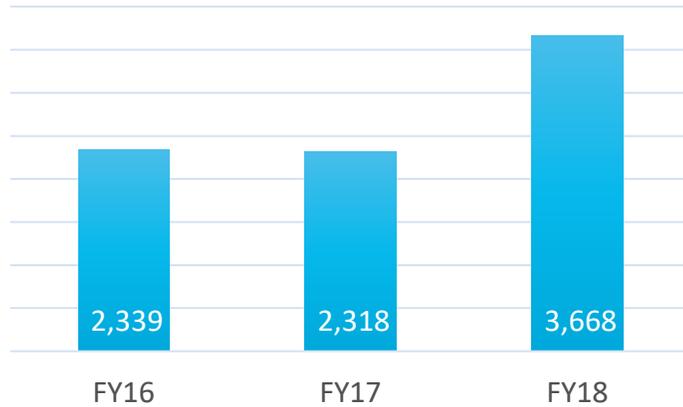


Equity and Liabilities (INR Mn)	FY17	FY18
<b>Shareholders Fund</b>		
(a) Equity Share Capital	174	174
(b) Other Equity	3,223	3,643
<b>Net worth</b>	<b>3,397</b>	<b>3,817</b>
(c) Non Controlling Interest	25	23
<b>Non Current Liabilities</b>		
(a) Employee Benefit Obligations	22	24
(b) Deferred tax liabilities (Net)	444	479
<b>Current Liabilities</b>		
(a) Financial Liabilities		
(i) Borrowings	30	159
(ii) Trade Payables	384	404
(iii) Other Financial Liabilities	125	360
(b) Other Current Liabilities	91	149
(c) Provisions	263	361
(d) Employee Benefit Obligation	16	8
<b>Total</b>	<b>4,797</b>	<b>5,784</b>

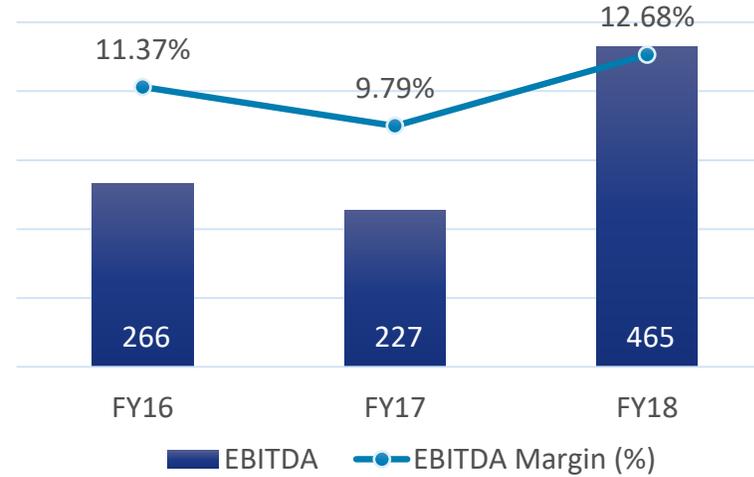
Assets (INR Mn)	FY17	FY18
<b>Non Current Fixed Assets</b>		
(a) Property, Plant and Equipment	1,897	1,884
(b) Investment Properties	25	24
(c) Intangible assets	67	65
(d) Investments in subsidiaries and Joint Venture	-	-
(e) Financial Assets		
(i) Investments	1,316	1,510
(ii) Loans	47	40
(iii) Other Financial Assets	-	-
(f) Other Non Current Assets	20	112
<b>Current Assets</b>		
(a) Inventories	103	493
(b) Financial Assets		
(i) Trade Receivables	523	730
(ii) Cash and cash equivalents	190	92
(iii) Bank Balances other than (ii) above	1	16
(iv) Loans	27	2
(v) Other Financial Assets	-	1
(c) Current Tax Assets (Net)	419	423
(d) Other Current Assets	162	392
<b>Total</b>	<b>4,797</b>	<b>5,784</b>

# Financial Charts (Consolidated)

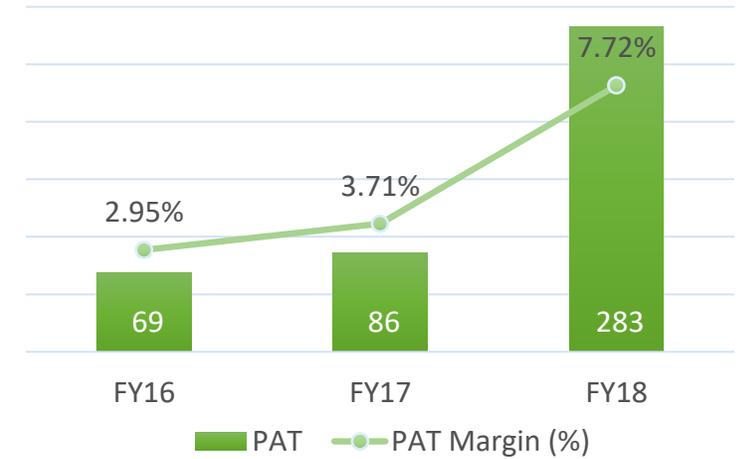
### Total Revenue (INR Mn)



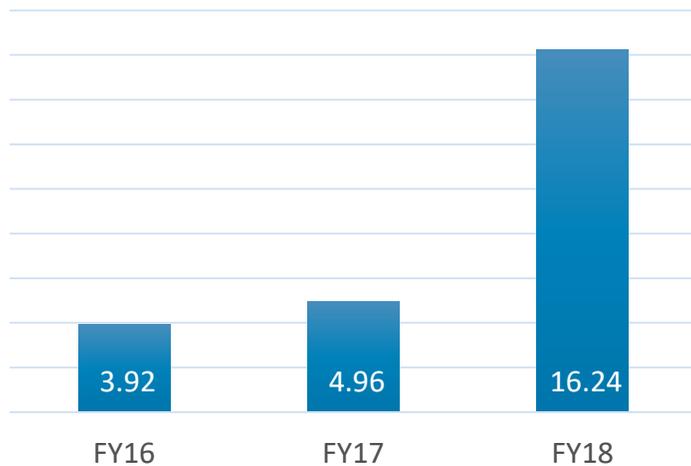
### EBITDA and EBITDA Margin (%)



