“Saregama India Limited
Q2 FY2022 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Saregama India Limited Q2 FY2022 Earnings Conference Call hosted by ICICI Securities. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" 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. Thank you, and over to you, Mr. Tiwary!

Bhupendra Tiwary: Thank you, Nirav. On behalf of ICICI Securities, we welcome you to Q2 FY2022 results conference call of Saregama India. From the management we have Mr. Vikram Mehra, who is Managing Director; Mr. B L Chandak, who is Executive Director; and Mr. Pankaj Kedia, who is Vice President, Investor Relations. I will just hand over the call to Vikram for the opening comments. Over to you, Vikram.

Vikram Mehra: Thank you. Good afternoon, everyone. The last 18 months – with the COVID shadow lurking around - have had two big implications on Saregama's business. The first one was a positive one. Because of the lockdown an increasing number of middle-aged and older people were locked at home, stuck with their children and grandchildren. They used this time to get comfortable with technology. I personally know many families where there are 50+ people who have for the first time operated a bank account digitally, downloaded a Gaana or Saavn, or Spotify, or Hungama app for the first-time during Covid. They even started consuming content on Netflix or Amazon for the first time. This is the crowd that used to be scared of technology and has now started adopting it. This is great news as it is an irreversible change. Once people get used to technology, they will continue using it to consume content long after COVID recedes. Hence, we have got a very big new customer base as we slowly recover from the pandemic. India has easily leapfrogged 4-5 years in terms of digital adoption because of the forced home lockdowns.

The second impact of COVID on us was a negative one. Because of the pandemic, the retail network was shut during the last few months. Film and television shoots were in for a tough time as there were multiple weeks and months, when shooting was impossible. Thankfully this was a reversible change. As the impact of the lockdown has started going away and normalcy is being restored, all our shoots are back in full swing. Similarly, the retail network too is getting back to normal. In most places, the retail networks are open. Hopefully people, from this Diwali onwards, will also start feeling comfortable walking into the retail outlets. So, while COVID has been a difficult time, with every dark cloud there is always a silver lining. In the end, as people emerge from COVID and we have done away with the negative impact, the big positive impact is going to stay in the long run. And that is a larger digital consuming audience, which means a larger potential market for an IP owning company like Saregama.

After a solid financial year 2021 performance, we have started this year with a bang as well. Our first six months have been pretty solid. Our revenue from operations during the half year touched 250 Crores, which is around 35% growth over the last year. This is somewhere understandable because last year the denominator was a COVID-based denominator. Even better news for me is that the PBT of ours on a half-year basis grew up to 82 Crores, which is up 36% from last year. If I talk about quarter 2 specifically, our revenue from operations grew by 34% while our PBT has grown by 19%. Now, this 34% growth that I am talking about, is obviously backed to a great extent by a solid performance across all the four verticals of the Company. And to some extent it also gets benefit of a lower denominator. Last year during Q2, retail networks were still shut for Carvaan. Film and TV shoots started sometime in early to mid-August. It meant that one month of Q2 was lost last year. Hence, the base was smaller and this year the performance has been even better. So we managed a 34% growth in our quarter 2.

Our operating income before content charge, interest and depreciation for the quarter was 53 Crores. Now, this grew by 38% compared to last year and this gives me a lot of comfort because this shows the basic potential of the growth that we can expect in the digital economy.

The biggest profitability driver for us for the last many years has been music licensing and this quarter was no different. I have always been giving projections of over 20% growth in music licensing year-after-year and this quarter lived up to that number.

Over the last two quarters, as the market is moving back to normal, we have been releasing songs across multiple languages. Our biggest focus, obviously, remains Hindi. After the big success of the song, Paani Paani - which is the Badshah song from quarter one, which is incidentally the biggest song of the calendar year 2021, by YouTube views, OTT streams, and volume of user generated content - one would have thought quarter 2 will be difficult to match. But no, we have bettered our performance in Q2. Akshay Kumar’s Bell Bottom movie got released in theaters in Q2. The music of the film has done very well for us. It has done great numbers both on YouTube, as well as on OTT platforms.

This quarter also saw us launching many other original numbers. Songs like Do Ghoont and Dil Kisi Se have done very well and have been showing a great potential even after a month and a half of the launch. And you can see that impact on our financial numbers. We also released multiple songs across Bhojpuri, Tamil, Telugu and Gujarati languages in this quarter.

In terms of new content popularity, we are maintaining our leadership position in Gujarati category while in Bhojpuri we are number two. This quarter also marked our entry into the Haryanvi category, with our first song launch in that segment. Overall, we launched 74 songs with a big focus on the regional language side. We have been maintaining over the last 4-6 quarters that as we go ahead we will be investing heavily in new content to get into the market leadership position. Also, our strategy of new content will not be limited to Hindi and Punjabi but will also have a big play in the other regional languages of India.

For this quarter, because of the large number of songs that we released, the total content charge was INR 11.3 cr, which is actually 9 cr higher than the corresponding charge we had taken in the same quarter last year. So you are seeing an increase in our PBT in spite of a bigger content charge that we have taken in this quarter. This is a very encouraging sign for me. What it means is while we are investing, we are building on that investment and improving our profitability on the back of that investment. By the way this INR 11.3 cr, includes both the content charge and the marketing cost connected to that content.

Our focus on cash management continues even after we have taken care of the dividend payout, content advances and marketing spends to push the new content. We still ended the quarter with a cash balance of INR 152 cr.

