Saregama India Limited
Registered Office: 33, Jessore Road, Dum Dum, Kolkata - 700 028
web: www.saregama.com, Email id: co.sec@saregama.com, Phone no: 033-2551-2984
CIN:L22213WB1946PLC014346

(Rs in Lakhs)

STATEMENT OF AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED 31 MARCH 2018

SL No	Particulars	Standalone					Consolidated	
		3 Months ended 31 March 2018	3 Months ended 31 December 2017	3 Months ended 31 March 2017	Year ended 31 March 2018	Year ended 31 March 2017	Year ended 31 March 2018	Year ended 31 March 2017
		(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
		Refer Note 8		Refer Note 8				
1	**Income**							
	(a) Revenue from operations	10,537	9,374	5,770	34,561	20,816	35,659	21,850
	(b) Other income	745	145	787	1,422	1,586	1,019	1,328
	Total Income	11,282	9,519	6,557	35,983	22,402	36,678	23,178
2	**Expenses**							
	(a) Contract manufacturing charges	3,803	4,063	226	10,517	545	10,836	649
	(b) Cost of production of films, television serials and portal	1,160	1,094	2,128	5,223	6,325	5,223	6,325
	(c) Changes in inventories of finished goods and work-in-progress [(increase)/decrease]	(1,022)	(1,987)	(800)	(3,736)	(892)	(3,912)	(893)
	(d) Employee benefits expense	921	1,658	1,191	4,863	3,896	6,007	4,943
	(e) Finance costs	101	89	58	337	232	337	235
	(f) Depreciation and amortisation expense	93	96	29	379	407	415	443
	(g) Advertisement and sales promotion	1,598	981	507	4,010	2,348	4,285	2,591
	(h) Royalties	464	1,282	724	3,369	2,036	3,368	2,036
	(i) Provision for doubtful debts/advances	560	613	470	2,132	1,559	611	208
	(j) Other expenses	1,491	1,209	1,256	4,777	4,216	5,616	5,048
	Total expenses	9,169	9,098	5,789	31,871	20,672	32,786	21,585
3	**Profit before exceptional items and tax (1-2)**	2,113	421	768	4,112	1,730	3,892	1,593
4	**Exceptional items**	-	-	-	-	-	-	-
5	**Profit before tax (3-4)**	2,113	421	768	4,112	1,730	3,892	1,593
6	**Tax expense (Refer Note 7)**							
	(a) Current tax	(248)	344	602	980	1,024	982	1,022
	(b) Excess provision of earlier years written back	-	-	(188)	-	(188)	-	(188)
	(c) Deferred tax	216	(53)	(144)	81	(106)	80	(106)
	Total tax expense	(32)	291	270	1,061	730	1,062	728
7	**Profit for the Period (5-6)**	2,145	130	498	3,051	1,000	2,830	865
8	**Other Comprehensive Income (OCI)**							
	(a) Items that will be reclassified to profit or loss	-	-	-	-	-	(36)	79
	(b) Items that will not be reclassified to profit or loss	(941)	749	14,155	1,598	16,202	1,957	17,255
	(c) Income tax relating to items that will not be reclassified to profit or loss	36	(81)	(2,967)	(241)	(3,193)	(285)	(3,315)
	Total Other Comprehensive Income (Net of tax)	(905)	668	11,188	1,357	13,009	1,636	14,019
9	**Total Comprehensive Income (7+8)**	1,240	798	11,686	4,408	14,009	4,466	14,884
10	**Profit attributable to:**							
	(a) Owner of Equity						2,851	841
	(b) Non-controlling Interest						(21)	24
11	**Other Comprehensive Income attributable to:**							
	(a) Owner of Equity						1,644	14,000
	(b) Non-controlling Interest						(8)	19
12	**Total Comprehensive Income attributable to:**							
	(a) Owner of Equity						4,495	14,841
	(b) Non-controlling Interest						(29)	43
13	Paid-up equity share capital (Face Value of Rs 10/- each)	1,741	1,741	1,740	1,741	1,740	1,741	1,740
14	Other Equity (other than non-controlling interest)				36,469	32,362	36,430	32,235
15	**Earnings per equity share (Face Value of Rs. 10/- each) (not annualised) :**							
	(a) Basic (Rs)	12.33	0.74	2.87	17.53	5.75	16.26	4.97
	(b) Diluted (Rs)	12.31	0.74	2.86	17.51	5.74	16.24	4.96

(Rs in Lakhs)

Segment wise Revenue, Results, Assets and Liabilities for the Quarter and Year Ended 31 March 2018

SL No	Particulars	Standalone					Consolidated	
		3 Months ended 31 March 2018	3 Months ended 31 December 2017	3 Months ended 31 March 2017	Year ended 31 March 2018	Year ended 31 March 2017	Year ended 31 March 2018	Year ended 31 March 2017
		(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
		Refer Note 8		Refer Note 8				
1	**Segment Revenue**							
	(a) Music	9,163	8,234	3,948	29,268	14,124	29,683	14,419
	(b) Films/ Television serials	1,374	1,140	1,822	5,293	6,692	5,293	6,692
	(c) Publication	-	-	-	-	-	683	739
	Total segment revenue	10,537	9,374	5,770	34,561	20,816	35,659	21,850
	Less: Inter segment revenue	-	-	-	-	-	-	-
	Total Revenue from Operations	10,537	9,374	5,770	34,561	20,816	35,659	21,850
2	**Segment Results**							
	(a) Music	3,026	2,223	1,419	9,057	4,443	8,869	4,247
	(b) Films/ Television serials	(240)	27	315	(205)	787	(205)	787
	(c) Publication	-	-	-	-	-	(1,216)	(1,160)
	Total segment profit	2,786	2,250	1,734	8,852	5,230	7,448	3,874
	Less							
	(a) Finance costs	101	89	58	337	232	337	235
	(b) Other unallocable expenditure (net of unallocable income)	572	1,740	908	4,403	3,268	3,219	2,046
	Total profit before tax	2,113	421	768	4,112	1,730	3,892	1,593
3	**Segment Assets**							
	(a) Music	32,887	31,851	24,404	32,887	24,404	32,580	24,241
	(b) Films/ Television serials	3,375	3,476	3,370	3,375	3,370	3,375	3,370
	(c) Publication						559	517
	(d) Unallocated	20,158	19,734	19,074	20,158	19,074	21,325	19,846
	Total Segment Assets	56,420	55,061	46,848	56,420	46,848	57,839	47,974
4	**Segment Liabilities**							
	(a) Music	10,082	9,840	7,066	10,082	7,066	10,225	7,155
	(b) Films/ Television serials	390	772	409	390	409	390	409
	(c) Publication						558	420
	(d) Unallocated	7,738	7,466	5,271	7,738	5,271	8,268	5,759
	Total Segment Liabilities	18,210	18,078	12,746	18,210	12,746	19,441	13,743

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(Rs in Lakhs)

Sl. No.	Particulars	Standalone As at 31 March 2018 (Audited)	Standalone As at 31 March 2017 (Audited)	Consolidated As at 31 March 2018 (Audited)	Consolidated As at 31 March 2017 (Audited)
	Statement of Assets and Liabilities				
	ASSETS				
(1)	**Non-current assets**				
	(a) Property, plant and equipment	18,812	18,928	18,839	18,972
	(b) Investment properties	242	247	242	247
	(c) Intangible assets	614	619	653	672
	(d) Investment in subsidiaries and joint venture	1,554	1,554	-	-
	(e) Financial assets				
	(i) Investments	12,340	10,764	15,094	13,161
	(ii) Loans	344	422	400	470
	(iii) Other financial assets	0	3	0	3
	(f) Other non-current assets	1,113	189	1,122	198
	Total Non-current assets	35,019	32,726	36,350	33,723
(2)	**Current assets**				
	(a) Inventories	4,725	989	4,931	1,034
	(b) Financial assets				
	(i) Trade receivables	7,810	5,559	7,303	5,227
	(ii) Cash and cash equivalents	636	1,558	922	1,895
	(iii) Bank balances other than (ii) above	162	7	162	7
	(iv) Loans	54	284	15	271
	(v) Other financial assets	5	6	5	6
	(c) Current Tax assets (net)	4,140	4,129	4,233	4,192
	(d) Other current assets	3,869	1,590	3,918	1,619
	Total Current assets	21,401	14,122	21,489	14,251
	TOTAL ASSETS	56,420	46,848	57,839	47,974
	EQUITY AND LIABILITIES				
(1)	**Equity**				
	(a) Equity share capital	1,741	1,740	1,741	1,740
	(b) Other equity	36,469	32,362	36,430	32,235
		38,210	34,102	38,171	33,975
	(c) Non Controlling Interest	-	-	227	256
	Total equity	38,210	34,102	38,398	34,231
	Liabilities				
(2)	**Non-current liabilities**				
	(a) Employee benefit obligations	206	190	242	221
	(b) Deferred tax liabilities (net)	4,557	4,246	4,793	4,438
	Total Non-current liabilities	4,763	4,436	5,035	4,659
(3)	**Current liabilities**				
	(a) Financial liabilities				
	(i) Borrowings	1,292	-	1,587	296
	(ii) Trade payables	3,864	3,706	4,041	3,840
	(iii) Other financial liabilities	3,472	1,152	3,594	1,247
	(b) Other current liabilities	1,161	677	1,491	906
	(c) Provisions	3,585	2,617	3,614	2,632
	(d) Employee benefit obligations	73	158	79	163
	Total Current liabilities	13,447	8,310	14,406	9,084
	TOTAL EQUITY AND LIABILITIES	56,420	46,848	57,839	47,974

SAREGAMA INDIA LTD.

B S R & Co. LLP * Chartered Accountants * Godrej Waterside Unit No. 603 6th Floor, Tower 'I' Plot-5, Block DP Sector V, Salt Lake Kolkata-700091

NOTES:-

1 Out of the 53,38,628 equity shares of Rs. 10/- each 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 March 2018.

2 The Company has adopted Indian Accounting Standards (Ind AS) from 1 April 2017 with the transition date as at 1 April 2016. The figures for the quarter and year ended 31 March 2017 are also Ind AS compliant.

3 The format for the audited results as prescribed in SEBI's Circular CIR/CFD/CMD/15/2015 dated 30 November 2015 has been modified to comply with requirements of SEBI's circular dated 5 July 2016, Ind AS and Schedule III (Division II) to the Companies Act, 2013, applicable to companies that are required to comply with Ind AS.