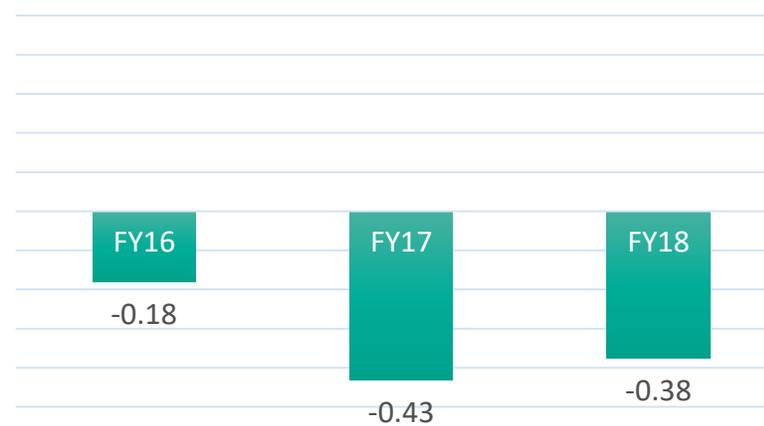
### PAT and PAT Margin (%)



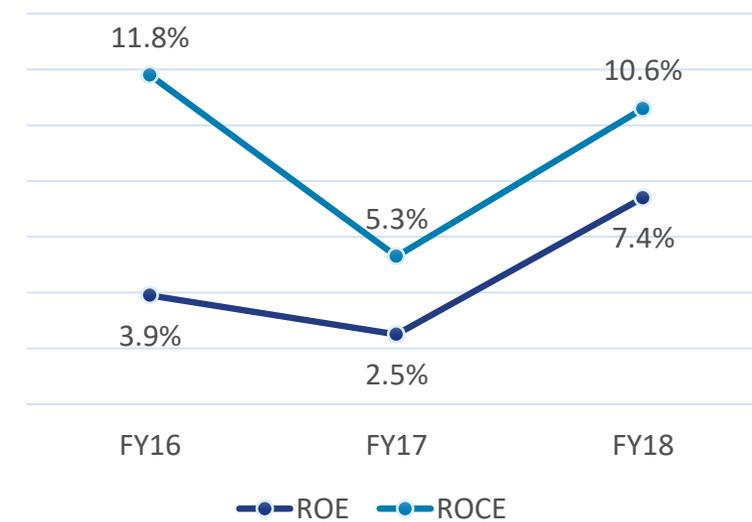
### Diluted EPS



### Net Debt to Equity



### ROE and ROCE



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THANK YOU



“Saregama India Limited  
Q3 FY2019 Earnings Conference Call”

January 28, 2019



**ANANDRATHI**



**ANALYST: MR. SHOBIT SINGHAL – ANAND RATHI SHARES & STOCK BROKERS**

**MANAGEMENT: MR. VIKRAM MEHRA – MANAGING DIRECTOR - SAREGAMA INDIA LIMITED**  
**MR. VINEET GARG - CHIEF FINANCIAL OFFICER – SAREGAMA INDIA LIMITED**  
**MR. B.L. CHANDAK - EXECUTIVE DIRECTOR – SAREGAMA INDIA LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Saregama India Limited Q3 FY2019 earnings conference call, hosted by Anand Rathi Shares and Stock Brokers. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shobit Singhal from Anand Rathi Shares and Stock Brokers. Thank you and over to you Mr. Singhal!

**Shobit Singhal:** Thank you Bharat. Good afternoon to all of you. Welcome to the Q3 FY2019 earnings conference call of Saregama India Limited. From the management side, we have today Mr. Vikram Mehra, the Managing Director, Mr. Vineet Garg - CFO and Mr. B.L Chandak - the Executive Director. Now I would like to handover the floor first to Mr. Vikram Mehra for his opening remarks post that we can start with the Q&A session. Over to you Sir!

**Vikram Mehra:** Good evening everyone. The third quarter was a good quarter. I think it was around the lines of what because we were expecting. Year-on-year revenue grew by around 61% and we finally crossed the 150 Crores number. To put the context to 3 years back our annual number used to be 150 Crores or 180 Crores, which I am glad we are now very close to touching in a quarter itself and the topline growth actually came along with good bottomline growth. If we see PBT without the SAR set, that grew by 79% and we touched a number of 21.5 Crores this quarter.

All this we need to keep in mind is happening along with we making large investments in content, which are going to keep this company ready for 15 to 20 years down the line. If I see the PBT without SAR percentage for this quarter we are sitting as 14.2%, so of 150 Crores of topline and 21.5 Crores bottomline. Our guidance up till now for the year has been 13% and we seemed to be doing better than that as of now. The SAR effect last quarter gave us an upside of 2.6 Crores, this time it has given us a downside of 2.2 Crores, all these are getting reflected in the employee cost.

As I said earlier also, we should go back and look at in this call only the operating efficiencies, which get better reflected in PBT without SAR numbers. What we people are very, very proud in this quarter is that we have been able show a consistent growth in this quarter in spite of the fact that this Diwali has not been the greatest Diwali for anybody in consumer-facing businesses.



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Across all categories we are seeing that the Diwali has been lower than the expectations. It is not that we are not affected, we also got adversely affected, but still have been able to log in a decent sale in the quarter.

Our licensing business on a quarter-on-quarter basis have seen a big growth. To make a sounder handshake we should compare it nine months to nine months, which are the better reflection of the growth that we are seeing and the number comes to around 25%. So, on nine months to nine-month basis, our music licensing revenues have grown up by 25%. If I look on quarter-on-quarter basis, which is upwards of 40%, but that is more of a facing issue.

This is in spite of the fact that our telecom revenues continue to fall. On a same nine months to nine-month basis telecom has fallen by 60%. In spite of that the overall music licensing has grown up by 25%. Our OTT business, what I have been saying for six calls in a row that the OTT business should grow at 40% and we are ahead of that number, so I do not see any reason even in the days to come. The OTT or the streaming is going to grow at a rate any lower than 40%.

Both the Copyright Society that we are part of PPL and IPRS, both of them are finally getting their house in order. As you may recall around a year back as stated that IPRS has been reconstituted and Saregama is the board member both of PPL and IPRS.

We are seeing the revenues seen improving, efficiencies are being driven in and a little bit of positive impact have been seen in this financial year and in the days to come we expect those revenues to grow up substantially. Carvaan numbers: Carvaan touched 297000-unit sales, which in Carvaan and Mini. This number was 224000 in the last quarter. The other very big milestone that we crossed in this quarter was a 1 million sales number, launch till date. I do not think many people give Carvaan chance of doing more than 50000 or 100000 units when we launched this product.

