



“Saregama India Limited Q4 FY'23 Earnings Conference Call”

May 19, 2023



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

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



*Saregama India Limited
May 19, 2023*

Moderator: Ladies and gentlemen good day and welcome to the Q4 FY'23 Earnings Conference Call of Saregama India Limited 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 please signal an operator by pressing '**' then '0' 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 Limited. Thank you, and over to you, sir.

Bhupendra Tiwary: So, welcome everyone. On behalf of ICICI Securities, we welcome you to the Q4 FY'23 and FY'23 Results Conference Call of Saregama India Limited.

From the management we have Mr. Vikram Mehra, who is the Managing Director; Mr. Pankaj Chaturvedi, who is the CFO; Mr. Saket Sah, who is a Head, Investor Relations; and Mr. Pankaj Kedia, who is Vice President, Investor Relations.

So, without much ado, I will hand it over to Vikram, who will give the opening remark post which we will take the Q&A. Over to you, Vikram.

Vikram Mehra: Hi, good evening everyone. What an eventful year for us, with the impact of the digital revolution along with our content play.

So, FY23 saw operating revenues of Rs. 751 crore and a PAT of Rs. 189 crore. This basically means that on year-on-year basis our revenue has grown by 29%, while PAT has grown by 24%. In fact, what I am prouder of is that it is not a one-off journey. If you actually see our seven-year journey which we have also shared in our Corporate Presentation, our revenue has been growing at 23% CAGR for the last seven years now, while our profits have been growing at 59% CAGR.

I have always requested all of you people and I continue requesting, to please look at our numbers always on an annual basis and not on a quarterly basis. Our business unfortunately cannot be analyzed on a quarterly basis. One, because of the seasonality that plays a very important role here as advertising revenues completely fluctuate depending on the seasonality. And Second, the accounting treatment of our overflows which we book whenever the overflows come in and the nature of advertising and overflows is such, that for us Quarter 3 is the biggest quarter then it is Quarter 2, then Quarter 4 and then Quarter 1. So, whenever you are analyzing us, either do on a financial year basis or a rolling 12-month basis.

Our growth has been great, but I am very confident that we have still just touched the tip of the iceberg. The digital consumption in our country is not going to stop. It's going up both in terms of more people joining the bandwagon of buying a smartphone and also people who have a smartphone consuming that much more content on it. Content can be anything, it can be audio,



*Saregama India Limited
May 19, 2023*

it can be video, it can even be gaming. Overall, as people get hooked onto this digital economy, they will end up consuming content connected to a company like Saregama.

We are also seeing more and more people getting comfortable with the payment economy that fits behind digital. Five years ago, nobody used to go out there and pay. Today's younger generation is getting more and more comfortable to pay for gaming. The good part is if you pay for gaming you are going to be equally comfortable paying for other audio or video content, which from our perspective looks like a great future where both not just advertising based revenue, but subscription-based revenue may also kick in, improving the profitability of an IP owning company like Saregama. Remember with technology platforms' fortunes change. For a pure-play content IP company like ours, 'Lag Jaa Gale' song was a superhit 60 years ago also, 30 years ago also and today also is one of the top songs of the country. And that's the beauty of an audio or video IP owning company.

Let me brief you on the status of our demerger scheme which was approved by the shareholders. The current status is that our application for demerger was heard by NCLT on 28th of April. The pronouncement of the order is still pending. Awaiting the final order sanctioning the scheme, our financial results have been prepared without giving the effect of demerger. Once we get the order the scheme will be effective and necessary revisions are going to be made in the financials.

Let me start with the music piece. I think the biggest industry change that I have been talking for couple of years now has started rolling up which is the movement of streaming platforms from being a free platform to a subscription-based platform. We saw three platforms during this year announcing formally that they want to move completely behind a paid wall. which means out of the nine platforms six platforms are going to be now behind the paid wall.

I have repeatedly explained that a song which is heard by a paid subscriber is commercially that much better for us than a song which is heard by a free customer. Globally if we look at it, we are seeing around 589 million people paying for music subscription and listening to music that way. In fact, 67% of music industry revenue actually came from streaming. Just imagine if we are making this much amount of money when paid subscription is yet to take off what will happen once it takes off. And the signs are now there.

There are only three platforms that are left who haven't turned paid. I will again warn you that in the short run it will create pressure on all of us. If people go behind a paid wall, you will see the monthly active user base falling in the short run. But on a short to medium term basis, I see far more money being made by all stakeholders including the IP owners like Saregama. And since we are sitting on the bulk of the music IP I think we will have one of the biggest advantages that you want to see of subscription-based economy taking off.

The other thing that works well to our advantage is that we have a very strong catalogue from the Southern part of the country- Malayalam, Tamil, Telugu, Kannada. We are seeing traditionally whenever paid subscription has taken off its led more by the South Indian states



*Saregama India Limited
May 19, 2023*

first, and then it starts moving more towards the North Indian states. Since we have a larger share of the South Indian languages' content, we believe we will have a big advantage as India starts moving towards subscription.

Our licensing revenue this year grew by more than 20% for the fifth year in a row and a big driver for this growth has been new content acquisition. The thing which almost sounds unbelievable to most people and at times even to us is that if I look at FY '23, 48% of our revenue actually came from music which has been released post-2000. People often call Saregama a catalogue company. I can hardly call it a catalogue company with close to 50% of our revenues flowing from 21st century music.