4 The reconciliation of profit as previously reported in accordance with previous Generally Accepted Accounting Principles (GAAP) to profit as reported in accordance with Ind AS is given below:

(Rs in Lakhs)

Particulars	Standalone		Consolidated
	3 Months ended 31 March 2017	Year ended 31 March 2017	Year ended 31 March 2017
	Audited	Audited	Audited
Profit after tax as reported under previous GAAP	370	771	620
Effects of:			
(i) Reclassification of remeasurement of employee benefit obligation to other comprehensive income	39	81	78
(ii) Recognition of Employee Stock Option Plan (ESOP) at fair value	(2)	(3)	(3)
(iii) Unwinding of discount on financial assets	9	34	38
(iv) Discounting of financial liabilities/provision	143	289	289
(v) Unwinding of discount on financial liabilities/provision	(51)	(205)	(205)
(vi) Fair valuation of Stock Appreciation Rights	(131)	(7)	(7)
(vii) Carrying of Investment in Subsidiaries at deemed cost	(18)	(18)	
(viii) Amortisation of financial assets	(23)	(49)	(52)
(ix) Tax effects on above adjustments	162	107	107
Profit after tax as per Ind AS	498	1,000	865
Other Comprehensive Income (net of tax)	11,188	13,009	14,019
Total Comprehensive Income as reported under Ind AS	11,686	14,009	14,884

5 The reconciliation of Equity as previously reported in accordance with previous Generally Accepted Accounting Principles (GAAP) to equity as reported in accordance with Ind AS is given below:

(Rs in Lakhs)

Particulars	Standalone	Consolidated
	As at 31 March 2017	As at 31 March 2017
	Audited	Audited
Total Other Equity as at 31 March 2017 as reported under previous GAAP	31,443	30,086
Effects of:		
(i) Fair valuation of investment in equity shares through other comprehensive income	7,525	9,189
(ii) Reclassification of property, plant and equipment as Investment properties	37	37
(iii) Unwinding of discount on financial assets	25	21
(iv) Discounting and unwinding of discount on financial liabilities/provision	500	500
(v) Fair valuation of Stock Appreciation Rights	(131)	(131)
(vi) Carrying of Investment in Subsidiaries as deemed cost	(18)	
(vii) Tax effects on above adjustments	(988)	(1,180)
(viii) Tax effects on account of revaluation	(4,291)	(4,291)
Total Equity as at 31 March 2017 as reported under Ind AS	34,102	34,231

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

7 Tax expenses is net of Minimum Alternate Tax (MAT) Credit adjustment of Rs. 728 lakhs for the year ended 31 March 2018.

8 The figures for the quarter ended 31 March 2018 and 31 March 2017 are the balancing figures between audited figures in respect of the full financial year and published year to date figures upto the end of third quarter of the relevant financial year. The published year to date figures upto the end of third quarter of the relevant financial year were subject to Limited Review.

9 The above results for the quarter and year ended 31 March 2018 have been reviewed and recommended by the Audit Committee in their meeting held on 11 May 2018 and approved by the Board of Directors of the Company at their meeting held on even date. These results have been subjected to audit by the Statutory Auditors of the Company who have issued an unmodified audit report on the standalone and consolidated annual financial statement for the year ended 31 March 2018.

10 On April 2, 2018, there was a fire in the godown (of third party service provider) damaging stocks of the Company aggregating to Rs. 3,758 lakhs. In the opinion of the management, no material financial impact on account of the inventory loss is envisaged in view of the adequate insurance cover by the Company and accordingly, no adjustments have been made in the financial statements as at 31 March 2018. The insurance claim is currently being processed by the insurance company.

11 The Consolidated financial statements are prepared in accordance with the principles and procedures as set out in Ind AS 110 notified by Ministry of Corporate Affairs. The consolidated financial statement of the Parent Company, i.e., Saregama India Limited, include its four subsidiaries, namely, Saregama Plc., RPG Global Music Limited, Kolkata Metro Networks Limited and Open Media Network Private Limited, combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses eliminating intra-company balances and transactions and resulting unrealised gains/losses. The Consolidated financial statement are prepared applying uniform accounting policies. The Company has one joint venture namely, Saregama Regency Optimedia Private Limited which is under liquidation with effect from 19 September 2016. Accordingly, no consolidation has been done by the Company with respect to this entity.

12 The Board of Directors has recommended a dividend at the rate of Rs 3/- per equity share of Rs 10 each (i.e. 30 % of face value of equity share) for the year ended 31 March 2018 subject to the approval of the Shareholders at the ensuing Annual General Meeting of the Company.

Kolkata
11 May 2018

B S R & Co. LLP
Chartered Accountants
Godrej Waterside
Unit No. 6C1
6th Floor
Sector V, Salt Lake
Kolkata-700091

G. B. Aayeer
Director
DIN-00087760

Saregama India

Q4 FY18 Result Conference Call

14 May 2018, at 11:00 am IST

Hosted by Anand Rathi Research

Participants

Mr Vikram Mehra

(Managing Director)

Mr G B Ayeer

(CFO)

Mr B L Chandak

(Executive Director – RP Sanjiv Goenka Group)

Primary Access Numbers for Participants

Mumbai Access: 022 6280 1386 / 7115 8287

Local Access: 70456 71221

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

International Access

USA: 1866 746 2133 | Hong Kong: 800 964 448

UK: 0808 101 1573 | Singapore: 800 101 2045

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Call Leader

Shobit Singhal
Office No: (022) 6626 6511
Mobile: 97686 37537

Investor Update
Q4 17’18

RP-Sanjiv Goenka Group

Cautionary Statement

Statement in this "Management Discussion and Analysis" describing the company's objectives, projections, estimates, expectations or predictions may be " forward looking statements" within the meaning of applicable securities law and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include demand supply conditions, finished goods prices, availability and prices of raw materials, changes in the government regulations, tax regimes, economic development within India and the countries within which the company conducts business and other factors such as litigations and labor negotiations.

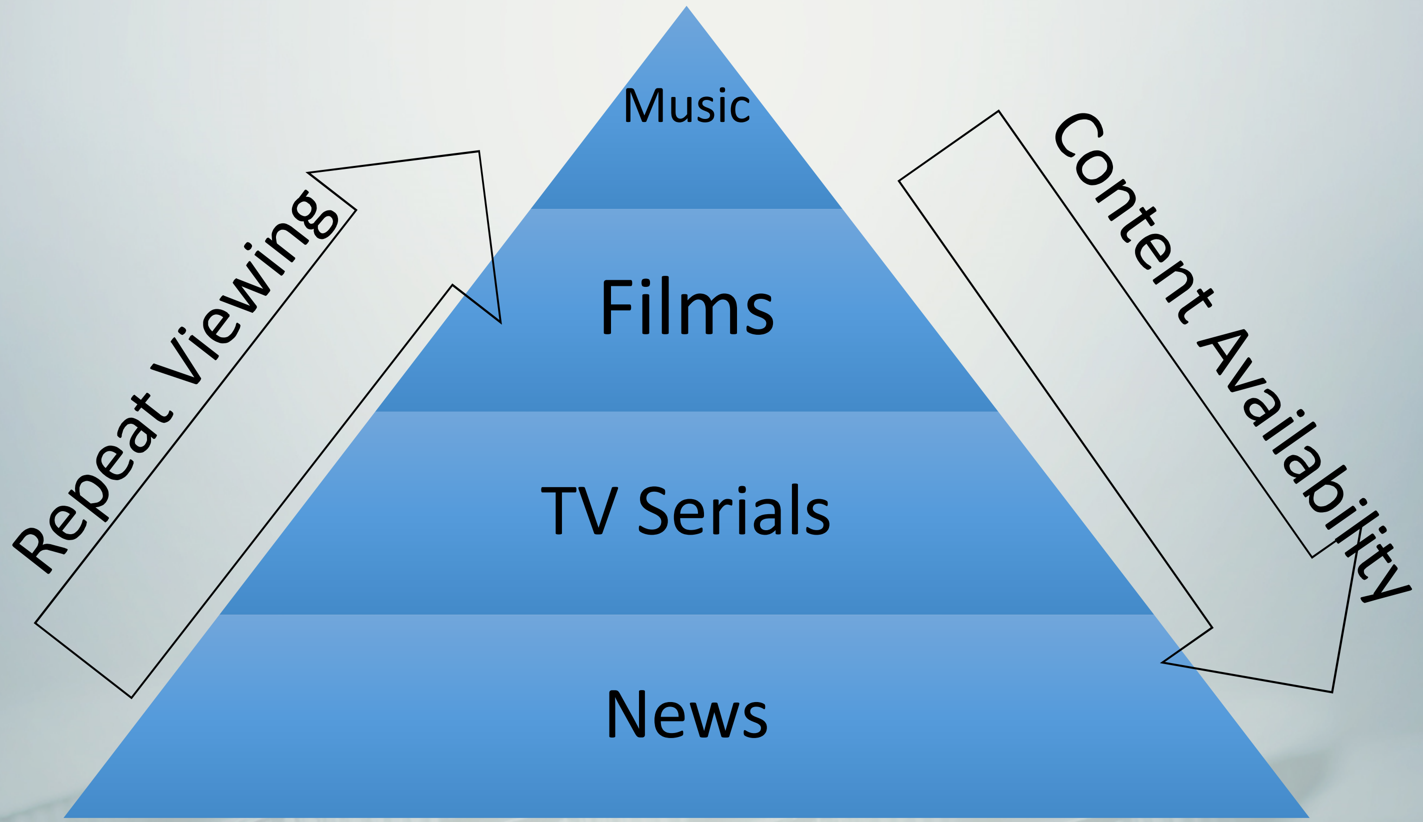
For enquiries mail us at investors_relation@rp-sg.in

Strategic Direction

Monetise Existing IP Better, Build IP for Tomorrow

- Higher monetisation of existing IP
  (1.2L owned songs & 4100 hours of Tamil serials)
  - through greater presence on all 3rd party digital and TV platforms
  - launch of Saregama branded physical products with embedded music
- Building of new IP
  - through new film music acquisition across Hindi, Tamil and Marathi languages
  - TV programs in Tamil language
  - Low budget thematic films targeted at youth with primary exploitation on digital platforms

Content IP
Value Pyramid



Saregama focus : Top 2 Higher Value segments

An Year when IP Value finally started getting Unlocked

Rs. Lacs	*FY 17-18*	*FY 16-17*	*% Growth YOY*
REVENUES			
Music	*29268*	*14124*	*107%*
TV & Films	*5293*	*6692*	*-21%*
Total	**34561**	**20816**	**66%**
EBIDTA w/o SAR provision	**5608**	**2626**	**114%**
PBT w/o SAR provision	**4892**	**1987**	**146%**
PBT post SAR provision	4112	1730	138%
PAT	3051	1000	205%

SAR: Stock Appreciation Rights

Standalone basis

Q4 17-18 Financial Performance

Rs. Lacs	Q4 17-18	Q4 16-17	% Growth YOY	Q1 17-18	Q2 17-18	Q3 17-18
REVENUES						
Music	*9163*	*3948*	*132%*	*4551*	*7320*	*8234*
TV & Films	*1374*	*1822*	*-25%*	*1653*	*1126*	*1140*
Total	**10537**	**5770**	**83%**	**6204**	**8446**	**9374**
EBIDTA w/o SAR provision	**1978**	**1112**	**78%**	**934**	**1315**	**1381**
PBT w/o SAR provision	**1784**	**1025**	**74%**	**775**	**1137**	**1196**
PBT post SAR provision	2113	768	175%	677	901	421
PAT	2145	498	331%	330	446	130