We are proud to see the number touching of 1 million number and even prouder that it is coming consistently month after month and number are getting logged and every quarter seems to be doing better than the previous quarter. Diwali obviously was an exceptional quarter for all consumer electronics and durable guys Q3 is always is the biggest quarter, so we have seen a disproportionately high number growth coming in this quarter.

What contributed apart from Diwali the retail part is helping us a lot. We increased the retail network by another 4000 retailers, these are billing retailers, so the overall number is very



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close to 20000 retail outlets that are going out there and billing at least one Carvaan or a mini Carvaan.

We also launched a high decibel marketing campaign this year around Shor Ya Sangeet, which did two tasks obviously; helped our sale number and also ended up creating further halo and stature around the brand Carvaan. We often start taking the power of the brand for granted, but it is very rare that you will hear a story where our brand has not only been a new brand, it created a category for itself. They were nothing called in the category of preloaded speakers. Carvaan created a category, a brand for itself and won the number of awards as one of the most reputed brands

Annual national level awards have called FEs and every brand from Unilever to Procter and Gamble, Coke and Pepsi, everybody competes out here. Carvaan is the only brand, which has managed to win four golds, two silver and two bronze, no other brand has been able to win these many numbers of goals in a single year ever. I think it has been a very big achievement for us. We are not only getting our sales numbers, we are not only getting retailers backing us completely out here, the awareness levels are going up and somewhere the brand is becoming bigger and bigger, which gives us a leverage to launch more stuff under the brand Carvaan.

The other apart, which helped a lot in this quarter is the new Carvaan mini that actually we had launched in September, technically previous quarter, but the numbers started flowing in from this quarter onwards. Mini is now no longer the very small contributor that it used to be. It has also started becoming a significant contributor to our overall sales. Mini also helps us to get into smaller towns much faster because it has got a much lower price point Carvaan has. Internally while we keep on focusing on the volume numbers for Carvaan and mini, there is an equal commitment to keep on pushing up the margins that we are making on it.

I am happy to share, in this quarter we are able to raise the margin by another 1%, so the gross margins that we are talking about on today, Carvaan and mini combined is 24%. To remind everybody when we calculate gross margins it is revenue minus cost of goods sold, import duty, content royalty cost, warehousing cost all below the line sales expenses that we are putting out here, logistics cost, warehousing cost everything is sitting out here. The only cost, which is kept out of gross margin calculation, is above the line media cost. The television, radio, print, digital cost that is the only cost we are keeping out.

How did we manage to improve the gross margins? It is the variant strategy, which is working. So, we launched this premium Carvaan again in September last year, which has



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started contributing decent percentage to overall Carvaan sale. Carvaan base models are available at 5990 and 6390 where premium is going at 7390. We have also launched Gold this year, which is more of an image builder for us. We have not started pushing Gold yet, but still at 14990 Gold, whatever relatively smaller number which doing it is still adding to overall contribution margins because Gold and Premium are clearly higher margin products for us than the base Carvaan.

We have spoken about music licensing. We spoke about Carvaan. To keep this engine growing we need to have equal amount of focus going on doing new music acquisition at all times. We are constantly now acquiring music across Hindi channel, Tamil and some amount of Marathi and Bengali languages. Our focus is Hindi and Tamil and we will see in the days to come including the current quarter some very big high profile movies coming from our side, so this is improving our negotiation power when we are talking to various partners and also getting the company ready for future, so that it is not about Saregama making money today, but on the line also we should be fully equipped to go back and monetize the content.

The great news is also there in Yoodlee front, so our movie Ascharyachakit, which was earlier known as Ascharya F\*\*k which we had licensed out to Netflix finally got released in a month of December. What I am extremely proud and happy is that the movie is trending on Netflix for last 34 days. It has been one of the largest or biggest seen movie on Netflix. We also closed another deal with Netflix for a movie called Music Teacher whose revenue gets reflected in this quarter.

Now the big thing for us is after having five of our movies going on Netflix, we now have signed an output deal with Star TV whereby for Hotstar, Star will be buying the next 12 movies from our side going to them at a predefined pricing, which apart from the revenue implications in the profitability implications it is also talking about the fact the as a brand Yoodlee is getting recognized in the market, it is getting a stature in the market, now you will see Yoodlee content available not only on Netflix, but also on Hotstar platforms at a predefined quantity and pricing.

Television, the work that we do for Sun TV, the good part of that is our TRPs continues to be rocking. We are the most watched Tamil afternoon show on Sun TV. The second highest show also belongs to Saregama only. The good part of that is they are not thinking or moving a top-rated show from afternoon to Primetime, which means better profitability for everyone. There has been a stress also, let me accept it on the advertising time that we sell on Sun TV. That continues to be a pressure in Q3. We have taken a conscious call that we will not go back in discount of our product. Our product is extremely well in terms of rating, so we will



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not sell the advertising time at a discounted pricing. We are maintaining our pricing. We are working closely with Sun TV so that the inventory is getting banked, money is going nowhere, we will keep on liquidating it in the days to come.

Overall, if I look at the quarter, great news both on the topline and the bottomline. Licensing revenue went up steadily on a nine-month basis at a 25%, Carvaan saw the Diwali push and overall the sale of Carvaan has crossed 1 million number, Yoodlee now has an output deal going with the Star, so there is a guarantee revenue profitability matrix we have in front of us. Ladies and gentlemen that is to be all from my side. Thank you.

**Moderator:** Thank you. We will now begin with the question answer session. The first question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

**Rahul Jain:** Thanks for the opportunity. Congratulation Sir, for a wonderful set of number and I am happier that our Yoodlee Films division is now coming on track and we had a wonderful success with Carvaan, we are hoping a similar success for Yoodlee Films going ahead. Coming to the question specifically, Sir, on the revenue side, Carvaan sales are up almost 32%, but when I see our revenue segment on the music side that is up 10%, just to understand I am not going to very specific numbers of mini Carvaan or further division, but still just to understand, if our Carvaan sales are up by 32% where overall the sales has reached 10%, so what can be the difference over there?

**Vikram Mehra:** You indirectly indicated that the big difference is happening on the mix of Carvaan and Mini, so Mini is playing a bigger and bigger role as we push the number into the smaller towns and there is a clear difference in the topline value of a mini and a Carvaan.

**Rahul Jain:** Sure, and you mentioned the music streaming business continues to grow at a very healthy pace of 40%, right?