What makes us even more proud is not just the fact that we are picking up a lot of music in Telugu, Malayalam, Hindi, Bhojpuri, Gujarati, but the fact that we are picking up winners. It's not about just picking up songs that are coming out - that's an easy thing anybody can do it. It's about being very stringent about how you go about picking up the music. The investment that we people have made in data analytics, predictive modeling and the entire decentralized decision-taking process where one person sitting in Bombay at the senior level is not taking the decisions. It is the people who are locally based and have strong KRAs that can be controlled and evaluated, who are taking the help of the data models which have been created and take decisions. This results in allowing us to pick winners and perform far better than any of our competitors.

Why should you believe me what I am saying, it's very easy to claim this, please go out there and check out our Corporate Presentation. We have given data point after data point in each of the languages showing how our songs are scoring extremely well in all the major charts that are announced by all the streaming platforms and YouTube. So, we have given examples of Spotify charts, we have given examples of YouTube numbers, have a look and you will realize that our content selection is really clicking.

In fact, if I look at YouTube alone, 11 of our songs released in 2022 have already crossed 100 million views on our own channel. I am not even talking of our older releases and Kishore Da and Rafi Sahab music is not included here. This is the latest music we are talking about. There is Hindi, Telugu, Punjabi, and Bhojpuri sitting in there.

If you look at the subscriber base of all the channels that Saregama has and similarly for all our competition, we did not have the largest subscriber base on YouTube because we did not own too much video content. In fact, all the content we own pre-2000 is primarily only audio. So, we did not have too much of a play on the video side. Now that we are investing in the newer content which comes along with the video, the subscriber growth rate (not the absolute numbers yet) for all Saregama music channels. is the fastest in the market.

Apart from the work that we people are doing on the way we select music, data analytics, predictive models and decentralized decision-taking process, I think the other big key is the



*Saregama India Limited
May 19, 2023*

partnership we have been able to strike with all the major production houses. I have stated in the past, even while the QIP was being done when I was asked a lot that why do we believe we have a chance to win. And I said that one of the big reasons is the old partnerships we have with most of the production houses. We people had procured music from the same production houses when maybe their grandfather or the parents of the current generation were working. And we have been paying royalty to them for a very long time. So, there is an innate belief in the fairness with which Saregama deals with the market.

What is the net result? Today, whether it is Dharma, which is Karan Johar's Production House or Sanjay Leela Bhansali or Vidhu Vinod Chopra or Mythri which is the producer of the movie Pushpa, all of those people are very comfortable dealing with Saregama and have granted the music of their films to us.

Again, repeating 48% of Saregama's revenue comes from music which has been released after 2000, unbelievable even for us.

This year saw us taking the leadership position in the new content. And the criteria of leadership is views generated on YouTube through new content. We are already the number one player right now in Telugu, Malayalam, Bhojpuri, and Gujarati. This year as we people move ahead, we plan to take leadership position in Hindi and Tamil also.

With multiple big musical films getting released from our side we believe their numbers will swell. If I look at Quarter 1 alone this year, we already released the first big song of the Vijay Devarakonda and Samantha movie 'Kushi'. Also, the first song of Vicky Kaushal and Sara Ali Khan's 'Zara Hatke Zara Bachke' was released two days ago. We are expecting songs of the Ranveer Singh, Alia Bhatt Karan Johar movie 'Rocky Aur Rani Ki Prem Kahani' to release in the month of June. Even if I look at the other languages, this year is going to see big releases including Ajay Devgan's 'Maidaan', Vicky Kaushal's other movie called 'Rola' and Tamil Superstar Surya's two films. We also have the music of Malayalam Superstar Mohanlal's 'Malaikottai Vaaliban' and Mammooty's 'Bazooka'. There are big movies, all lined up, with scheduled dates. So, you are going to be seeing big numbers. Yes, obviously there has been an immediate impact of that on the financials too, both on the revenue side and the cost side. For that matter if I look at our Quarter 1 FY'24, our content cost may just be double of what we people paid last year. But you will start seeing the impact of that on the revenue immediately.

This is new content, and we talk a lot about new content. But I also want to share with you the amazing work which has been happening on the catalogue side. Now this is the older content we are talking about. We have shared this year in our Corporate Presentation the revenue growth that we have seen over the last four years, in all our catalogue music, basis the decade of their release.

Now why will people go out and listen to the older music? One, we are promoting older music a lot on platforms like Instagram and YouTube Shorts. We ensure many more influencers who



*Saregama India Limited
May 19, 2023*

are very active in this media end up using our songs in every reel that those people are creating. Many of them are paid, many are free, barter deals, all kind of work is going on ensuring that the younger generation keeps on getting exposed to this older music. But an even bigger job happening is that we are creating versions of this music which make these older songs even more relevant to the younger crowd.

Now whether it was a 'Mera Dil Yeh Pukare Aaja' which became a huge phenomenon around seven months back or the 'Nadiya Ke Paar' song 'Kaun Disa Mein' which is now a huge phenomenon. These are Lo-fi versions, Trap Mix version, Acoustic versions or Dance Covers. This new age content which is basis the older content only is being released typically on a zero upfront cost. We ask creator economy to create content for us only on a royalty sharing basis, we typically end up giving 10% royalties to all these people which is now resulting on some high-quality content coming to us and in large numbers.