SAR: Stock Appreciation Rights

Standalone basis

And we have just scratched the surface of the Real IP Value

Year Highlights

- Carvaan has taken the market by storm. ~400k units sold even before conventional advertising started. 10k retail distribution network in 10 months
- Streaming business growing ~40% YOY, on the back of growing smartphones (350M) and falling data rates (Rs 5/GB)
- Restarted acquiring new film music IP
- First set of Yoodlee films already sold to digital buyers
- Exit from all non core (read non IP) revenue streams
- Creating and riding "Retro is Cool" trend
- Global music industry seeing a revival. India growing faster than Global. Saregama growing much faster than Indian music industry

And we have just scratched the surface of the Real IP Value

Feb'18:

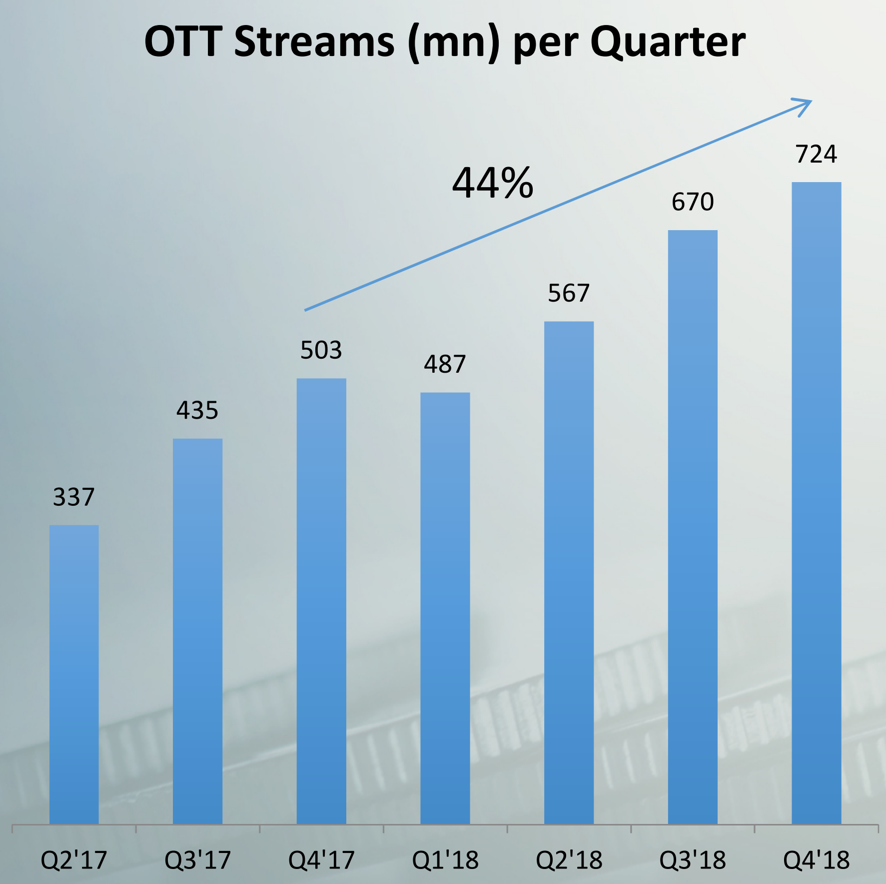
3.1B times a Saregama music IP was consumed by someone in some part of the world in 28 days

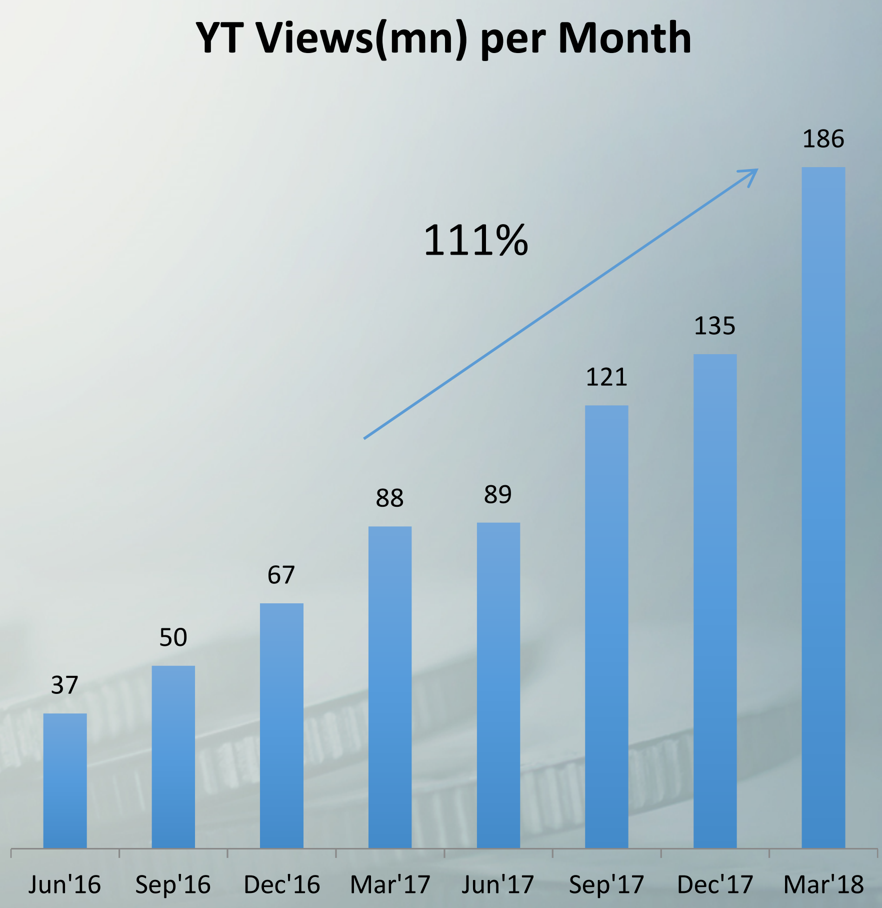
This number is steadily growing

Each usage is monetisable…either through advertising or licensing or subscription

And we know which song got played for each of these 3.1B instances

Growth from 3rd party digital / TV platforms continues





CARVAAN

- 146k units sold of Carvaan & Mini in Q4'18
- Carvaan Bengali launched in Feb 18
- Carvaan launched in UK. Price: £120
- Delivery from India based manufacturer on track. Supply from May'18
- On track for a 2018 model launch during festival season

	Q4 17-18	Q3 17-18	Q2 17-18	Q1 17-18
Sale	146k	132k	95k	14k
Billing Outlets	9820	7126	4640	752
Gross Margin	22%	20%	19%	17%

How Big can Carvaan Become

Market Sizing Criteria :

- Can Afford (basis SEC)
- Will like to Buy (someone in home above age of 40)
- Product Relevant (Saregama catalogue strength in that langauge)

Price: Rs7k-8k : **25M Homes**

Research confirms that 40+ people

- prefer listening to retro music
- Want a hassle free lean back listening experience

Carvaan satisfies that need

And we are our only Competitors

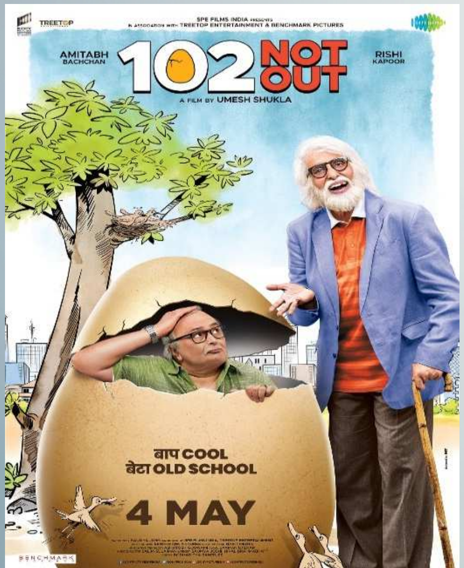
Nobody else has the rights to offer our music in physical format

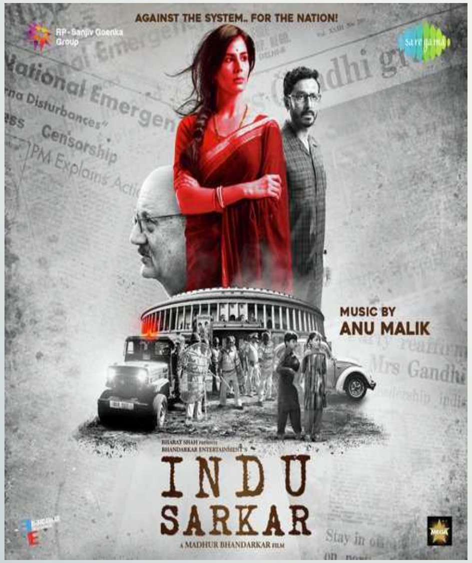
RP-Sanjiv Goenka Group

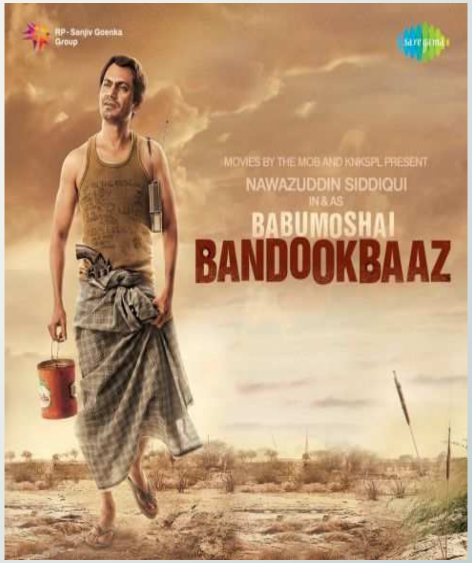
saregama

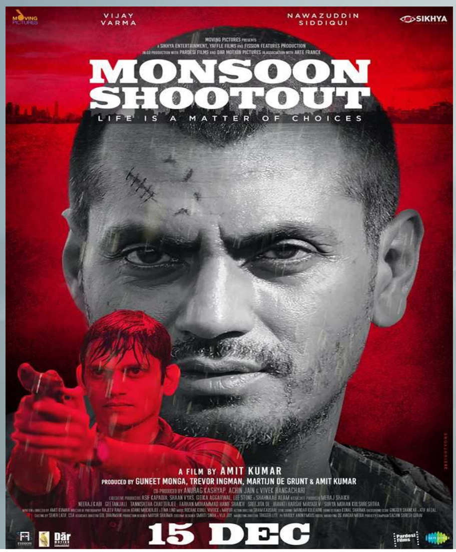
Building IP

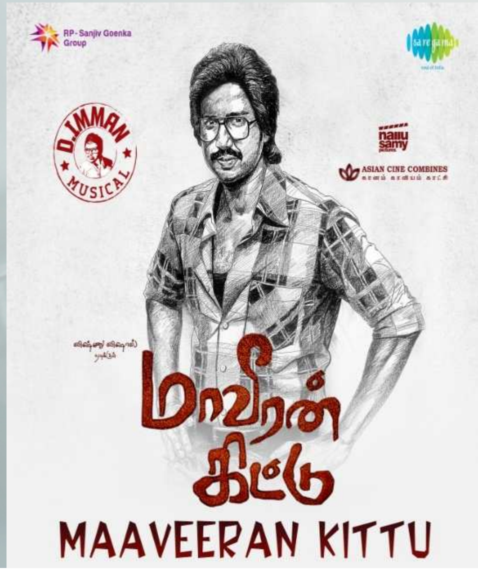
New MUSIC











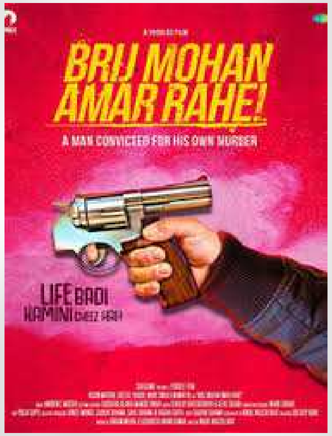
Building IP Films

- Data explosion resulting in growing demand for 'exclusive' content from all OTT players and TV channels
- Thematic films with tightly controlled budgets; targeted at 18-35 yrs segment; story and not the starcast being the hero
- Launched under sub-brand Yoodlee Films
- International audience also considered while selecting stories
- Risk hedging by keeping upfront talent cost low, and offering profit sharing
- Movies in all languages
- Promo www.youtube.com/Yoodleefilms