**Vikram Mehra:** Right.

**Rahul Jain:** So, I can take it, this is more due to product mix and I remember in the last concall, you had mentioned about new introduction of new Mini at 2490 and we expected that to do well, so going as for your estimates?

**Vikram Mehra:** Yes, it is a product mix issue that you are seeing, which is at play here.



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**Rahul Jain:** My second question it is on Yoodlee Films, so happy to see this output deal of 12 films, but just to understand initially our five movies are sold to Netflix, so you feel we have reached the stage where we have waited so that we could have probably got some better realization for the films business or do you feel this is the right time and plus you had mentioned in your presentation there is another output deal, which could happen sooner, and just to complete the question on the next 12 movies on a conservative basis will all be taken up by Hotstar, is this right?

**Vikram Mehra:** In a way yes. The answer I am going to give is sound and incredulous. Nobody has ever made even 12 films in a year, but then nobody had got five films and all five have been picked up by Netflix and then the pricing that we are working in. We do plan to produce many more films and we are scaling up our system in a fashion, so the top-quality films can be made in the budgets in which we make our films. Our films cannot exceed the budgets. We are not into big budget films. So, you will see, six months back or eight months back we were all resisting any kind deal, now we believe we are getting a decent valuation for the kind of quality we bring to the table, so you will see some guaranteed revenue is coming from the output deals and we may go back and make a few films over and above that.

**Rahul Jain:** Overall business as you always said the payback period will be 5 years or less, so with this output of 12 movies at one go we will maintain that?

**Vikram Mehra:** Yes, absolutely, see some of the principles are overarching principles everywhere. Everything also happened underneath that. It will be far better than that.

**Rahul Jain:** Sure, just to complete this movie part, so till date now how many movies, so five movies you have already sold and done and apart from that how many movies are already ready and competed production stage?

**Vikram Mehra:** We have a similar number of movies, which are in various stages of production or postproduction and we are reasonably confident that these movies either are going picked up by any of the existing relationships or they are going to be picked up by somebody else. We are relaying as more and more movies of us also getting released, so that people who are going and picking it up now.

**Rahul Jain:** I am so sorry, does that mean tomorrow additional five movies, which come, the next five movies is not necessarily be taken by Hotstar?

**Vikram Mehra:** No, not necessarily.



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- Rahul Jain:** So, who will decide that whether that movie goes to Hotstar?
- Vikram Mehra:** You are getting too much operating details out here. What I am saying, the impact of the output deals will start coming in only by the later part of the financial year. When the movie starts getting ready, the movies which are part of the deals there till that time there will other movies, which are already in production and postproduction, you will see those movies getting released and we are very confident that we will be able to share with you how they have been licensed to various other platforms. All on the Yoodlee front, earlier we used to blow lots of money on the movie project without any light at the end of the tunnels, and now it is getting recognized whereby an output deal guarantee that we will be profitable.
- Rahul Jain:** Sir, so by FY20 year end say 15 months from now, can you give me a number in terms of the number of movies, which you would have been completed and may be sold?
- Vikram Mehra:** The moment we talk at the end of year we will share with you what is our planning going right now, which means do we see Yoodlee moving on a three-year horizon. What kind of a number should Yoodlee be able to contribute?
- Rahul Jain:** Sure, last question on the PPL and IPRS you have spoken about it earlier a year back also, just to share my feedback recently me and couple of my friends we were at some event and we were told that the music cannot be played without some charges being paid because of the IPRS, so just to understand now the revenue started getting in, I understand overall our music industry was over to the tune of around 1100 to 1200 Crores on a monthly basis, so IPRS has additional revenue for the industry could be how much?
- Vikram Mehra:** PPL and IPRS are in better place right now, but if I go by global standards here if I look those kind of number, PPL and IPRS revenue I would not be surprise within a year or two between 250 to 300 Crores. 300 Crores is not going to come to Saregama, right it is the industry revenue, which comes in, i which label stick money, the people have written the songs, people have given the music to the song. It all gets divided for this number was very close to nothing, so you will see a decent amount of growth coming in.
- Rahul Jain:** So, we are saying 250 to 300 on a base of 1200 that is right?
- Vikram Mehra:** Yes.
- Rahul Jain:** Thank you so much. I wish you all the best.



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**Moderator:** Thank you. The next question is from the line of G Vivek from GS Investments. Please go ahead.

**G Vivek:** Congratulations on good set of numbers and for the opportunity. My query is on the year-on-year front numbers are fantastic, but quarter-on-quarter the numbers are sort of profitability is down and numbers were a tepid, what would be the reason for that and what are the reason for the increase in manpower cost and the royalty cost?

**Vikram Mehra:** Two of your answers are same. If you see profitability, there are two data points, profitability without SAR and profitability with SAR. SAR is Stock Appreciation Rights and the operating efficiency of the company SAR has no role, I will ask you to focus on profit before tax without SAR. If you see we have improved the profitability we have not come down, which are marginal increase, we have written 20 Crores PBT and I am writing 21.5 Crores PBT, so there is a marginal improvement.

**G Vivek:** Yes, I believe that way I get into the Rs.1800 value then only that benefit will accrue to the holders like you is it correct?

**Vikram Mehra:** The stock appreciation rights are the stocks have been registered at a particular price to the employee. After, at the end of every quarter whatever has been price delta over the previous quarter that needs to be provided in positive or negative, so last time, it was negative because the stock price had gone down, so unnecessarily there was a benefit that came in, even then also we have ignored it if you see my comments. We have taken no credits for it because that is which is outside what we can do within the company and this quarter has gone against because of stock price appreciated, so I will talk about SAR in end if you want, if you just look at operating efficiencies of the company, we wrote at 20 Crores versus which we wrote 21.5 Crores profitability in this quarter.

**G Vivek:** Coming to the Yoodlee Films, these are more of the art film type, why not for a Badhaai Ho type of movie, happy ending which can be a massive hit, commercially as well?

**Vikram Mehra:** That is a business model. I think we have been very clear about the business model from the word go. Our movies are targeted at 18 to 35 age group who wants to watch the movie on the digital platforms. We are expecting lots of people to come out to the hall, so I am not saying there is anything wrong with this, the company focus is very clear. We are playing around 4 Crores kind of movies in the market and that is what we are producing and the digital platform seems to be very happy picking up the content that we are producing, so that is the niche we are in. The market seems to be appreciating that the niche a lot.