We have also opened up a consumer scheme whereby we are inviting every bathroom singer in this country to start sending their own versions of the big Saregama songs, retro songs. And all these are then uploaded on a special YouTube channel. And whatever money is made by us, we share 10% royalties with them. So, suddenly you have somebody sitting in Meerut or Jabalpur or Ujjain also now getting a chance to sing 'Lag Jaa Gale' or 'Mere Sapno Ki Rani Kab Ayegi Tu', This game is about quantity also. The day since they create the content, one, they get invested in that content and they listen to the content that much more on streaming applications then they create their own version, they tell their friends, families, some of those versions breakout and everybody makes money out of it.

What is the net-net impact? Imagine the music which was created and released by us in 80s or 90s has also grown by over 19% on revenue perspective in the Financial Year '23. So, this year was 19%, last year was single digit but the fact of life is, these are 40, 50-year-old songs. For last four years, every year we have seen growth in the money that we are making even from our catalogue. So, while we keep on investing in newer content and keep this company ready for 2050 at the same time, we will not let go of any opportunity to make more money from the catalogue.

One other part I want to inform you is that, whenever we create a new version of a song, take any song, for example, 'Jumma Chumma', the new song ends up getting a fresh copyright life. So, if the newer song becomes popular that means you are keeping the older song alive through the new songs in that 60-year sound recording copyright life that starts getting included. Publishing Rights are anyway moving right now on a much longer basis.

So, it is a win-win situation, this entire endeavor of pushing more and more of the catalogue music. And it's not happening by a chance., We have new content departments within the company., So there is a Bhojpuri team which is separate, Hindi is separate, Bengali is separate, Gujarati is separate, Tamil is separate, Telugu is separate here so there are people in charge.



*Saregama India Limited
May 19, 2023*

Similarly, now we have a full-fledged catalogue team whose only job is to create versions of this and find innovative ways to go out there and market it.

FY '23 also saw at the industry level a big resolution of an old conflict that we were constantly having with singers. Their association called ISRA has been at loggerheads with music labels about an old conflict. We have thankfully been able to resolve it at the later part of the last financial year. The good part now is that ISRA will not be reaching out to any of the customers now. These customers are our digital customers or a hotel or a wedding which were approached earlier by music labels for the sound recording right and by IPRS for the publishing right, both ways we were making money.

Now ISRA was also asking money for the separate rights which was creating some amount of disturbance in the market. And more importantly the two stakeholders who have to work together were working in conflict.

Thankfully, with the blessing of Honorable Minister Piyush Goyalji we have been able to resolve this issue once and for all. Now instead of a conflict, singers work with us. The deal is that they will be paid 25% of all the public performance revenue that we create. What is public performance revenue? The money that we collect from a hotel or from an event or a function or wedding or a concert, 25% of that money is now going to flow to singers. But singers in turn are going to work with us and ensure that the overall public performance revenue goes up.

So, if the initial month is anything to go by, we are already seeing that the royalty hit that we will end up getting, because of this 25% of public performance revenue going to them, will be more than compensated by an increase in the public performance revenue.

Anyway, the short-term problem of this royalty payout has been that entire FY '23 royalty payout to singers got booked in Quarter 4. One of the reasons why you will see Quarter 4 margins looking a little lower compared to Quarter 3, because the entire royalty payout for the 12 months has happened in a single quarter. But as we go forward, the royalty payments are going to be happening on a quarterly basis.

Does this mean that the overall royalty payout that Saregama talks about between 12% to 15% will go up? Good news is no. As a percentage also, the increase that we people will have because of the royalty payouts for singers, more than gets compensated by the reduction in the royalty that we are paying for the newer content. This is because more and more of new content coming on the regional side is procured on a one-time payment basis and zero royalty is attributed to them. So, if you look at our numbers also, you will see that Quarter 4 royalties have gone up as a percentage because of one-time payment of all the four quarters hitting in a single quarter. But if you see it on an annual level our royalty payouts have come down as a percentage.

My last part in music will be missing if I don't talk about the play of Artificial Intelligence. There are various views being taken on how AI is going to be affecting the industry. We want



Saregama India Limited
May 19, 2023

to be ahead of the curve, we for the last 12 months or so have been building our own understanding and a knowledge bank on the world of AI. We are working with some of the leading institutions in this space and investing a lot internally on the relevant manpower so that we are ahead of the curve.

We are actually pretty excited about the value AI will bring into a content creation company like ours. It can help us with the huge database of songs that we people are sitting on, literally the golden catalogue of music in this country. We are in a great position to allow the AI learning engine to learn on our stuff and help us predict even better as to what kind of music is going to be working in which genre.

We believe our investments which were done on data analytics are helping us today to have a better success rate than any other player in the market. And our investments which are going in the area of Artificial Intelligence are going to help us a lot in the two to three years to come.

Carvaan, our retail business, maintained its growth trajectory during the year. On the unit basis it grew by 40% odd to touch a sale of 5.6 lakhs during the year, compared to the 4 lakh sale that we did last year. It actually helped us write a very small positive margin this year. But I think the more heartening part for us is that this is the fourth year in a row that there has been no marketing and still the brand is able to keep on growing up purely basis its own consumer pull.

Yes, the large contributor of the sales driver this year for Carvaan has been the Carvaan Mobile which allowed us to grow at a lower price point which also explains why the revenue growth in Carvaan is lower than the unit sales growth because Carvaan Mobile is coming at a lower price point. But overall, we maintain our positive outlook towards Carvaan numbers. We will continue pushing Carvaan in the market here without putting any major marketing efforts behind it.