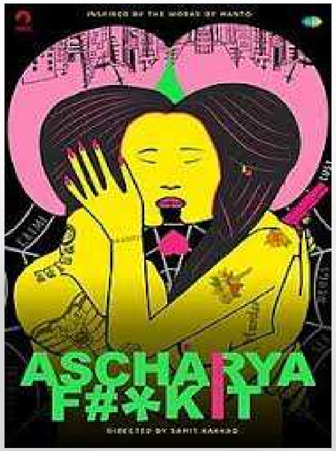
- 8 films ready. All shot in 18-21 days each
- First film "Ajji" release in Nov 17
- Digital rights licensing for Ajji and "Brij Mohan Amar Rahein" closed with Netflix.
- Kuch Bheege Alfaz , deal is under negotiation for right valuation.
- Abi & Anu , a Tamil & Malayalam Bilingual is scheduled to release in May'18
- Noblemen, Ascharya tentative schedule in May/Jun'18.

Yoodlee Films

Movies released / deals closed



Releases in coming quarter



Yoodlee Films – Accolades & Reviews

AJJI has travelled to over 20 Festivals

One of India's strongest independents of the year - **Hollywood Reporter**
Must watch indie film of the year – **Screen Anarchy**
Ajji is a flesh-and-blood product of 'realism' films – **Film Companion**
Cinema cannot get any more basic or honest than this – **Subhash K Jha**

Won 3 Awards
Best Film at Beaune Film Festival, Best actress in Indian Film Festival of LA and UK Asian Film Festival

KUCH BHEEGE ALFAAZ

One story you will definitely want to hear – **TOI**
It's the perfect combination of fluff and old school love saga – **FilmFare**
Onir's Kuch Bheege Alfaaz leaves you with moist eyes and a joyful heart. – **Rediff**
Onir's most tender, lyrical, gentle and evocative work to date - **Subhash K Jha**

Publication Biz - Open Magazine

- Publication Biz in 100% subsidiary
- Sustained Circulation and Ad Revenues
- Association of premium brands
- No unprovided drag on financial results of parent - Saregama

Outlook - Music Business

Music B2B

- OTT & YouTube will continue double digit growth while Telecom will continue to decline
- Consolidation may happen across OTT buyers, but the total streams will continue growing
- Acquisition of new music content will start helping publishing business to grow further
- Industry organization like PPL & IPRS will get strengthened, and will start contributing higher revenues

Music B2C

- Sales of Carvaan and its variants will grow further in next few quarters
- Growth to be fueled by larger scale marketing activities
- Carvaan 2.0 to be launched this year. More stations. Change in front façade. Premium version
- Improvement in gross margins expected with volumes

Outlook - TV , Films & Publication Businesses

Television Business

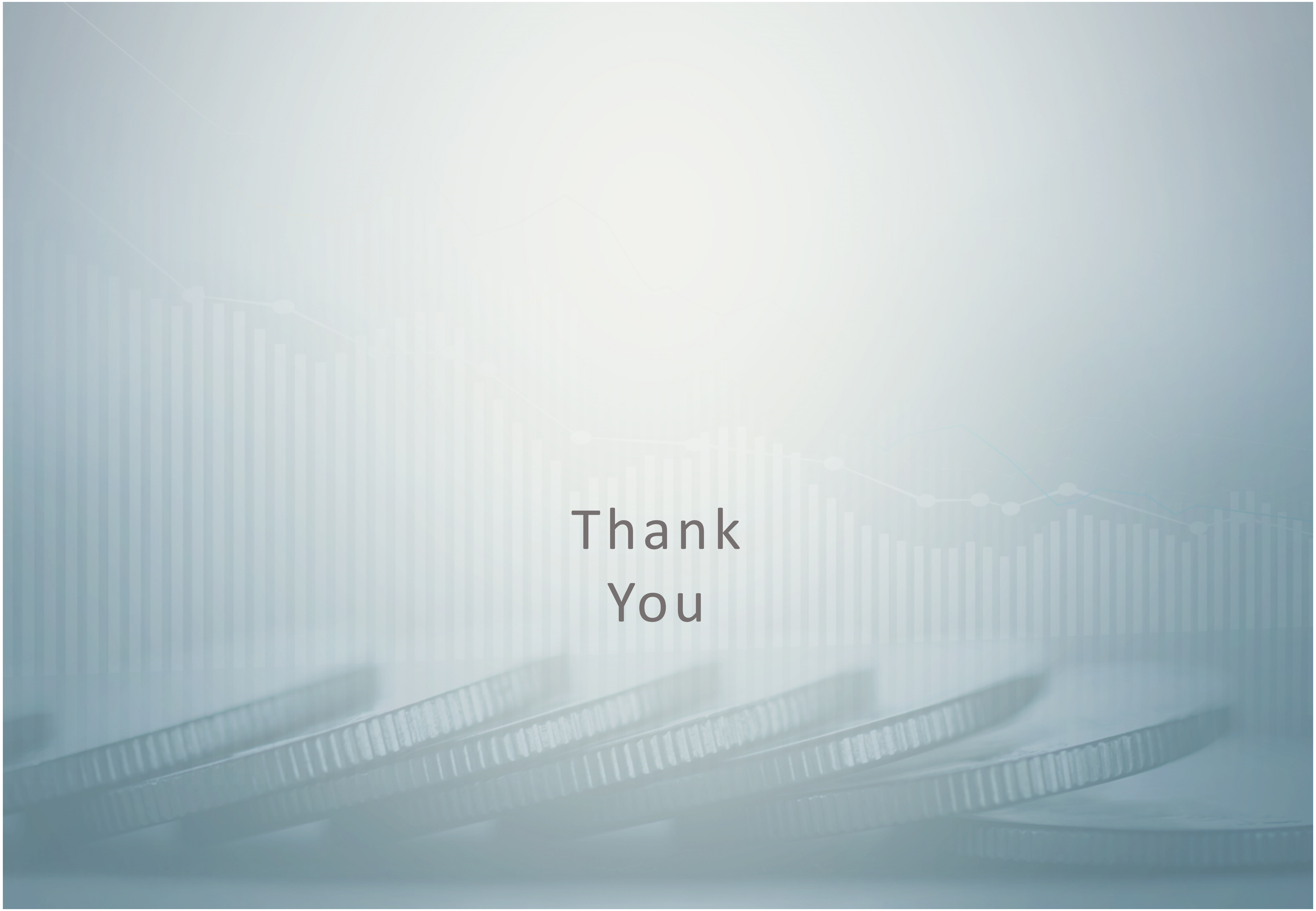
- South TV – Banked inventory will start getting contributing to Profits from Q1, FY 18-19

Films (Yoodlee)

- Greater focus on U/A and U films
- Some films will be released in theatre, while some will go straight to digital platforms
- Focus on building catalogue
- Cost of movies to be fully charged off in the year of release

Publication Business

- Achieve break even through subscription and ad revenues


Thank
You

"Saregama India Limited Q4 FY2018 Earnings Conference Call"

May 14, 2018

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

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

Moderator: Ladies and gentlemen, good day and welcome to the Saregama Q4 FY2018 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 phone. I now hand the conference over to Mr. Shobhit Singhal from Anand Rathi Shares & Stock Brokers. Thank you and over to you Sir!

Shobhit Singhal: Thank you Stanford. Good morning to all of you. Welcome to the Q4 FY2018 earnings conference call of Saregama India Limited. From the management side, we have today Mr. Vikram Mehra who is the Managing Director, Mr. G.B. Aayeer, who is the CFO and Mr. Chandak who is the Executive Director. Now I would like to handover the floor first to Mr. Vikram Mehra for his opening remarks. Over to you Sir!

Vikram Mehra: Good morning everyone. It has been a good year for us. For the longest time when I met you people I was in chair, on board. I have been hearing this that Saregama is sitting on some great IP but is not doing enough to monetize it. It did make a lot of smaller attempts here and there, but none of them could become large enough to be scaled up.

For the last two years we have been working on this concept of Carvaan. It took us time to get the product to the market, but around 18 months from the concept to the final launch stage and we finally launched it in the previous financial year. We have almost as I talk to you we will be completing around 12 months, in fact today happens to be the exact one year from the time we people put our first Carvaan in the market. We intentionally went slow in spite of lot of pressures coming out there from various stakeholders. We decided we will start Carvaan production slow because we were getting into B2C after over a decade. Electronics business is not something that came natural to a B2B company, so we took it slow to maintain quality, we took it slow to build our pipelines, we took it slow so that we can build the distribution network properly and at the end when we are finishing the year I think we are very satisfied with the way in which Carvaan numbers have grown. There were a lot of cynicism in the beginning that in the world of digital why the company going back into this world of physical. I have mentioned this on the other calls also and I will just repeat that all the consumer studies that we people had done, I made it very, very clear that there is a large demand for our music coming from 35, 40 plus age group and these people want a lean-back listening experience, so rather than going by what the pandit said, all the pandits were declaring that digital and streaming is the only way forward. We took up the findings based on consumer research and said that they want the old-world way of listening to the music where technology is inside and outside it is very simple single button, listen to music experience. We believed in ourselves, we went ahead and I am happy to see that Carvaan has done extremely well.

All I want to leave you guys and I will talk of a little more in my concluding comment here. Earlier Carvaan was supposed to be still born child, then we were told it is a one quarter wonder then the cynicism had been happening that may be just a one-year phenomena nothing else is going to happen after that. What I can very safely tell you guys that that journey is far longer than this. I do not think till five years anybody needs to worry as far as Carvaan or its variants are concerned. We are doing much more with Carvaan in future and I will talk about that later.