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- G Vivek:** Coming to your old thought engine like paper magazine and that monetization of land any development on that front or any hope?
- Vikram Mehra:** The moment something happens we will let you know. The only good news I can tell you, the expenses are not going up they are at a static level. Whatever news is going to come will be good news only, there will be no bad news coming in.
- G Vivek:** Any hope of monetization of the real estate?
- Vikram Mehra:** Real estate landline we need to find. Work is going on there, which is not taking any cost from our side at this juncture, so when there will be some news to be shared with you, we will.
- G Vivek:** Basically, the profitability not much to worry on the profitability front that might compare to incremental to say this time?
- Vikram Mehra:** There is nothing. There is no major variable risk that we are taking, which can move the needle a lot. The only risk that everybody thought may be films, now films also getting into a guarantee deal, the risk factor goes out there also.
- G Vivek:** That is fantastic and what about the huge base, base is also increasing for us now, what base we have much higher than one year back, so that being the case the growth sustainability and other things not much issue?
- Vikram Mehra:** When you base are you talking about the topline numbers?
- G Vivek:** No, Carvaan number, 10 lakh it has already exceeded now and base of the Carvaan has also increased substantially?
- Vikram Mehra:** What is going to be doing nothing else resulting into positive news because it is created by word of mouth. If one person in the building has it other people see it, they also want it, so we are hoping as the base keeps on growing up, we should be able to manage higher numbers, may be a year or two from now when we are sitting on 3 million or 4 million Carvaans in the market you will be able to sell more Carvaans in spite a lower margin spends.
- G Vivek:** And how has been the impact of this new ad, is it kicking off somehow?



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- Vikram Mehra:** See at the end of day what we are trying to pitch for various occasions by which gifting happens and ensure that people end up gifting products. Gifting is a \$20 billion industry in India, which are huge and apart from Cadbury nobody else have ever tapped into it. We are going back and seeing that how do we single out every occasion where gifting happens and move the needle.
- G Vivek:** Yes, that was the good ad, which have come up recently and how has been response happening or any change?
- Vikram Mehra:** Responses have been a decent number. See this is combined with the fact that the consumer market seems to be in a pretty thunder state, not many people are buying stuff. In light of that we are reasonably happy with how we are performing.
- G Vivek:** Thank a lot. Keep up the good work.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investment Private Limited. Please go ahead.
- Ravi Naredi:** Sir, just would like to know this Carvaan next financial year 2020 have you made any target because you have comfortable 10-lakhs in this 2019, so 2020 any target you have made?
- Vikram Mehra:** I would have loved to go back and make the statements in the month of May when we are doing. Yes, our targets are pretty ambitious; we have shape up 3-year target.
- Ravi Naredi:** Very nice and what about this Carvaan value of 14990, how many pieces we have sold in this quarter, December?
- Vikram Mehra:** I will not be able to give you exact variant breakups, but Carvaan Gold, which has been launched. The primary objective of Carvaan Gold is to build the brand. Consumers have discomfort that how will a music company be able come out with the good quality speakers and hence the entire objective that joined hands with Harman Kardon, which are world's biggest music speaker company to prove people that we can also come out with very good quality speakers and this is helping brand Carvaan a lot, slowly and steadily you will see number also growing up, we have not even done any advertising on Carvaan Gold, yet it is moving up on word of mouth basis.
- Ravi Naredi:** The insurance claim 100% we have issued now?



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- Vikram Mehra:** Sorry.
- Ravi Naredi:** The insurance claim have we received?
- Vikram Mehra:** Insurance claim we are hopeful we will be able to go back and square it up, we have not received it yet.
- Ravi Naredi:** We have not received any amount till today?
- Vikram Mehra:** No. We are confident as a management team I am telling you.
- Ravi Naredi:** Because it is a long overdue that is why I am asking you?
- Vikram Mehra:** We are working on it.
- Ravi Naredi:** Thank you.
- Moderator:** Thank you. The next question is from the line of Omkar Sarkar from Motilal Oswal Asset Management Company. Please go ahead.
- Omkar Sarkar:** Sir, I just wanted to ask you a bit about the Stock Appreciation Rights, so when does it actually get paid out to you. I mean because there is a write back and you have seen sometime it is a loss, but when does actual cash term if you can kindly explain that please?
- Vikram Mehra:** The way Stock Appreciation Rights works is in this case some of those were vested, only me as an individual, but at this juncture all have been invested into the employee. Employee can go back and exercise anytime he or she wants and the delta of the price, at which were invested to the today's price is going to be paid to the employee that complete thing only been factored in, so for example I exercise it today there will be no hit to the company because company is only provided for the entire expense. It is not a cash pay out today, there is no expenditure on the company, we are just providing for it, are you with me?
- Omkar Sarkar:** Not clearly, if you can kindly explain to me in numbers?
- Vikram Mehra:** Let me put this, suppose the Stock Appreciation Rights were vested at the price 100 and I am within a position to exercise at anytime I want and the day I exercise it may be the pricing is 600, so the delta Rs.500 into the number of Stock Appreciation Rights is the cost that the Saregama has already provided it for in its books, if the price for whatever reason goes to



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Rs.400 then Saregama can the write back or offer 200 bucks into the number of Stock Appreciation Rights.

**Omkar Sarkar:** Fair enough, and are there any plans of bringing some alternate structure to this?

**Vikram Mehra:** Yes, we are working on it clearly. Hopefully we will be able to share something with you soon.

**Omkar Sarkar:** Fair enough, Thank you Sir.

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

**Unknown Speaker:** Sir, congratulations on the quarter. I just had two questions, one is on OTT streaming, we can see that the YouTube streams are actually starting decrease and quarter-on-quarter and the OTT streams are also started to lessen a bit, so for how much longer do you think we can have 40% growth in OTT that is the first question and what would be the margins like in the music B2B segment?

**Vikram Mehra:** First you are jumping to very, very wrong conclusions it has not started plateauing because of one quarter. The Q2 quarter had the release of the movie called Yamla Pagla Deewana. That had got a massive hit, which came from our side, so you will always find like Q4 again you are going to see a big rise because we have just released film Ek Ladki Ko Dekha Toh Aisa Laga, so the streams for a company like us, which are just getting back into new music acquisition, every time a popular movie acquired by us whose music becomes a hit, you will see large variations happening in that particular quarter. You need to see a trend line. I am putting my neck out there and saying 40% going nowhere as far the streaming business is concerned because genuinely at this juncture, we have seen growth coming in. This growth is not just coming out of some great negotiation. It is fundamentally because more consumers are buying smart phones, more people are listening to music on their phones, that is the reality we have out here and Saregama as we keep on getting more and more newer content we will get a large share of this new revenue stream, which are growing and same thing you see on YouTube is that one song Raftaar, which was the big hit, which has given a very different kind of a imputes to the number of YouTube views you people have, please see the trend line.