Remember it's not just the breakeven or a small contribution margin because of which we are in the world of Carvaan. Carvaan helps a lot on the catalogue side. Now there is enough amount of data sitting out there with us which has proved a causal relationship between the songs which are put on Carvaan and the song which are growing at the fastest rate on the streaming platforms. Let me clarify when we say we put 5000 songs in a Carvaan, they are not our biggest 5000 songs. Say, there are 5000 Hindi songs from the total 38000 odd songs. So, they do justice to all the singers whose station has been created or all the composers whose stations have been created within Carvaan. They are not necessarily our Top-5000 songs.

We saw data which is very clearly saying whichever songs we are putting in Carvaan, grew the fastest on digital also. We were surprised by this and did a lot of qualitative study here and we came back to the conclusion now that most songs on Carvaan heard, by the middle-aged and the older people are not through earphones or headphones. They use it as a speaker and keep it on during the daytime. There is a lot of passive listening of those great older songs being done also by the younger age group. Many of the songs are liked by that generation a lot, because now



*Saregama India Limited
May 19, 2023*

they are in a way forced to listen to that. And they start growing a fascination and a liking for those songs, end up consuming those songs that much more on streaming platforms.

So, Carvaan has been playing this big role for us from catalogue marketing perspective too. That doesn't mean we will ever allow Carvaan to get into losses. This world of Carvaan that we are in, will always be a breakeven or hopefully, like we saw this year, will have a small contribution margin.

The Film, Series and Events vertical touched the highest ever revenue this year. It crossed Rs. 150 crores in FY '23. Let me talk about each of these three verticals in detail. Movie business, started around five to six years ago. has now started delivering steady profits. We have been able to establish our reputation in the market. The volume that we have allows us to get all the cost optimization done. So, both on the cost side, the volume is helping us, on the revenue side since we have now an established reputation, we are able to ensure a decent margin for ourselves.

This was in fact the first year where the focus moved more on the actual release of our theatrical films. We released two of our Malayalam films and one Punjabi film in the theatre, and we got very good reaction. I am happy to share with you that one of our film called 'Agra' -an unreleased film - actually got selected in the Super Prestigious Directors' Fortnight at Cannes' this year. So, my team is sitting out there in Cannes as is half of the Bollywood world where the movie premier is going to be happening in the Directors' Fortnight, it's a very big thing. Very few movies end up getting selected at the Cannes' Directors' Fortnight levels. It just shows that the path that we people have chosen in terms of creating good quality commercial cinema is working out.

We plan to scale this business even further next year. But the basic principle remains the same. We are not going to be taking big risks and will work only on those films, regional films where we can secure a large part of our revenue through Digital & TV Rights sale.

Coming to the Web Series business, we finally after working for many years were able to get a break in the web series business and we have successfully released two of our web series. First is the series called 'Hunter' with Suniel Shetty, and the second is the series called 'United Kacche' with Sunil Grover. Both were released on the digital platforms this year. As these were our first series releases, we were not able to get enough breaks on the series side. We have just put our best foot forward which means that we have literally released these on a cost recovery model basis. We did not keep margins with ourselves because we wanted to show to the world that we can create high quality content.

I want to give you guys comfort that we have not written losses here, but this is literally on a cost basis that these two series have gone out. We are very hopeful that for both these series there is a high probability either we get a second season or looking at this series, somebody else may end up giving further number of series across to us. So, it's a good start which has happened



*Saregama India Limited
May 19, 2023*

on the series business. In the long run, as the reputation starts building up in series business too, we will very comfortably end up making a 15% margin.

The third vertical which was literally given life in this financial year was the Events vertical. We did multiple concerts with Diljit Dosanjh at the global level. This was absolutely the first time for us in India, U.S., Canada. And we also launched our musical IP called 'Disco Dancer- The Musical'. I have been saying this for last four quarters now, our events business is where, our films business or new music business or Carvaan business was six to seven years ago. We are in the stage where we are just establishing this business. There will be losses that will be written in the short term on this, but as we people go forward in the 12 to 18 months horizon, we will be able to start writing positive margins. And the leverage this gives us in our music business anyway is the icing on the cake.

But to give you guys comfort, I want to state something else also which is an internal policy which we will share with you now. While we continue to grow our films series and events vertical, we will be extremely cautious in our approach as we people take it forward. Our internal policy is very clear on it that the total capital allocation, to Film, Series and Events business will never exceed 18% of the capital deployed at any particular time in the company.

So, there are various checks and balances which are sitting in place out here. Only once we get our comfort, if we ever change this capital allocation policy, we will come back to you people. But at this juncture, we are very confident that we should be able to grow this business vertical at over 25% year-on-year and write- a profit. Films are profitable, series should get profitable as we people expect, it's cost plus only. Events vertical in the next 12 to 18 months will turn positive.

On the last part, which is the Television series world of ours, we retired two of our super successful Tamil serials Both of them had completed over 1200 episodes each and we replaced them with two new serials called Iniya and Ilakkiya. Like it has become a norm here, all the serials end up becoming a slot leader from the word go. Both these serials are doing extremely well on Sun TV and leading their respective slots on the Tamil TV content side. And like always we people own the IP of all these serials we are creating for Sun TV. This puts us in the unique position of being the only production house which can go out and claim this.