The bread and butter of a business, which is B2B, this is a part where we licensed our music to various partners whether it is Gaana, Saavn, Amazon, Apple, Vodafone, Idea, YouTube, all those people right no, that part of the business continuously growing and for me that is very heartening. The digitization of music is what in a way provided a very deadly blow to the music industry in India because piracy had become rampant and same digitization in this juncture is coming very handy who once again give wings to the music industry and Saregama is very nicely placed to take advantage of it. The streaming business is really taking of and I think everybody needs to understand this. You all are bombarded with this information from the telecom companies, seeing the growth of other telecom operators including the recent one and the way the smartphones are growing up. The smartphone numbers can be anything between 350 and 380 million people have smartphones in their hand. Data cost, which was some 250 bucks when I joined this company has fallen down below 5 bucks per GB and a film does not take more than a GB. So, you are talking of large number of people having a device in their hand capable of playing video, the cost of playing video has really fallen down and one more very important consumer demographics is the travel time for all of us has gone up. People living in Mumbai what they used to take them one hour is now taking them 1 hour 15 minutes, people living in Ajmer or Jodhpur travel to office in their cars used to take 10 minutes, which was now taking 20 minutes, so travel time cross entry will go up because the roads are getting more and more choked. Whether you are in a train, you are in a tram, you are in a car, you are in a bus, you are sitting out there idle time with a device in your hand and data, which is becoming cheaper, what will you do, you will consume lots of content and that is the fact , which we are seeing it play in front of us for the last two years ever since data cost has come down, so I am not trying to paint up a very rosy picture, it is a realistic picture in front of you.

As a company we had two options either we grow and create a platform through which we own the customer or we become the fuel that goes out there in the platform. Saregama looking at the inherent strength has been very clear that we will be the fuel, we do not know which platform is going to work, we do not know whether streaming business is going to work, television will continue working, the DTH continues, cable continues we do not know, will the radio stations retain the very nature that they have, with the TV business continue being a trendy for our business, what we know for sure that if people want to watch content then all the platforms will need to give them content and Saregama is clear that we will go back and become that high end provider of content to this content hungry people. We will give it to aggregators and let the aggregators go back and give it to the customer.

In the content part, the highest two areas of value are music because the repeatability of music is very, very high, you like a song , you listen to that song throughout your life. The second part the content availability is one of the lowest on the music side, the moment we talk about our own music. Even a company like let us understand when you say lot of bollywood films come in, in an year you are talking of what 250 films coming in, 250 films, which I can call as a property quality Hindi film, 250 films x 4 songs you will get a supply of only 1000 songs in an year, so there is a serious shortage of the amount of audio content that is going to be made available in the market, so here you have a category where there is a lot of repeatability, less availability of content is there, we want to focus there and the second area we want to focus is films, once again a high repeatable viewing, less than music, you do not watch a movie 100 times, you will listen to a song 100 times, but if you like a movie you are very comfortable watching it, repeating the view after another year or two, we want to be in that space also. So, films and music will remain our play to go back and capitalize on this entire data boom that is happening. The lower end part , which is whether it is news or these little bit of slapstick contents that comes on YouTube or non-IP content that we people create for TV channels we are completely out of that.

Our films business we started this year, we are very happy that the assumption that we people had on how good quality films can be made under a budget and second the recovery pattern that you have on this movie, all the reality seems to be playing exactly in line with the assumptions we people had made. The other big part the third business of ours, which is south TV business, we continue playing that business because of the fact that IP stays around there with us, all the other areas IP was not with us we have consciously taken a call to get out of it. South business remains out there at the same level as last year not much has happened. Unfortunately, the inventory that we people were carrying continues to be there with us. We have not been able to liquidate a large amount of it last year. Good part is that it is not fungible, it stays with us and hopefully we will have one more year in which we can go back and liquidate this inventory.

This year apart from being the big growth driver that came in, has also been a year we have taken a very conscious call to get out of some businesses. WAP business is one of them. This is a feature that we use to support on feature phones across this telecom operator, it used to be a large topline business, but we realize, it is a dying business and secondly it is a non-IP business. We were playing a role of an aggregator and that is not what is a core of Saregama. The big growth is coming from Carvaan and Yoodlee another B2B. We do not want management time to get focused on non-core activities. It is a big call that has been taken by us. It is also the reason that you will see relatively a lower growth coming out than in B2B part of our business because that business in the last quarter we completely threw it out. We are also in this year have gradually got out of all the TV content that we were making for Hindi television channels because it was non-IP business. So, company is very, very clear, the strategy remains very plain and simple, find every possible way to monetize the existing contents far better whether it is through streaming or is it through physical devices and use the money, which is thrown back by this monetisation to make this company relevant for the years to come, keep on investing in the music business and keep on investing out there in the films business. I will be happy to take questions. Thank you.

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

Ravi Naredi: Due to fire you said no impact on company, but what impact on business because our substantial part has been burned, so how the business will impact?

Vikram Mehra: I can keep on crying about the fact that this fire should not have happened, but the ups and downs of businesses keep on seeing and I think business should be refill it enough to go back and recover from this kind of tragedies and I am happy to share with you guys, things have been strong enough to recover very fast. We have worked with our partners in China to ensure that production doubles up in the month of April. There is a minor cost that we people have taken to airlift some of these units to India, all that is nothing compared to the bigger picture. We people hold on with the projection that we people had made of the number of Carvaan and its variants we will sell in the country. In the long run, no major impact.

Ravi Naredi: What is the plan to sell Carvaan in Q1 FY 2018-2019 and what is your target for a year end margin?

Vikram Mehra: The quarterly targets for this will be 160000 between Carvaan and its variants and for the year we maintain a number of 750000 units.

Ravi Naredi: Margin will be maintained or may rise?

Vikram Mehra: Good you raised this point I missed this. If you see the way volumes are going up I am sure you will be very happy to see how we people are constantly improving our gross margins. We have projected gross margin of 22% for the quarter and we managed the target and we are striving to reach anything between 24% and 25% gross margin in the year 2018-2019. So, volumes are not going to come at the expense of margins, in fact we will use scale to improve our gross margins.

Ravi Naredi: One more thing your Indian capacity when it will start and how much is the capacity?

Vikram Mehra: Indian capacity is being geared up for around 600000 units per year that is the level with all cylinders firing they will be able to do, it is a plan that we have taken in Greater Noida one of the vendors out there. At this juncture the things have started rolling out. I see this supply actually hitting the market more around July, so we are just stabilizing.

Ravi Naredi: Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Naveen Bothra, an Individual Investor. Please go ahead.

Naveen Bothra: Congratulation Sir for the first anniversary of this excellent product of Carvaan. Carvaan Mini is also very great.

Vikram Mehra: Thank you.

Naveen Bothra: My first question is regarding the new product launches. We are targeting for around 750000 of all the mini and all the languages of Carvaan, are we including any new type of product, which you are planning to launch in the festival season?

Vikram Mehra: You will see a little different Carvaan itself coming in the festival season, so the number of audio stations are going to increase a lot, it may look a little different. We are also looking at a premium variant of Carvaan coming in this year and there is one more variant, which is altogether a different product that may come out under the Carvaan branding only and we are waiting the right timing for the launch of it, it may be around Christmas, it may go little later. Product is ready, it is more of now deciding what is the right time to launch it in the market.

Naveen Bothra: So, the target of 750000 includes the new product launch, which you are planning around?

Vikram Mehra: At this juncture we are resuming overall it maybe 750000 because if you launch another product it may be lower price point, but it may eat up a little bit of Carvaan number also, so at this moment I will maintain a stand that 750000 units across all brands, sub-brands, variants of Carvaan.

Naveen Bothra: In the existing variants of Mini Carvaan and the Carvaan itself, there are some issues like there is no aux out or FM in the Mini Carvaan and some two, three additions can also be done in either one Carvaan, so are we planning to add some features in the existing new setup for Carvaan?

Vikram Mehra: As for the base Carvaan is concerned in fact no product can be of perfect, but I would like to go back and maintain this from the feature-list perspective, there is very little that we can need to do in Carvaan. It is Carvaan Mini that needs to work. Carvaan has its aux out also. Carvaan Mini does not have it because Carvaan Mini is an AuxIn-based speaker, so Carvaan Mini we are bringing about changes out there. Carvaan Mini is also going to get an FM radio in it now, which is going to make it even more mass market.

Naveen Bothra: The numbers we are talking about how much is Carvaan Mini and how much is Carvaan bigger?

Vikram Mehra: Sir we do not get in to those splits out here. The Carvaan is the lion share. Our focus, our marketing everything is around Carvaan. Carvaan Mini is kept out there at the dealer outlets just in case somebody finds Rs.6000 price point to be high they can go back and pick a Mini.

Naveen Bothra: Because recently I purchased around five to six points despite being larger Carvaan was not there, but Mini Carvaan was for gifting and all these things, very attractive pricing and attractive design and all these things?

Vikram Mehra: Things happening actually like that more when you are buying for yourself or gifting for your immediate family, it is Carvaan, which is selling more. When you are buying to gift it to friends, family, business associates, it is Carvaan Mini that moves more.

Naveen Bothra: In the slide we are saying that 3.1 billion times IP was used in February music IP was used, so how we can define it, how it is monetizable and up to what extent it is monetizable?

Vikram Mehra: Sir not majority of this is data that comes from YouTube, so in YouTube every time an ad is thrown and if our song is getting used in the video we get 55% share of that ad, but not every time a video is being played on YouTube will you go back and see an ad coming up, but if the same thing is being played on streaming that is on a Gaana or Saavn we get paid every time. Yes, we get paid every time. The power is that if you have 3 billion in a month even if I multiple it by only 12 not assume anything increased it is 36 billion times a song, which is owned by Saregama gets played in some part of the world. We have that now big data capability inside the company, which runs various analytics on this data to find out what is working, what is not working. It allows me to make better playlist for Gaana or Saavn. It also tells next Saregama Carvaan, which all songs should be there, maybe we have missed a very popular song that people listen to, but we forget to add it to Saregama Carvaan, so lot of work is happening around this 3.1 billion data points that come every month.

Naveen Bothra: All the things are very exciting. Google assistant is also present there.

Vikram Mehra: Yes Sir. We are very, very clear is we are not taking a punt on which technology will survive or which operator will survive. We are providing our content through every possible way to customers.

Naveen Bothra: Thank you Sir. Thank you very much. All the best.

Moderator: Thank you. The next question is from the line of Ritwik Rai from Kotak Securities. Please go ahead.

Ritwik Rai: Good morning Sir and congratulations for a good set of numbers this quarter. Sir firstly about if you could give us some idea about the B2B music and how it has grown in this quarter in this year?