**Unknown Speaker:** Sure, thank you and just to understand, what could be margin on the music B2B segment?

**Vikram Mehra:** Margin is a tricky part because I am not going to answer your question that you are asking me to do. There are two ways I look at it. One I say that Saregama will stop investing in any



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new content as we go back to saying whatever we have let us make money out of it in that case the margins are very, very hefty because all we need to pay is the royalty on the older content and the older content of ours, the average royalty rate is around 15% to 17%, so it is a very healthy margins that we are sitting in. The fact is, as a company, we need to constantly invest in new content and according to our accounting policy whatever new content we are investing in, 66% of that gets charged off in the first year itself, so that cost also starts taking a hit.

**Unknown Speaker:** The new content would be an indefinite life or would be for eight to ten years or like five years?

**Vikram Mehra:** Are you asking about royalty?

**Unknown Speaker:** No, the right to user music?

**Vikram Mehra:** Whatever content we are acquiring, we have rights in perpetuity global territory

**Unknown Speaker:** Thank you. That is all from me.

**Moderator:** Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

**Dhwanil Desai:** Congratulations on a very good set of numbers. Two questions around Yoodlee mainly, so wanted to understand basically in Yoodlee we used to make a movie and then sell it to the digital platform, now we are taking about output bills, which is to flow through P&L was the cost in quarter in which you do the deal and the revenue also in the corresponding quarter, now with the output bill does anything change on the P&L side in terms of how you book revenue in cost?

**Vikram Mehra:** Exactly the same principle is going to happen. The quarter in which we are going out there and giving the movie to the platform that is the quarter we are booking all the cost and we have added in.

**Dhwanil Desai:** Secondly, I think if I recollect the earlier calls and conversations, we were hoping that we would resist output deal and I think now we are getting into it, what had necessitated that change in thought process, if you can give some colour?



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**Vikram Mehra:** Right evaluation that starts coming in. We believe the current levels at which we are talking to the platform, I think it is a decent evaluation. What it also gives me is the decent amount of scale, because if I have 12 movies, which are a guaranteed sale, which is also going to guarantee me a profit, which gives us some leverage to try out something on the Yoodlee front, so at the right pricing every deal is on.

**Dhwanil Desai:** Got it and I mean again in Yoodlee Films when you do output the IP will remain always with Saregama right?

**Vikram Mehra:** All the deals of Netflix or the current deals IP always stays with us, we do only a limited period licensing.

**Dhwanil Desai:** Sure, and my last question is, if I look at our A&P spend with the scale that we have we are spending around 25% of whatever Carvaan that we sell and that is a pretty high number, so do you think that we would need this kind of an investment to sustain our sales growth or you think that you eventually taper off as the word of mouth spread to build scale, how do you look at it going forward?

**Vikram Mehra:** Just want to clarify that what you are seeing as the A&P is not just Carvaan spends, but also all the new movies that we acquire like in this quarter we have acquired Ek Ladki Ko Dekha Toh Aisa Laga. The music of that is sitting with Saregama. When you acquire film music you pay for content and you also commit to marketing expenses to promote those songs, so all that cost is also sitting as a part of marketing, so the numbers that you see in A&P is not just a number of Carvaan, it is an amount of content marketing budgets that are also sitting. Secondly, numbers are not as high as you may believe they are. My belief is that Carvaan will require another year or two of high decibel marketing and after that word of mouth is going to take over completely. We still believe 1 million number is a big enough number but when we go and talk to people in the smaller towns, they have not heard a Carvaan yet. Large city people know about Carvaan who seemed to be buying Carvaan. We need much more focus going in the smaller towns and smaller town's product may do even better. What I am going to be telling you in my concluding part that Mini Carvaan we have launched a version called Gurbani. It is a Mini, which is dedicated only to Gurbani. At this juncture the demand is far outstripping the supply and it is all moving in the smaller towns in a very big fashion, so we will require a large market expense. We do not want to make the mistake that we are not able to make the most out of this great idea of Carvaan because we did not spend enough money to market the product properly, but at the net margin level Carvaan will always be profitable that much I can commit to you. We are not going to be losing, first two years maybe the marketing expenses to be greater than my margins.



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**Dhwanil Desai:** My last question, I think this is slightly forward-looking, but I think if I recollect one of the things that comes to mind is that when there are too many Carvaan's sitting in homes of some guys, you have already sold one million Carvaan's, are you thinking about how do you leverage that in terms of monetizing that Carvaan box for multiple times monetization opportunity or it just a one time sale?

**Vikram Mehra:** Can I answer this as part my concluding, this one million I will do nothing, but there is something we are working on Carvaan, which can answer your question. I will address this as part of my concluding statement.

**Dhwanil Desai:** Sure, thanks.

**Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital Partners. Please go ahead.

**Ankit Gupta:** Good evening and congrats for the good set of numbers. I just wanted to understand from the investment for acquisition of new music rights, so this year we had seen somewhat increased popularity and this quarter also there will be a big movie, which is coming up, any thought process can you elaborate on how much better be a kept for this or any number that we have in mind for the FY2020, if you can share the details on that?

**Vikram Mehra:** I will, in the next quarter call, which will be the annual number call, we will share our outlook on next three years. Licensing business, Yoodlee business, new content acquisition business. I commit that to you and at this juncture please give me three more months to comment on this.

**Ankit Gupta:** Sure, but trajectory wise if I look at it at least this year we had seen further to a popular movie where we have acquired the music right that is the trend, we have seen off late?

**Vikram Mehra:** Yes, we have started doing it, but if you also see the kind of movies, we have acquired Yamla Pagla Deewana, Saheb Biwi Aur Gangster, 102 Not Out, they are good movies, Mr. Bachchan acting in the movie or Dharam Ji acting in another movie or Sanjay Dutt acting, but they have still not the top 10 movies that you are seeing in Bollywood. In fact, this quarter you have two high profile movies from us, Ek Ladki Ko Dekha and Total Dhamaal, so you will see an upping it. Upping it done in a fashion right now, the acquisition is done in as much scientific fashion as you can do with creativity. We have taken time to scale up content acquisition so that our backend is properly in place. We did not rush into new content acquisition because we want our house to be in order. This year has been a great learning for us. Most of our



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junctions are falling on how this music can get monetized. We will share with you a little more elaborate when we'll talk to you next time about the three-year planning.