So, ladies and gentlemen, a great year for us on all the verticals of ours - music licensing, music retailing, films, events and series. I will be happy to take any questions from your side now.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. We have the first question from the line of Bala Murali from Oman Investment Advisors. Please go ahead.

Bala Murali: I want to know about this film side business and how many films we are planning to release in this financial year? And are there any films which satellite rights are due and about to be renewed this year?



Saregama India Limited
May 19, 2023

Vikram Mehra: The kind of films that we will be releasing during the year are listed in our Corporate Presentation. Our focus continues being Malayalam and Punjabi only. We are expecting anything between six to eight films to be released during the year, which are all at various stages of production at this moment. All I can share with you philosophically we believe the work of film is in a fashion that most of them gets secured by the TV Rights. I would not be able to share specific data about which films rights have been sold or not. Films business is a ~15% margin after charging off full costs.

Bala Murali: I am asking about that already the content of films which you have, any films satellite rights due in the current year or coming year, so that's what I am asking?

Vikram Mehra: Of the first set of movies that were put on the digital platforms, the rights of couple of movies that came out of the digital platforms have moved to another digital platform. That's all I am at a liberty to say. So, the second round of monetization of some of our earliest films have just started. As you know the TV Rights, the deals typically happen for a much longer duration, so none of our movies have come out of that yet. Remember our film business is only a five-year-old business.

Bala Murali: And lastly on the margin side what would be the projections for this current financial year, how much we can expect?

Vikram Mehra: On to our adjusted EBITDA percentage of 32 to 33. Don't look at this number on a quarterly basis. On an annual basis, adjusted EBITDA, we have been stating this is in the range of 32% to 33% and we stick to that.

Moderator: Thank you. We have the next question from the line of Bhupendra Tiwary from ICICI Securities. Please go ahead.

Bhupendra Tiwary: So, I had two questions, the first one is on, if we look at the guidance part, I believe that we have given earlier, and I believe it's kind of prevail that we are looking at 20% to 25% growth in the licensing business going forward also. But the fact is that we have a strong new content releases this year. So, does that change our stance on the guidance of course the long term and medium-term kind of visibility is 20% to 25%. But does that change that course for FY'24?

Vikram Mehra: No, it does not. We will hold on to these numbers only. Please understand the way our deals are also structured; you don't get the impact of a new content release overnight. If you are in a fixed fee deal with somebody, say with short format apps or TV channels, you don't get the impact immediately, and you will have to wait for the one-year cycle to get over before you start seeing the upside on the revenue part. On platforms like YouTube, you see the impact immediately. So, we will hold on to this number of 22% to 25% only at this moment.

Bhupendra Tiwary: Now the second question is you alluded to the fact that six out of the nine streaming platforms have turned into paid format. So, just wanted to understand what is our kind of revenues, I



Saregama India Limited
May 19, 2023

understand its low but what's the kind of percentage there in terms of subscription part. And how much can it go over the next three to five years, I am not talking about the one year. But what do you visualize it going forward if this is the trend going ahead, I mean.

Vikram Mehra:

I will explain the math to you again and you form the judgment. If it's a free customer of any OTT streaming application who is listening to the latest Arijit song, on an average we get paid 10 paisa, on the nine platforms. Assume you are a paid customer of any of these platforms and suppose you paid Rs. 100 as your monthly charge to that platform because you are a paid customer who does not want to listen to advertisements., then the deals are this way that whatever you have paid, which is Rs. 100, 50% of that money is going to be earmarked as what they call content pool. So, in Rs. 100, 50 bucks becomes content pool. This will be divided equally amongst all the songs that you heard during the month.

The average customer listens to around 66 songs. Suppose you heard 100 songs in the month which means every song will be worth 50 paisa. Now assume India is not a Rs. 100 per month economy, it may be a Rs. 50 per month economy, possibly. In that case every song becomes equal to 25 paisa. Now you can do your math, how big a jump it's going to be as streaming services keep on moving towards pay.

There will be pain in the very short run as people move from free to subscription model, because free to pay can only happen if you start turning off the tap of free. So free usage will start to fall down and pay will start building up. But as I have shared in my Corporate Presentation, it was a very interesting graph of how the paid subscribers based globally has moved over the last eight to 10 years. It shows steady numbers in which paid starts moving up once a platform decides that enough of free, we want to move towards pay. The good news is, in India, the piracy incidents in the larger towns have fallen dramatically so the consumer base of the streaming platforms in Bombay, Delhi, Calcutta, Bangalore, Jaipur and Ahmedabad start saying, "I want to turn into a paid customer if you come at a reasonable fee. I have anything between Rs. 50 to Rs. 100 per month." There will be many people who will start moving towards the paid model.

Bhupendra Tiwary:

And in terms of margin when we say about will maintain the EBITDA before content charge of 32%. So, now the thing is I just wanted to clarify this year we will also see big content charges hitting into the balance sheet. I understand we look at the steady state is without content charge how is the margins, but is it fair to assume that this year while the revenue growth will also be reported kind of EBITDA might look lower because of the content charge?

Vikram Mehra:

Content charge comes below the adjusted EBITDA.

Bhupendra Tiwary:

So, that's why I am saying so I understand the EBITDA before content charge guidance, but for below part this year might look because the content charge is hitting high.