Vikram Mehra: For the B2B business the streaming business is what has done very well for us. Even if you see on the number of streams per month that itself is going upwards of 40% on a year-on-year basis, so that part as I initially also mentioned is the fastest growing business because of cheaper data cost and here today available across all the nine platforms, which are there in the country Gaana, Saavn, Idea, Apple, Google, Amazon, Airtel, Hungama, Jio, we are there everywhere. Hearing spotify will also come in, so our focus is available on each of the streaming platforms and just piggyback on the ride those people are having. The second is the YouTube business, which is also growing very, very well. Streaming is far more lucrative than YouTube is, so YouTube is also seeing good amount of growth coming in, but in terms of percentage wise streaming grows much faster. Third is our publishing business whereby we go back and license our songs to various TV channels, advertising agencies, films to use our music inside just add on their TV serials and that part of our business is doing the fastest for us compared to any other player in the market. There are large initiatives that we have taken in that space, so that we ride the fastest. It is literally they say any advertising agency in India if they even want to think of making an ad they first come to us and say can I use the song of yours.

Ritwik Rai: Sir in terms of revenue growth how much revenue growth has happened in this year in the B2B business music?

Vikram Mehra: The B2B business has grown just about double digit, but if I take that telecom impact out for a moment the telecom is part of B2B, we are growing at 18%. It is telecom since we have taken a conscious call that we want to get out of WAP business. Suddenly in WAP business, the denominator is not there and numerator now and last quarter we completed it, with management call we completely went out of it.

Ritwik Rai: Alright, so Sir as of now this telecom part how much of your B2B business would that comprise about 20% or so?

Vikram Mehra: I will not get in to that specific, but in the ballpark in that space, the percentage is becoming lower and lower. I think what you will like to hear is that this year also on the B2B music side we are reasonably hopeful, growth should be anything between 16% to 18%, so it is not just a Carvaan story. Carvaan plays a very big chunk of this story, but the base business is also now showing good growth and all the work, which you people have been doing on the marketing side with our partners to make retro music cool again and that is a key part. A lot of work has happened, so if you see more and more radio stations are talking about it. A lot of films are reinterpreting old music. All that is work, which is very conscious work that all of us are doing to make retro music cool and that definitely helps Saregama a lot.

Ritwik Rai: Sure. Sir two more things. One is I wanted to ask you the movies have still not got accounted for in your statements, Right?

Vikram Mehra: They have been accounted for. Under TV and films, it is sitting in, So it is there the second number under cost. Based on the feedback that we have received from a lot of your people our policy is very clear, the charge of the entire cost of the film in the year, which it is released.

Ritwik Rai: Sir the movie has got completely accounted for in this quarter or in the Q3 also?

Vikram Mehra: No in this quarter. In this quarter, we have gone out there and completely taken the cost of all the three films.

Ritwik Rai: But Sir it seems very small because you know the cost of production of films, television serials that number has hardly changed between 3Q FY2018 and 4Q FY2018?

Vikram Mehra: First understand our movies are not that expensive. When you look at my data, compare FY2016-FY2017 to FY2017-FY2018 not only there is a very healthy growth that you are seeing on PBT basis, also this year's PBT includes around Rs.15 Crores of new content investment, which is of course music and films compared to just Rs.1.5 Crores in FY2016-FY2017, so you are seeing healthier number on the bottomline of FY2017-FY2018 in spite of we people spending Rs.15 Crores this year to prepare the future of the company.

Ritwik Rai: I am asking something a little more basic because what I was trying to understand is I was under the impression that your movies still cost about Rs.4 Crores or something to produce and three movies have got released, so there should be Rs.12 Crore expense at least on account of movies, now if I look at cost of production of films, television serials it comes to Rs.11.6 Crores, right Sir in this quarter? So that is what I am not able to figure out?

Vikram Mehra: If you really look at it, the cost of the movies of all the three films, which we have charged Rs.11.6 Crores.

Ritwik Rai: In spite of the movies fully and yet it is only Rs.11.6 Crores Sir?

G.B. Aayeer: That is right. The corresponding quarter of last year we had a national television business also part of this, which is not part of the current year because as Vikram rightly pointed wherever we do not have a core IP, we will be moving out of it.

Ritwik Rai: But I was comparing 3Q FY2018 with 4Q FY2018 Sir, so there it was said to be Rs.11.6 Crores versus Rs.10.9 Crores, so there is hardly any change?

G.B. Aayeer: Correct. The Rs.10.94 Crores vis-à-vis Rs.11.6 Crores includes for us the cost of all three movies charge in the Q4.

Ritwik Rai: Sir I think I will take this offline. I just wanted to ask just one more question. Sir on the royalties in this quarter have fallen quite sharply, so is it just a question of balancing the 12 months minus 9 or has something changed in this quarter?

Vikram Mehra: You are right. Actually, what happened is that Carvaan as a whole when it launched and then when we progressively sold we estimated royalty payout on a conservative basis started providing on a higher side in earlier quarters and in this quarter, this has got back.

G.B. Aayeer: It is more of balancing, the Q3 royalties that you see were not the real royalty. It is more of a balancing part. From now onwards, it will be stable as the percentage is, which we are currently continuing.

Ritwik Rai: That now can be taken as the number to it?

Vikram Mehra: That is the trend. The average will be two. On a yearly basis it is stable.

Ritwik Rai: Fine Sir. If one were to take the yearly number for royalties and divide it by the music revenues that should be the number to work with going forward roughly?

Vikram Mehra: That is a stable number.

Ritwik Rai: Sir you were saying something on my earlier question?

Vikram Mehra: Your earlier question we will get back. Just give me time. I will get back to you.

Ritwik Rai: Sure Sir. Thank you.

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

Priyankar Sarkar: Thanks for the opportunity. Congrats on a great set of numbers. Sir I just wanted to understand a bit more on the film business, so what is the kind of valuation that we are selling these movies to Netflix is it a costless model and what can be the gross margin in this business going forward some sense on that and other thing is what is the model are we working on, are we working on a Miramax type of a model in this movie business?

Vikram Mehra: Let me answer the second question. You have made my day. Yes, our role model is Miramax. Keep the individuals out. As a business model, we want to go back and follow the Miramax model, which is high cost and value, low star value, keep cost tightly under control, make thematic films and take them out and all of them seem to be satisfying majority with conditions. Some of them will hit theatre, many of them will never hit theatre may go out there to the digital platforms or to the television business. The specific details you are asking for I cannot share because it just weakens my position by doing negotiations with the broadcasters or the digital platform that much amount of detail, but what I can tell you whether it is a music business or the films business, we are clear that the payback period should be in the range of five years. What we see at this juncture by the time three and four year starts coming in at that time we will be in a much stronger position with the catalogue that we will have on our hand. Assuming after three years, we should be having anything around 25 to 30 movies with us. Majority of the deals that we are trying to do are licensed based only of three years, so from year four onwards we are in a better position. However, tempting it may be to do an output deal we are resisting it to ensure that we get movie by movie a better valuation and not do an output deal at this stage, so there are lot of interests from stakeholders to do output deal with us.

Priyankar Sarkar: But we are not burning cash on movie basis we are not selling than the production cost right to Netflix?

Vikram Mehra: How do I go back and answer this question to you. All I am saying is the payback period we are looking at is five years. Actually, anything more than this I will be putting my numbers out there and really weakens my position while negotiations. Our payback period is five years whether it is music or it is films. Our internal working is that year one we should be on the combined number. This combined number films we have charged off completely, in music we have charged off only 66% in the year, 66% of this and if there is any marketing cost on the music we charge it off 100%. Our attempt is that year one we should be seeing a recovery of anything between 38% to 40% and we are on track. That is all I can tell you , a combined number of music and films.

Priyankar Sarkar: Thanks a lot.

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

Abhay Jain: Why is there such a variation in the employee cost QOQ?

Vikram Mehra: Employee cost also includes the SAR because that is the only space it gets bundled and if you see we have reported numbers of SAR. In last quarter, the stock price has gone up hence we have taken a hit on the SAR. This time it is coming down. We have got a positive benefit, so I will recommend that the data has to be looked at keeping the SAR impact out. It is not an operational variable for us. It is an external variable. If I look at employee trend one of the statements I had made right on my first analyst call was that Saregama had a very high employee cost as a percentage of the topline. It is not that the employees were that expensive. I think it was more from working that they were not getting utilized to the fullest. 2015-2016 employee cost keeping SAR impact out, employee cost, which is the fixed salary that you people had as a percentage our topline was 18%, last year it came down to 17% this year we had 12% and 2018-2019 we will get it into a single digit percentage.

Abhay Jain: That is clear. Now for the second question. We had discussed in the past about the earlier film the way the model is going to work the cost and other aspects, have we maintained a similar cost structure for all the eight movies, which you seem to have finalized?

Vikram Mehra: I can tell you absolutely unequivocally there were two big assumptions in the entire concept of Yoodlee can you make quality films in the budget that we are looking at, second can you make lots of money out of that, first one I can boast for it without a blink of an eye. Majority of them are going under budget at this juncture that discipline is maintained till date. We have sold only two movies till now. For the second part that can these movies go back and make lots of money in the short run give me another year. We are on track with only two movies. I have made more movies. I have released only two movies till now.

Abhay Jain: Got your point. I have some questions regarding this. The first signing of yours has happened with Netflix and the first movie was Ajji and the second one is about to come. For this I have a very, very specific query. When you sign a movie with Netflix the audience becomes Indian only because of the Indian dialect of the movie or it becomes a purely international audience here, do you have any data regarding that with the hits and the number of people watching your movie?

Vikram Mehra: As a policy majority of the digital partners never share information because these by nature of its fixed deals, but anecdotally I can go back and tell you what a movie release on a platform like these do. They get you international connect immediately. Ajji has been written about not only by every leading Indian publication, but the Hollywood reporter went out, they did a review and gave it I think a four rating out of a five. ScreenAnarchy, which is another very big digital global films reviewer, they went out, they reviewed the film. So, what it has done has given a little more legitimacy is I can use the word to a company like us that we can make good quality films.

Abhay Jain: So here people like Netflix when they sign with you, they go for this mere commercial acceptability from the platform of people or this kind of certifications and reviews also?

Vikram Mehra: Everything matters it is which like you asked me when somebody comes for an interview out here, well is I am IIT, IIM degree only thing matter or is work experience also matter how he conducts himself, everything matters. This question may be a better answered by Netflix, so I am the candidate I am not the interviewer here, since I come from that world I can tell you everything matters.

Abhay Jain: After the movies, now next to Carvaan, you say you are coming with Carvaan 2. Last time when we discussed in the con call about Amazon Alexa, we thought or we suggested and you also said we can take a review of discussing movie… song on-demand the Alexa or Google assistant is going to clear. Are we inculcating something like that in any versions of Carvaan where in I mention a song and it gets well played?

Vikram Mehra: There is a work out there, will it get into all variance is something they are still closely monitoring. Remember this Carvaan I said that last time I maintained my stand. Carvaan is a product targeted at people who want lean back listening experience. Carvaan is not trying to get what 20-year-old, maybe a variant of Carvaan e-com. A Carvaan talks to people who turned the button on and then they forget everything else and music keeps on playing.