**Ankit Gupta:** I just wanted to understand on this output deal that we are doing for Yoodlee Film is there an element of variable money that you will receive based on number of streams that come out in this platform or it will be a fixed kind of revenue?

**Vikram Mehra:** Let me give you a general comment on this. Majority of movies licensing happens for subscription business and for advertising business always happens on a fixed free basis. The only time any platform gives you on a per view basis is what is called the transaction video on demand, which very few platforms like iTunes carries out, otherwise typically it is a flat free.

**Ankit Gupta:** My last question is on competition in the Carvaan segment. Off late on the shelves of lot of this chain like Croma and all, we are seeing that some of the companies have come up with the variant like ours, so any views on that how is the competitor's intensity shaping up? We do understand that the kind of 5000 songs that we have in Carvaan is not available to them, so any views on how is the competition in the segment shaping up?

**Vikram Mehra:** Without dismissing all I can say, we do not see any impact on us and there is a reason. Carvaan was born out of the 250-research study, which had people above the age of 35 to 37 they are ones who want to have a fear of technology that starts creeping in. They are not very happy going to a Gaana or Jio Saavn to go back and consume music while youngster love going to Gaana and Jio Saavn to listen to the music. Carvaan is targeted at a little older people who want lean pack listening experience. The music that they listen is that which Saregama owns today. We are also aware that at the end of the day nothing stops us from trying to talk to a 25-year-old, problem is 25-year-old wants to listen to digital app and not through a device. Our competition does not have the content, which is relevant to 35 and 40 plus age group.

**Ankit Gupta:** Thank you.

**Moderator:** Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

**Aman Vij:** Good afternoon. Couple of questions, first on the new film music rights itself, just wanted to understand the spending we have done for this quarter as well as nine months?



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**Vikram Mehra:** Aman, I will not be able to give you a specific answer because my numbers get out in that case because I have got a limited number of movies everybody understands what rate I am paying right now, that is all, I cannot give you specific numbers, unfortunately this market is all a betting game and you cannot allow numbers to get out, at what price you have bought your rights.

**Aman Vij:** No issues. Could you give the breakup for we have earned 36 Crores for nine months in the film's division, the breakup of Yoodlee Films versus the TV business?

**Vikram Mehra:** We report the combined part but the majority of the revenue, which is coming in is the TV business and not the film business. We over the last five quarters have just sold five movies in terms of revenue we have written, but the number is still significantly low. We believe that will start getting scaled up at a third or the fourth quarter of the coming financial year.

**Aman Vij:** Of FY2020?

**Vikram Mehra:** Of FY2020.

**Aman Vij:** And by that time, we will have some of the films for Hotstar?

**Vikram Mehra:** Yes, all those movies will be ready. That is the time you see a larger number coming in. Today a Yoodlee is the commitment we have right now that all content that we are producing will be the maximum payback period allowed is five years. We are well within the comfort levels of that right now, but the scale has not come in yet, we have just built a reputation right now, we will start seeing scale coming up from my side and the days to come.

**Aman Vij:** Sure, next is on the Carvaan part, so Carvaan Premium has it reached that 10% to 20% of the sales as of now?

**Vikram Mehra:** It is in that range on the higher side of the number that you have given, yes.

**Aman Vij:** Sure, last question is on the OTT/YouTube revenue, could you share the nine-month number for that?

**Vikram Mehra:** No, we do not get into such, you are asking the details right now which straightaway and I will get handed over to my partners. Overall the publishing business, which is the licensing business or everything combined on a nine-month basis right now has grown up by 25%. One



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of the biggest contributors of that is streaming, which is growing as I told you right now upwards of 40%.

**Aman Vij:** May be the telecom number?

**Vikram Mehra:** Telecom numbers are degrowing at 60%. The telecom numbers are literally going to vanish. I do not expect right now 19% to 20%, practically anything to come out of telecom. Telecom is done.

**Aman Vij:** Sure, and last on the Carvaan side, do you expect for next year the number of units sold for Mini will be equal to our original Carvaan or may be even cross it?

**Vikram Mehra:** Our endeavor will be right now that it is a good part of our Mini and Mini is not a cannibalizing Carvaan. It is going into two different zones. The kind of music also we are putting among Mini is very distinct from what we are doing in Carvaan. Our endeavor will be to go back in grow both units independently and I just talk to about one product that we are launching as my apart to my concluding statement.

**Aman Vij:** Sure, that helps. Thank you.

**Moderator:** Thank you. The next question is from the line of Savi Jain from 2 Point 2 Capital. Please go ahead.

**Savi Jain:** I have just missed this number, you said nine-month music licensing business has grown by 25% and for the quarter it has grown by 40% is that right?

**Vikram Mehra:** See the quarter number is always a facing issue, so with the numbers that we should look at right now, which has the consistent growth, in nine-month basis the music licensing business has grown up by 25% within music licensing OTT business have grown upwards of 40%.

**Savi Jain:** This 25% includes the telecom business revenue in both the base nine-months and the current nine months?

**Vikram Mehra:** Yes, it does.

**Savi Jain:** Great. Second has the Jio Saavn app merger have negatively impacted your revenue this quarter?



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**Vikram Mehra:** I will not comment right now specific as specific as you are talking about right now, but let us be clear why should any M&A affect us. The number of streams that are going in are not coming down. There were 10 streams on platform A, 10 streams on platform B, they both join hands. The number of times a song is going to be heard are not changing, the song is still going to be heard 20 times right now. As long as the number of streams is the same our revenue does not get affected.

**Savi Jain:** No, from what I understood the last part of your revenue could have come from the minimum guarantee kind of arrangement, so your revenue increased?

**Vikram Mehra:** I have been giving right now is that yes, you have got a very smart point out there. You are right, but the good thing with us is, we in majority of the cases are actual have come are very, very close to the minimum guarantee now. We are seeing a substantial growth in our catalogue also.

**Savi Jain:** Second, I am assuming this kind of Spotify, so has the revenue started coming in?

**Vikram Mehra:** As of Q3 Spotify revenue are not booked, they have not launched in India yet.

**Savi Jain:** But you have tied up right?

**Vikram Mehra:** I cannot comment on this right now.

**Savi Jain:** You said that a large number of your arrangements in OTT platform is reaching that stage where you are crossing the minimum guarantee, so is it right that your incremental streams from those platforms will result in disproportionate increase in the revenue?