Vikram Mehra:

See the whole part is, if the incremental revenue given by the new content is lower than the charge connected to that new content then you are right. So, let's talk about absolute numbers



*Saregama India Limited
May 19, 2023*

not percentages here. But if the revenue matches and our endeavor will be right now to go back and at least do a revenue matching kind of a part. But the delta is not going to be this way or that way, delta is not going to be very massive, it will be a very marginal delta. So, we are not going to come and tell you right now that our PBT has fallen, just because we took a massive charge.

Bhupendra Tiwary:

One last question if I can just squeeze in. So, we haven't utilized large, in fact almost most of the part of the things that we raised as QIP what are the kind of acquisition, are there acquisitions or the kind of content thing that we are looking to kind of spend on for the money that we kind of raised?

Vikram Mehra:

First, let me acknowledge that we have not been able to pick catalogues primarily because they were coming at a valuation which was not making sense. We believe that was not value accretive. Just because we had the money did not mean we should go and pick up catalogues at any price at which they were available. In fact, there is no catalogue deal that has happened anywhere in the market apart from the one single deal that we had done.

We are also now revising the model, earlier our entire thought process was that we will just go and pick up catalogues. Now we are also looking at picking up minority stakes, moving to an absolute majority in regional music companies allowing the regional label to run with the company for next two, three, five years. So, we come with the minority now, we help them out and then pick up the majority or an absolute number in the next three to five years. So, that's another model we are looking at. And I am hopeful that we will be able to go back and strike deals. But one thing I am again assuring you just because the money is sitting with us, we are not going to pick up catalogue at bizarre prices.

Moderator:

Thank you. The next question is from the line of Dhruv Rathod from Solidarity Investment Managers. Please go ahead.

Dhruv Rathod:

Actually, I had a few questions as the telecom companies focus on the ARPU growth, right. And they will be taking mobile data prices up. So, do you see that impacting our music label business, if audio or video streaming would drop?

Vikram Mehra:

Again, you are asking me to do crystal ball gazing. If you ask a pure financial part, that if the prices double tomorrow, (which I see very unlikely), will the consumption come down? Look the consumption should come down. But I am going to counter it with a cultural change that you are seeing in the country. If for five minutes I tell you that I want to pause this call, almost 70% to 80% of everybody on this phone call right now is going to take out their mobile phone. Even if nobody has sent them a message on WhatsApp they will still take out their mobile phone and they will try to kill their time by watching something, if nothing else than an Instagram feed.

We as Indians don't know what to do even with two minutes you are free with us, apart from taking out our phone and consuming something. And it's not just the upper strata of society. Next time we go for a morning walk, or an evening walk please look at every autowala, taxiwala,



*Saregama India Limited
May 19, 2023*

who is waiting there you will find them on their phones and they are not gaming, they are watching video or listening to music.

In that kind of a world, it looks very unlikely that just because the data rates go up marginally that the consumption is going to fall in a dramatic fashion. Also, you just see what's happening on the television part. There are 22 million connected televisions which are active on a monthly basis now. I am an ex-Tata Sky person and I never imagined that connected television is going to become a way of life for people like us. So, that's your upper strata of society, the lower strata of society are going to continue watching everything on the mobile phone. So, with 10%, 20%, 30% increase in the data rate, I don't think it's going to impact the content consumption at all.

Dhruv Rathod: And the second question was around as like we know interest rates have been rising globally and startups are seeing challenges in raising equity funding at that point. So, are we seeing any slowdown in YouTube ad revenues because of this?

Vikram Mehra: Actually, that's a funny part we saw a slowdown last year for two quarters, which was when the startup revenues were coming down. But they got more than compensated by the FMCG increase, durables increase, and services increase. So, we wouldn't have been able to write right over 23% increase in our music licensing revenue if YouTube numbers had fallen down. YouTube revenue which is from music and even my TV serial business is dependent on advertising, we have not seen a slowdown honestly only startup money is not there.

Dhruv Rathod: Lastly what is the share of music label revenues from YouTube in FY'23?

Vikram Mehra: We don't give vertical wise, but if I look at all the three verticals of digital, which is music streaming, video streaming and short format apps they together for us are anything between 70% to 75%.

Moderator: Thank you. The next question is from the line of CA Garvit Goyal from Nvest Research. Please go ahead.

CA Garvit Goyal:

So, the point here is on despite having a significant presence in industry and good management experience, why we are not able to utilize the capital in efficient manner. Similar thing that we have yet to decide with what to do with that Rs. 750 crore of fund raised that even after one and half years. So, means we raised it to add some value for the shareholders and since last one and a half year we did not make any material announcements, means I am not understanding that there was a plan at that time there should having some progress on that, I think it's wrong for shareholders, company raising fund citing that we don't want to lose on the opportunity. And those opportunities disappear even after one and half years.



So, please throw some light on exactly what is happening, and we are actually lacking particularly focusing on that QIP utilizations? And this Film segment as well, that is ultimately that is deteriorating our bottom-line.

Vikram Mehra:

I repeated this, and Bhupendra asked me the same question. I am not going to run away from the fact that apart from one catalogue we have not been able to buy any other music catalogue out in the market because they were coming at multiples that would have hurt the shareholder valuation right now for Saregama as a company. It did not make sense to pay those kinds of multiples. The negotiation position becomes at times a little difficult when the other party knows that you are under pressure to go and utilize your funds. They think they can get away with higher prices and did not make financial sense to us.