Abhay Jain: Will you include things like play 10 songs of top 10 of Mohammed Rafi, play top 10 Ghazals of…

Vikram Mehra: I do not want to get into, I am happy to meet you one on one and have a longer debate on this, but we want to add new features without at any juncture compromising on the core feature of Carvaan simplicity of use. If I can launch all that one is asking for, without someone needing to, go next to Carvaan speak in a particular accent and we got that is tricky, but we cannot ignore what is happening from technology perspective all around us. You will be seeing changes coming in. There is series amount of work going on as to what variation need to be brought in, so that Carvaan remains relevant not just today, but three years down the line too.

Abhay Jain: A point on simplicity makes a real good point. Now coming back to TV content, in the last two… last we had very clearly discussed that you came out of Savdhaan India instead of being a hit that you did not own the IP and you do not want to own anything which does not give Saregama an IP right… perpetual IP right and that is the reason Sun TV is maintaining and all the south channels are maintaining. A very simple question is, in music front you are doing the max, ….in investor angle you can say it is a lottery ticket or from visionary angle, we can say you are doing all the right things. So, what is it getting done in television content IP or you can say content IP for platforms like Hotstar and Amazon Prime where you can produce something like Saregama Savdhaan India and again you know start your stream, is there anything happening now?

Vikram Mehra: No, no, we are not. We are clear about our focus in IP business, where as IP business not… it ensures this is positive revenue stream coming down from that content years down the line. So, when we are…

Abhay Jain: So, this question came as a reason…My question was from the angle that you had a very long experience in making Savdhaan India, so that would have given you a lot of industrial asset on where to go it in a shorter way?

Vikram Mehra: We are using all their experience to make great quality films now. In fact, if I am able to go back and tell you that every film of ours is under budget. I will give you the full credit to the team because of the learning's they had both my production team and commercial team, the learning's they have from the television business.

Abhay Jain: Wonderful, I am going to the last question because others will also have some questions. The music content which with the current day generation is providing is something I have been asking in all the con calls we are lacking and you have started with 102 Not Out. But it looks like even that is not a very commercial or very high-quality likeable movie or right movie. Going for that may cost a very big money, so how are we going to bridge that gap?

Vikram Mehra: I said in my opening address also, we recognize the fact that it is not enough to make money today. It is equally important that we prepare this company for 20 years down the line and we need to have the music, which is liked by today 17, 18-year-old. We have started investing in new music. But we are doing taking cautious steps. We do not want to get into buying very expensive music from day one, we started with very small budget films like Babumoshai Bandookbaaz or Indu Sarkar and these films have done reasonably well from the music perspective that give us… the team also learning… experience is you may appreciate that there has been very long time since Saregama acquired music. We need to be cleared the day we acquire music all our internal machinery should be geared up, to promote the music and then to start making money out of that music from day one. It cannot be a drag onto the bottomline in the long run. We are going through those steps, we have started with smaller budget films. Now you are going to be seeing which is 102 Not Out or another movie, which has already been announced, is Yamla Pagla Deewana with a song of Salman Khan in that. All the music we people have got, we are buying now slightly bigger budget films, so how that experiment moves. Prove to you and to promoter that this kind of music if you invest you can still make money, then we go even a bigger league.

Abhay Jain: Beautiful and acceptable. One small question last before I end. Variations in tax and other income can it be explained Q-o-Q? You have explained royalty variations and employee cost variations because of SAR, similar things and tax and other income, can it be explained?

Vikram Mehra: As regard tax in all our earlier call we have been maintaining that whatever we have invested into business publication. At the end of the day, it will not get lost. It is only what I am saying the time gap, which will be there. So, what happened is that this business they did a capital reduction through a court route and that gave us a legitimate way out through claim type benefit in the Saregama income tax assessment, but out of abundant precaution we did not take a credit for two years which is a statutory period which is there in the income tax law for the full assessment to happen. That period is over in this quarter and with approval and concurrence of statutory auditors, we have taken the MAT benefit of Rs.7 Crores okay. So that explains tax and as regards the other income, we have major three items, company had invested into some of the good listed company, so we get a sizable division out of it and follow the provision or making a provision based on ageing. So, provision happens and then some reversal of provision happens and that is how typical of business and this provisioning happens not only for the sale but also for royalty and in the past, we have had some investment where we could get interest as well. So, this comprises of the other income.

Abhay Jain: Thank you. Fairly convincing and all the questions well answered.

Moderator: Thank you. The next question is from the line of Devendra Khurana from Oracle India. Please go ahead.

Devendra Khurana: Good morning, wonderful set of numbers and congratulation Sir. I have two questions. First is like how do secure your content, so when you sell your Carvaan rate you have a list for songs, so what is like if someone copies that and send it through certain special app, so how do secure your content on that front?

Vikram Mehra: Let me answer the first question of yours. Are you hinting to some of the messages that are floating in the market try to put in the same content?

Devendra Khurana: Correct.

Vikram Mehra: The music that we people own as and when music which we understand is very easily piratable, the music of Mukesh or Kishore, Asha ji or Latha ji is out there in the public domain a lot, hence we have always taken a lot of pain… simplicity of listening to music with a lot of nostalgia going around it. So, we can stop some of the…so rather than getting all upset the fact that there are some miscreants who are floating around some songs under the name of Carvaan Whatsapp actually we can try to stop it, it is not impacting sale at all. In fact, all our retailers are seeing that as a marketing promotion. If you remember there are 5000 songs in this,… just floating around going to be two or three hours of content. So, I can encrypt, how do you encrypt a Mukesh Sir song which is anywhere available in a pirated fashion and a lot of listeners, so our focus is all management time grows out there and improving the convenience that if you offer to people who Carvaan, the way playlists mix rated on Carvaan if people want and positioning it as an ultimate gift item that goes beyond just buying 5000 songs.

Devendra Khurana: Okay, but I think it will be better like if you can encrypt it and possibly like a limit by usage of…

Vikram Mehra: What I can assure you is today it is not possible to take an output from Carvaan, so what you hear is a Carvaan part or something they are taking out of YouTube it is not even a Carvaan output.

Devendra Khurana: Okay, so basically, they have compiled their own playlist based on Carvaan.

Vikram Mehra: So, what happens we also put many songs play lists on YouTube for monetization there also, every view of YouTube is preceded by a five second ad of Carvaan, their script that out they are floating at around. We see that as of somebody who spending money instead of ours to give people an idea of what Carvaan is all about and then people go back and buy the full product. Apart from that somebody will find somewhere Mukesh songs...

Devendra Khurana: Okay.

Vikram Mehra: It is not impacting sales I can tell you that.

Devendra Khurana: Thank you. One more question I have I think you have already given a hint like you are working on AI to get the voice of the people like how and what kind of song they like and all those stuff, Sir my question is like is that work ongoing like you are working on AI script to identify likes of the majority of the people or you have that in the pipeline?

Vikram Mehra: So, what we have to take is the big data engine sitting out there to find out which songs do well and though the songs are the old song, there are also trend keeps on changing and ensure that we use it for B2B a lot, so if a song is doing very well on Gaana, but somehow is not doing well on Saavn, we ensure that the song has more visibility on Saavn and vice versa. Similarly, every time a new version of Carvaan comes in there is a change that the people are bringing in terms of catalogue that is available out there in Carvaan, because some songs may have become very popular, because of some reason, some new TV serial came in and the song was promoted. Abhi 102 Not out ke liye Bachchan Saab sang Waqt Ne Kiya Kya Haseen Sitam that song ever since he sung that the original song popularity has also gone up substantially. So, all that keeps on getting tracked by us to ensure that whenever we are putting song in Carvaan or creating a playlist on Saavn, Ghana or in a YouTube or a caller ring back tone have been cut, the right songs have been promoted.

Moderator: Thank you. The next question is from the line of Neeta Khilnani from B&K Securities. Please go ahead.

Neeta Khilnani: Congrats on great numbers. I have two, three questions. Sir, have you given out your B2C revenues because I seemed to have missed that number for the quarter?

Vikram Mehra: We are not at this juncture going out there, we are giving only the music numbers overall, but the majority of the growth as I said has come out of the retail business only the B2C business.

Neeta Khilnani: Okay, so actually I was just trying to figure out this breakup based on what you said earlier in the call, so broadly your realizations per Carvaan gone down on a quarter basis, because I believe you have taken price cuts?

Vikram Mehra: No, we have not taken price cuts please understand. There was just a GST benefit that was passed, GST on it was 28%, which came down to 18%, after the effects of it, only the consumer pricing changed.

Neeta Khilnani: Okay and in your presentation, you had mentioned price ranges 7000 to 8000. So, are you planning to then further increase your take a rate hike or something?

Vikram Mehra: Those options have been kept out there, the modeling when we have done, was done of 7000 to 8000. We have intentionally kept it as a price of 6000 to 6500 though with GST number was higher. Just to give you an idea that there is some amount of headroom according to consumer research, which we still have.

Neeta Khilnani: Okay. One last question, Sir you mentioned gross margins of 22% which you are planning to increase to 25% and in the last call, I remember you said that EBITDA margins broadly mirror gross margins, so is your stake for this year also going to be the same or are we going to see some increase in ad expenses?

Vikram Mehra: Till last year since it is a very little marketing expenses that people we were having. So, there was hardly a difference between gross margin and a net margin, you will see marketing expenses going up substantially this year.

Neeta Khilnani: Sir can you broadly give us a range of the bids that would get cut off from the gross margins into the EBITDA?

Vikram Mehra: Let the number start moving let this quarter happen then EBITDA position we will talk. What we are clear is we have been able to take the gross margin how much 17 to 22. We know at this juncture is volume and can go back and start improving gross margins. To get volumes I need to create awareness in the market. What we are realizing is that amongst the upper strata of Mumbai's, Delhi's and Bengaluru of the world, people now very well know about Carvaan. So real numbers of Carvaan to start coming in people need to know in the Lucknow, Jaipur, Kanpur or Ajmer and to reach that part, we will have to go out there and do a little more upfronted advertising now. So, we will not be shy, let me say it now also the PBT percentage that we have without SAR provisions, we can give you an assurance that, that number this year was 14% and management teams in their endeavour will maintain that number even for next year. In spite of whatever marketing senses go up, whatever happens, the company as a whole the PBT number of 14% without SAR provision should be maintained.

Neeta Khilnani: Okay, thank you Sir.

Moderator: Thank you. The next question is from the line of Kartik Nibjiya from Blue Point. Please go ahead.

Kartik Nibjiya: Hello Sir, congratulations for the great set of numbers. For the first question is, apart from the Carvaan, which is a portable music player any more category of the consumer electronic segment we plan to come into in this financial year?

Vikram Mehra: All I can say they are working on the range of product, which are about providing music to people which they consume in a lean back way, so you have seen Carvaan, you have seen Carvaan Mini, there will be more progress coming in. As I mentioned earlier I am not going to specify a timeline because that is dependent more on what is the right marketing time for a new product. Should we continue this Deepavali with Carvaan only should we get another product before Deepavali, we will take those calls, but the products are getting ready.