**Vikram Mehra:** Why should it be disproportionate right now?

**Savi Jain:** Because till now whatever increase has happened still resulted in you remaining below the minimum guarantee level so a 50% increase in streams will not results in a 50% increase in revenue?

**Vikram Mehra:** All our agreements are getting renewed every two years. We immediately catch up to the number and the next level comes up, so yes in that one basis there may be overflow that we are going to do it, two of our platforms are already giving us overflows, so will there be anything disproportionate something is dramatically change, no, but I am giving you 40%. We are growing at 40% and I am saying we will continue growing at 40% and the large



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contributor of that is going to be the new contents we are acquiring. The title song of Ek Ladki Ko Dekha To Aisa Laga see the success of that song, it will give you an idea how a good song what wonders that we do.

**Savi Jain:** No, I have seen that, so it already has around 4 Crores views on YouTube, just a question on that, all the revenues come to you or it also goes to the production house that gave the movie?

**Vikram Mehra:** Revenues of when we acquire audio, video song of a movie the IP gets shifted across to us, so all the revenues that gets made out of the audios of the songs or video of the songs comes back to music label.

**Savi Jain:** Great, that is all.

**Moderator:** Thank you. The next question is from the line of Saket Bansal from StockAxis. Please go ahead.

**Saket Bansal:** Sir, you have given a revised estimate of 9 lakhs units for FY2019, if we plow it back that comes to 210 units in Q4, so you are seeing any growth tapered down?

**Vikram Mehra:** No, it is not tapering. It is a festival season if you follow any consumer electronic company.

**Saket Bansal:** Like last year also there was a Q3 and then you see a good jump in Q4?

**Vikram Mehra:** Last year was still Q3 we did not have a unit to sell, last Diwali there were demand going in the market, I do not we are tracking or not, last Diwali was demand going in the market, we have no Carvaans to sell because the Carvaan was just a four-month old phenomenon at that time. We are at this juncture we are seeing the trend, which is going in right now. The footfalls are not there at the dealer outlets. Q4 for any electronic company always not the greatest of the month, the number start picking up right now from Q1 once again when the holidays and the vacation start happening.

**Saket Bansal:** So, basically Q2 and Q3 are the strong?

**Vikram Mehra:** Yes, so what happened is because of the facing of Dussehra. We were able to go back and put a large number of units in the market in the month of September building up to October Diwali launch, if Dussehra shifts to October in Diwali to November then the entire thing happens in Q3 only, so the facing happens typically.



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- Saket Bansal:** This was an exception because of the Dussehra?
- Vikram Mehra:** Otherwise you would have seen Q2 less than Q3 disproportionately higher.
- Saket Bansal:** Sir, one more number data point I want to know, what will be your average selling price in Carvaan right now?
- Vikram Mehra:** All I can tell you right now is the average price of Carvaan is 4000 bucks and Mini is 1500 bucks, 1600 bucks is the impact that we have on our topline.
- Saket Bansal:** Thank you. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Adit Shah from Vibrate Securities. Please go ahead.
- Adit Shah:** Good evening gentlemen. My question is on the music syndication business. Do you guys have any plans of also entering into movies syndication?
- Vikram Mehra:** Say movies syndication Yoodlee business is about movie licensing only.
- Adit Shah:** But there we are producing all the movies, which we sell is it correct?
- Vikram Mehra:** We are producing all the movies. In the music side we are buying. We are licensing only the music that we people own, so both cases we are not playing an aggregator role. Saregama is the content IP Company. It either creates content or buys content after that the ownership sales are with Saregama. The content that we own with go back and licensed it for a short-term or a long-term period to people.
- Adit Shah:** So, in movies specifically I think you produce all the movies, so you do not buy movies is it correct?
- Vikram Mehra:** Yes, we are going out, we are not close to idea of buying, but at this juncture we are producing all of it.
- Adit Shah:** But going forward can we expect you guys to also buy movies from others and then license them?



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**Vikram Mehra:** If you asking me a theoretical question, yes we may be open to the idea, but right now we have no such plans, we believe the biggest value we bring to the table why market appreciates what we are doing is the creativity we are bringing to the table out here and that is best and right now we do not only produce the line produce our movie. That also gives us complete control on cost structures.

**Adit Shah:** Thanks. That is, it.

**Moderator:** Thank you. The next question is from the line of Savi Jain from 2 Point 2 Capital. Please go ahead.

**Savi Jain:** Sir can you tell us how much of your library is for perpetual and how much it is going to renewed in the next five years?

**Vikram Mehra:** I could not understand your question.

**Savi Jain:** The library of the few lakhs songs that you have, how much of has perpetual license and how much of it is going to be renewed in the next five years?

**Vikram Mehra:** Practically everything is perpetuity for us. See, unlike some of the people who are there in the movie business, some other listed companies which are there in the movie business whose model is that they buy limited period rights and then they exploit it and the rights go back, we are not following that model. In our model we own our content in perpetuity.

**Savi Jain:** Just one question, I saw that in your presentation you stopped reporting the B2B licensing revenue growth, I mean was that a mistake or you are going to stop reporting it going forward, because you mentioned it in the presentation.

**Vikram Mehra:** We will report it. It is just that it is a facing issue that is why we have said I will report out here it is still nine month that is what I am reporting because what happens at times this quarter looks exceptionally good, but I think it is a wrong way to look at it by you also, if I give you B2B quarter-on-quarter Q3 growth of the last year it looks very decent, it is just a facing issue, so better way to look at right now is in nine months to nine months the numbers are lower, but they are more realistic, which is 25%.

**Savi Jain:** Because earlier also there are some data point that you stopped reporting, so I thought this is also another data point, which you will probably stop it?



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**Vikram Mehra:** This is the other data point you believe we have stop reporting. I will start including it. This is the data point you have. See, we are clear. We have very proud management, so you want to tell you what we are doing here. There is nothing to hide here.

**Savi Jain:** No, from our competition point of view so that is why I just wanted to know you keep reporting it or not?

**Vikram Mehra:** No, B2B numbers right now we will keep on reporting. I am telling you this is also as good as report only. I wanted to explain why suddenly I am a nine-month pass and not doing quarter because you would have thought quarter basis base numbers are looking extremely decent, but that is unfair because of the facing problem.

**Savi Jain:** That is all. Thank you.

**Moderator:** Thank you. Ladies and gentlemen that was the last question for today. On behalf of Anand Rathi Share and Stock Brokers that concludes this conference. Thank you for joining us. You may now disconnect your lines.