So, I acknowledge it, accept it that we have not been able to deploy funds at the rate that we would have liked to. However, tempting it may be for us we will not utilize these funds for any vertical apart from music. These funds were not picked up for my retail business or films business or events business, which are all getting funded right now out of the internal accruals itself. We will keep these funds and look at various aspects on the music side alone, saying how do I use these funds in ways in which it can help the music business to grow.

I am reasonably hopeful this year you will see under the new structure that we are ready to work with, whereby we are ready to come as a minority player and then give a chance to the owner of that company to build value, in that company and then buyout absolute majority in time. Under those models we should have some successful deals happening this year.

CA Garvit Goyal:

And on product mix side so basically our product mix is changing like film and publication, have contributed approx. 18% to our revenues in FY'22 now it is I think 23% around. So, but these segments cumulatively doing only 2% to 3% of whatever revenues they are generating so my question is, is it going to be in the same way for us going forward or are we going to improve it before if the station doesn't change, then we will see further decline in our ROCEs?.

Vikram Mehra:

Again, as announced, the first publishing business has already been announced is being demerged out of the company. So, I did speak about it in my opening comments that we are just awaiting the final go ahead from NCLT and the publishing business gets demerged as part of a demerged entity. So, that will not be there with us.

Regarding the other two businesses, the nature of all the business is not going to be like music business but we want to be there in other businesses also because they are symbiotic businesses to music business. Our films business will remain a 15% to 20% margin business, but the good part is we are not allocating more than 18% of our total capital out there, at any particular time for the film business. Most of our money will be allocated only to the music business, which is the highest margin business.

CA Garvit Goyal:

So, can't we consider demerging this film segment as well?



- Vikram Mehra:** It adds a lot of value to our music business, it's not just us who has got the films business, all our competitors, if you check out all the other music labels that are there, I don't want to take their names but if you look at who were the Top 3 or Top 4 music labels in the country all of them have got a film business. It gives you a huge edge in the music business if you also control the films.
- CA Garvit Goyal:** And you mentioned huge cost are coming in our P&L this particular year and incremental revenue is also likely to match those costs. So, overall, this year likely to be EPS accretive for the shareholders or we can say it can be a muted one?
- Vikram Mehra:** The only future numbers that we are giving here is music licensing revenue should grow anything between 22% to 25%, Films, Series, Events business will be growing around 25% during the year. Events business will remain under pressure, but the quantum is not going to be that big. Carvaan business will remain between a breakeven to a very small margin business. Our adjusted EBITDA for the company should be anything between 32% to 33%.
- CA Garvit Goyal:** And last one is, basically we did QIP and since then amount was invested in Mutual Funds, so these are the debt oriented mutual funds or equity oriented mutual funds?
- Vikram Mehra:** Debt only , our bigger criteria is to secure the capital.
- Moderator:** Thank you. The next question from the line of Ravi Kumar Naredi from Naredi Investment Pvt. Ltd. Please go ahead.
- Ravi Kumar Naredi:** My question and my concern is that when we raise fund from QIP our market cap is not rising, please use this fund so fast so we may get suitable return from that investment.
- Vikram Mehra:** Done sir, that's my biggest KRA also, but I will again say that it doesn't mean that I will buy it at any rates, that's a very wrong way and a short-term way of looking at it.
- Ravi Kumar Naredi:** I understand but whatever planning you would have done for the QIP, how to reinvest, you need to revisit it?
- Vikram Mehra:** The couple of things that we are looking at right now are the valuation which just went through the roof at that particular time and was not making sense for us to go by. The whole part is that, can I go out there and pick something up at a multiple which is slightly lower than ours or be in a position to increase the revenue that much that I can make more money out of it, only then it is value accretive to the shareholder otherwise it doesn't make any sense. But you will see progress happening on that. If you ask me what's the only thing that keeps me awake at night, this is the one.
- Ravi Kumar Naredi:** What is the policy to charge content cost from P&L account quarterly basis or yearly basis?



- Vikram Mehra:** On a monthly basis, not quarterly.
- Ravi Kumar Naredi:** How much cost we charge?
- Vikram Mehra:** So, right now the entire amortization is happening over a period of 10 years. Marketing gets charged off immediately 100% in the month of release itself. The content cost gets charged off over a period of 10 years and it's not a straight line. We take the biggest hit in year one and then year two and then it's a flat straight line. And on the films we are charging off the entire cost of the film in year one itself.
- Ravi Kumar Naredi:** And since the debtors have risen too much, can I get the bifurcation more than six months out of that figure?
- Vikram Mehra:** So, we will share this information but at this juncture there is no reason to believe for us that there will be any bad debts. .
- Ravi Kumar Naredi:** And last point, music right cost is rising too much due to high competition, so how you are dealing with this situation and what is in your mind?
- Vikram Mehra:** Ravi, I can't tell you how I am managing it, but the financial results are showing. On YouTube if you go out there and see all India trending charts, YouTube publishes this on a daily basis, Top 30 songs in the country. Out of trending Top 30 songs in the country, ours are at any time between 7 to 9,. Right now, I am sitting on 7 songs. Three days before there were 9 songs, because we are picking up content, that content is clicking in a very big fashion . And we are still maintaining our profitability.
- Moderator:** Thank you. The next question is from the line of Bala Murali from Oman Investment Advisors. Please go ahead.
- Bala Murali:** Regarding platforms, so you said that most of the platforms which our songs are streaming are becoming paid subscription?
- Vikram Mehra:** First, most is a very dangerous word to use. Three of the platforms announced that they are turning paid. Two of them have turned paid. Third has shown an intent to turn pay but the Top 3 platforms are still on the free side. These are platform #4, #5, #6. So, the Top 3 platforms are still offering free service, now please ask me your question.
- Bala Murali:** And more thing regarding this Mango Music acquisition, I observed that still songs are playing on their channel. That monetization is coming to Saregama or some part of that monetization will go to Mango Music also?
- Vikram Mehra:** All I can tell you right now the song that we people have gone out there and picked up from their side, if the IP belongs to us often we allow the song to stay out there on somebody else's