Kartik Nibjiya: My second question is there was a meter fire, which broke out on April 1st in your godown in Bhiwandi. So, I guess the news, which is floating, is that there has been lot of sales return of the product, which was built on March month end. So, is it going to affect your number in the next quarter… in this quarter, April, May, June quarter?

Vikram Mehra: This is all the news, which is floating around. I just attribute it to some of the competitive act. We have reported number 146,000 Carvaan and its variant. We have not gone out there and reported some artificial numbers because of the sales returns are going to be happening. See in our system, there is everything being done on cash and carry. A distributor pays upfront before he gets the stocks. So, the sales return concept that used to happen in the good old days, where things used to be given on credit does not exist in Saregama. When we are saying a sale has happened that means sale has happened and the revenue is written in the books. So, I can assure you on behalf of the Saregama management team, you will not face that problem here. We are more comfortable showing a more conservative sales number rather than create any system through which six months or one year down the line, we will have to take sales returns.

Kartik Nibjiya: And just a third question, the gross margin has gone up from 7% to 10% from the last year to 2013 in this quarter, is the same thing going to be maintained going forward?

Vikram Mehra: You are talking on gross margin on Carvaan?

Kartik Nibjiya: No, entire numbers…

Vikram Mehra: Your question is not clear. You are saying Carvaan numbers, the gross margin went from 17% to 22% will we maintain that?

Kartik Nibjiya: Gross margin for the numbers, which you have declared for this quarter?

Vikram Mehra: You are talking about Carvaan?

Kartik Nibjiya: Not Carvaan, the overall numbers?

Vikram Mehra: When you are looking at overall number, as I said earlier the PBT percentage is 14, PBT without SAR for the entire year, take that as a trend. Quarter wise number is the wrong part to go back and take. On an annual basis we have declared a 14% PBT without stock appreciation. Our endeavour is to go back and maintain that number going forward also?

Kartik Nibjiya: How much revenue growth are you expecting this year compared to last year?

Vikram Mehra: On the Carvaan front I can tell you majority of the growth is expected out of Carvaan and its variants and we expect Carvaan and its variants to be at least 750,000 for this year. That will give you an idea, which is close to doubling the number.

Moderator: Thank you. We will take the next question from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Thank you for the opportunity. What will be our capex plan from this financial year?

Vikram Mehra: As regards our capex, our capex is mainly on account of upgradation of our severs, ERPs, and the whole digital business requires the entire paraphernalia of… it will not be very substantial that we need to really go for any external funding, which will get managed within the internal businesses whatever we will make it in the coming year.

Ravi Naredi: Can you quantify this amount?

Vikram Mehra: Currently, what I am thinking the whole plants are getting still discussed and deliberated. So exact amount right at this juncture, it will not be possible.

G.B. Aayeer: What I can assure you that the numbers are very, very low. We are not a very capex heavy company.

Ravi Naredi: No problem, what about this new plant that is coming in India?

Vikram Mehra: It is a third party, this plant alone belongs to us. We have given a contract to a third party whose plant it is. Even in China these are not our plants, so we as a company are very clear, we are a content company, we are not going to make an investment right in all the other areas. Our investment is only in acquiring or making new content.

Ravi Naredi: Okay, thank you very much.

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

Akash Chaturvedi: Good morning. I have two questions for you, so the first one is OPEN magazine revenues are down and losses are higher and it has no synergy with the core business, so what is our way forward with this?

Vikram Mehra: I will maintain the earlier stand that we are very seriously looking at a way of resolving OPEN. Actually, the promoter is keen to find the solution on the OPEN part… that how do we handle open, you need to give us little more time to find a solution.

Akash Chaturvedi: Alright, so my second question is about changes in inventory, it is an accounting question, so is it only fixed finished inventory or does it include something else?

Vikram Mehra: No, see this inventory is about three items. One is about physical products, second is about films and third is about television inventory. So, what I am saying if you have any specific question wherein you want us to detail it out, I think you separately can contact me because it will take at least 5, 10 minutes to explain you, right.

Akash Chaturvedi: Alright, best of luck.

Moderator: Thank you. The next question is from the line of Sunny Shah and Individual Investor. Please go ahead.

Sunny Shah: Good morning. First of all, I congratulate you for the team with the Netflix on the inclusion, so what I understand is that they have been doing it on the individual. dealers on the individual movie basis, but is there any restriction or do we have any exclusive that you have to Netflix or we will do it based on Netflix only or it could be Amazon Prime, it could be Hotstar, it could be any other thing?

Vikram Mehra: As I said this earlier also we are avoiding the temptation of doing an output deal, where output deal means all your movies are going to go to a single guy. At this early stage, we do not want to get locked off to any one partner, we are doing movie by movie and we are going to different partners. In the next 12 month our focus will be to have content available across different platforms rather than everything going to a single guy. So, the answer to your question, no we are not restricted to give our content to any one vendor.

Sunny Shah: Fair enough. So, second question is regarding Carvaan variant wherein we have launched in four line, so we clearly know that the Hindi version is definitely the most popular one, but how is the traction the other ones Bengali, Marathi and Tamil and are we looking at some kind particular that language where it is not doing well, are we looking at some extra advertising on the location wise or something like that geographically?

Vikram Mehra: Yes, you will be seeing language, so there will be a brand advertising, which is around the mother brand Carvaan and then there will be more local like stuff happening most likely in print for the regional variants. We did a lot of stuffs around the Bengali New Year. You will be seeing the Marathi campaign breaking for the Marathi version of Carvaan, so each of the Carvaan is going to get marketing support to help it penetrate deeper in the market.

Sunny Shah: Fair enough, and the second thing is regarding the Carvaan, which is launched, so how is the traction there, how much period, how do you see... do you see some kind of growth there, how do you reach because that is a totally territory and you know the way to reach to the maybe the NRIs would be very different from…?

Vikram Mehra: Yes, you are absolutely bang on there. We started with US and our strategy was first put it on Amazon, advertise in the market that creates interest in the minds of the retailer and then start putting the product in the hands of retailer. US maybe have reached that stage where there are retailers who are stocking Carvaan. Canada and UK at this moment are at the stage where product is still getting stabilized in Amazon. Remember, it is a new product for us, it is a new territory for us. It is not a digital product, it is a physical product so after sales network also needs to be setup. Our strategy will be very clear, take baby steps, stabilize things before you start seeing them scaled up. You will be seeing more promotions happening in these international markets closer to the festival season not before that.

Sunny Shah: Fair enough and one last question is regarding, rather than more has been impressed about the Carvaan sales number in terms of unit, I would be much more impressed about the dealer network and the distributorship network, which will help you going forward in terms of, even if you launch any products we will get first-hand demand from the dealer themselves and when we are looking deals with these dealers, so how are we dealing with, we are taking any advances, are we going with the negative capital working strategy, which is a great strategy because you have cash flow in hand before, you have the inventory being sold out to the dealer?

Vikram Mehra: We are following the conventional distributor dealer model. We do not have a direct relationship going on with the retailers except some of the modern retailer. The conventional mom and pop store, we reach to the distributor and distributor just picking up everything on cash and carry basis. I will have to go back and say that, people are giving advances hopefully we will reach that one day, but the good part is we are not taking any credit risk.

Sunny Shah: Fair enough, so I mean that way, so may be going forward that would be the strategy that you could take advances from the customer based on the demand and brand we developed with the dealers also with them?

Vikram Mehra: Yes, it is not often, you will see in the world of new launches that a product gets this kind of a status and get so much of interest within a year of its launch. We are not established car company, which we are launching one more variant, or an established TV company which is launching is an OLED now. We are a brand new, in consumer mind we are not there, our product, which never existed in any part of the world, we launched the product, in overnight there are lot of interest coming in you will see us capitalizing on it even better in this financial year.

Sunny Shah: One last small question is regarding the treatment of the movies, which you are saying that you have been charging profit loss immediately in the year of release, so since what I understand is that you are holding the potential IP for the particular movies and you would be sending only a bundle of right maybe for 10 years on MG basis, in the minimum guarantee basis with the profit shareholder. So, the point is you must be having some portion of this cost being capitalized as an intangible right in the intangible assets here that because since we are holding that rights, so how it is being recorded?

Vikram Mehra: As I said we are extremely conservative, we are just charging it off the entire cost in the year in which the first release of the film is happening.

Sunny Shah: So, northing or no small percentage of that is being charged I mean capitalize on inventory or intangible?

Vikram Mehra: No, we want to send a message to all investors very clear out here is that what you see is what there is, there is no hidden stuff, which is going to come back and hit us at a later juncture.

G.B. Aayeer: One more point even it is a limited release in theaters maybe 50 or 100 and we have not done, we are still negotiating digital bill, the charge off will happen 100% even it is a limited release.

Sunny Shah: One last small question is regarding you have three movies released and you have eight or may be something in the pipeline, which you are holding out, what I understand is previously I think last two quarters we had series of lineup of releases very quickly and then we stopped in between and we have some two, three movies coming up in May or June or something very close to two, three months, so what is the outlook, how are we looking at the release point because we are holding our horses that we get the right valuation, so how are we moving forward in the next six months?

Vikram Mehra: What has happened is the first set of learning's have been taken into the system the kind of movies you need to make, the amount of music that needs to be added to the films, which is already incorporated in the films, they say film ready, it is a misleading word, so what we do when the film is shot, all start using the word it is ready, but there is a large amount of post-production work that needs to go back and happen and when you start working on PR and marketing of that. In this quarter most, likely we will be releasing only one film, you will start seeing releases coming out there from the second quarter onwards. There are three, four films are lined up for release from July, August timeframe.

Sunny Shah: Fair enough. Very thanks for all the answers. Thank you so much.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments.

Vikram Mehra: Most of the points have been stated earlier. The assurance I want to give to the entire investor community that the results that you are seeing this year are not a flash in the pan. It is a lot of foundation work, which has gone out there to build this Rs. 10 Crores to Rs. 30 Crores transaction that has happened in our bottom-line. In the year which is going to come by, we are going to see this getting scaled up in a very big fashion. The growth that we have seen close to 65% are topline again is not a flash in the pan, you should be seeing a consistent or may be higher number or growth coming right in the year 2018 – 2019 also. The topline growth is not going to come at the expense of the bottomline. We will go back and maintain our PBT without SAR number of 14%. The part everybody needs to keep in mind is rather than going back and taking the entire profit that Carvaan is going to throw with us we want to use that money in a judicious fashion to back and keep on investing a new music and new IP. Our accounting policy remains the same, we will charge off the films, we will charge 66% of music. In spite of making all those investments we assure it is not that we are suddenly are going to be… our PBT percentage is not going to go back and change We will just give as much as we have the money. We are not going to go out there, we are not sitting with the coffee, saying let us go back and plough back the money. We will be extremely prudent about how we go back and spend our money, but yes, we will spend money creating new IP and keep the company relevant in the years to come. Carvaan success is going to make bigger. B2B business is going to get further solidified which has been taking off in a very big fashion and films business is going to be hopefully in this year. Thanks a lot.

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