Saregama India Limited
May 19, 2023

YouTube channel also and we claim it 100%. This happens very often, I can't respond to Mango specific to you, but if the IP belongs to us YouTube ensures rights now a 100% of the advertising flows to us.

Moderator: Thank you. The next question is from the line of Devanshu Sampat from Avendus Wealth. Please go ahead.

Devanshu Sampat: Can you just give a sense of how the valuations of music content is levelized or changed over the last one to one and a half year, because I mean situation was very different when we raised money. So, has the situation eased a bit, this is why we are okay to deploy little to the minority stake or we are still far away from the comfort level?

Vikram Mehra: Sorry I am not clear about your question, how are the rights of new music pricing --?

Devanshu Sampat: I am saying the valuations of these labels and music content that you are not comfortable with right now to deploy money?

Vikram Mehra: Yes, so more than easing out see the moment there is a structural change that we are ready to do, where we are telling the label that you may be selling it; you may believe you are selling it at a lower price now, but you have a chance to use these funds to make your company big and sell the majority of the stake may be at a much better valuation later. That model is something that a lot of people are appreciating and understanding. So, I would like to believe that some of the people will agree. This is just the catalogue part. There are all kinds of companies which are there on the music side, where we can go out there and get into acquisition deals, which will help overall the space of this music world for us. There is content acquisition and there is this content marketing, both the parts are very important and increasingly we are seeing a large amount of our content acquisition money actually going towards our marketing side. So, we are looking at all the possibilities now. We are just widening the scope, the only conditions that we people work on is it has to be connected to the world of music for us and second it has to be shareholder value accretive.

Devanshu Sampat: And can you give me a sense of how your Top 5 or Top 10 songs contributes, the new songs that's obviously I believe would be adding to your top-line every year. So, is there like a very high concentration that happens specially with the new songs that come out, is there some idea you can give?

Vikram Mehra: All I can tell you right now is our new songs are doing very well and you can check out my corporate presentation where we have shared raw data.

Devanshu Sampat: No, I have seen two-decade gap over here, I am talking about something specific which really people are listening to, let's say released in the last three to six months that would be helpful?



Saregama India Limited
May 19, 2023

Vikram Mehra: No, but those songs that I have shared there, so are you asking me the actual revenue or are you asking me which songs have done well?

Devanshu Sampat: No, I am asking you the revenue that comes from the Top 10.

Vikram Mehra: I am in this market right now, if I start sharing every song revenue that I am making how will I survive and do my business dealings . So, I am telling you now that what percentage of my overall revenue is coming from new content, . How is my catalogue growing by which you can arrive how my new content is growing- you have got that number also. I am giving you how many new songs I released and how many of those songs are sitting in the top charts of the country, which are Spotify charts. So, I have given you lots of information at this juncture for you to form an opinion of the quality of music that we people are hearing.

Devanshu Sampat: And last question, do you have any sense on the growth of the user base how it has changed post the streaming platforms once they start charging, once they move to that paid model, do you have any sense, can you give a sense of how the numbers have changed?

Vikram Mehra: I can just hazard a guess on the profile of the customer. Obviously the urban customer, that are slightly better off and more educated is moving to pay subscription faster. You have people in their 20s who move to paid subscription faster than people in their teens or people in their 40s. You have South Indian states that move to paid subscription faster than you have the North Indian states. So, those levels of broad definitions are there, but overall, we know when the switch happens from somebody allowing all the content available freely versus saying listen you need to pay, there will be an immediate drop that happens and then it starts building up once again. The platforms that have taken a call they are moving towards paid, they are going through that kind of a transitional journey.

Moderator: Thank you. Ladies and gentlemen this will be the last question for today, which is from the line of Shubham Ajmera from SOIC Ventures LLP. Please go ahead.

Shubham Ajmera: I just wanted to know about the potential impact on our business in the event of online streaming platform facing financial difficulty or going bankrupt, because of these changes or something like, since they are moving to the fully paid subscription model now?

Vikram Mehra: If a particular platform goes out there and shuts shop, or is in financial distress, is not able to go out and invest, whatever the reason maybe the customer will not stop listening to music they will move to whichever platform that's offering it. We went through this part right in our last financial year. A couple of platforms were having issues in terms of going paid and not having the monies, you have not seen the revenues falling down. We just released a Vicky Kaushal song sung by Arijit two days ago, and that song has already clocked numbers in lakhs on a daily basis. If the customer does not get it on one platform he will kill that platform go the second platform. So, we don't see too much stress happening out here if couple of platforms shut down.



Saregama India Limited
May 19, 2023

Moderator:

Thank you. As that was the last question for today, with that we conclude today's conference call. On behalf of ICICI Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.