For us, monetization’s biggest pillar has been the licensing business, which is growing steadily as the digital consumption in our country goes up. And now with the middle-aged and older people also jumping onto the digital bandwagon, we see our licensing business growing faster than that of the industry. This is because the industry was earlier driven largely by a younger audience, who are listening to new songs. Now, we not only have a huge play in new music, but also are clear leaders of retro music. With the older people jumping onto the digital bandwagon, we believe our share is going to go up substantially in the music business.

The highlight of this quarter for us was the usage of our super popular song Dum Maaro Dum by Apple in their latest iPhone 13 ad. It is a global advertisement campaign in which they ended up using this 50-year-old song. This is where we bow down to the genius of R.D. Burman. It is also a reflection of the power of the catalogue owned by Saregama. In addition, lots of other brands like Colgate, Asian Paints, Vedanta etc. ended up using our music. Once again platforms like Netflix and Zee5 ended up licensing our music for many of their original shows. That story is sustainable.

The increase in our licensing revenue is coming partially on the back of the industry growth. Industry is growing at 11% to 12% steadily and we are growing at more than 20%. The incremental growth for Saregama is coming bacause of the new content investments that we are making.

Coming to Carvaan. After literally a washout in the during Q1 because retail networks were shut during April/May and we could just manage 45k unit sales - Q2 was far better. As lockdown was lifted retail networks opened up. Simultaneously, e-commerce opened up practically in every part of the country. Net result - we ended up selling 103,000 units of Carvaan. This is inspite of no marketing spends on Carvaan yet. This is a natural customer pull through which we are selling Carvaan at this moment. While we are happy about it, we maintain our stand of cost controls on Carvaan. This is the sixth quarterly call, I think, in which I am repeating this. Till the time the COVID issue is not fully resolved, till the time we are not 100% sure that customers are going to have no hesitation walking into the retail outlets without any restriction being imposed on them (vaccination certificates etc.) we will continue with our policy of controlling our costs on Carvaan. This would reflect on both the marketing and manpower front. We are bullish on the product. We want to develop this product into a platform with recurring subscription and advertising revenue. There is work happening internally on taking the product to the next level. But no investments are going to be made in terms of marketing and manpower till the time India is back to normal. At the end of the year, I assure you guys, we will have at least a breakeven, if not a very marginal profit.

We released a Yoodlee film in this quarter. The Amol Palekar starrer 200: Halla Ho. The movie got positive feedback both from the audiences and critics. The movie was released on Zee5. It further solidified our image of a company that comes out with content frequently and wins accolades.

This quarter, we also announced our first digital web series called Invisible Woman, starring Suniel Shetty and Esha Gupta. The series is under production and we will be announcing its release date pretty soon.

On the South TV side, our serial Roja, continues to be the No.1 Tamil serial in terms of TRPs. This has been a great story for us to have a program of ours in the number one position and that also for this long. We also recently marked another big milestone for our TV serial business - Chandralekha crossed 2000 episodes. This is the first Tamil serial in the history of Tamil television content, which has achieved this milestone of 2000 episodes. Once again shows our strength in content creation and content presentation. So, overall, it has been a very, very good quarter for us. We believe the revenue and profitability that we are talking about will continue growing for us in the days ahead.

That will be all guys. Thank you. We will be happy to take questions now.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Aditya Nahar from Alpna Enterprises. Please go ahead.

Aditya Nahar: Just two broad questions. If you could just comment on the cover songs by Spotify Singles and how the economics would work? Because exactly a year back you had pretty clearly said that most likely platform companies would not be investing in their own content, and I think Spotify has come out with a Raatan Lambiyan cover. So just wanted your thoughts on that. That was my first question, and the second question is, could you give a breakup in terms of cost for your TV series which is Invisible Woman? Because you were very clear that our budgets for movies, at least, would be below a certain threshold. So if you can just talk about these two in detail? Thanks.

Vikram Mehra: Let me attack the second one first. We maintain our position that in the instance of TV series, we are producing on our own. We pre-license a film or a series and then produce it and that is the case with Invisible Woman as well. The series has already been licensed to a platform. So on a net-net basis right now, it will be a profitable thing for us from the word go. I hope that gives you some comfort.

On the first one on Spotify, it will be wrong on my part to comment, because it is not a song, which belongs to us, but my understanding is that the IP of that still remains there with the music label.

Aditya Nahar: Okay. Because I was given to understand that covers nowadays legally are a gray area.

Vikram Mehra: No, they are not. Covers are completely belonging to the music label. Whosoever has told you has misinformed. Covers can be done only with the permission of the publishing rights owner. By publishing rights, I mean, rights of the lyrics and rights of the composition. I recommend you do not tell anybody to create covers of Saregama songs because we will pull it down.

Aditya Nahar: No. Thank you so much, and as always, I always learn something talking to you. I will get back in the queue, Vikram. Thank you.

Moderator: Thank you. The next question is from the line of Saket Mehrotra from Tusk Investments. Please go ahead.

Saket Mehrotra: Just a small question on the strategy side with respect to Carvaan. Every video that I see on your YouTube channel, it starts with a plug on Saregama Carvaan and yet I do not see there is any click to action to buy that product. So, is there any gap there or are we wanting the products to be sold through retail?

Vikram Mehra: So in a 5-second part, it is always very difficult to push multiple messages. Further, we can't do more than 5 seconds, according to our understanding with YouTube.

Coming to the other part, yes at times we do want to keep it open and not call everybody to Saregama.com because it unnecessarily upsets the other distribution channels that we have. And, all said and done, please do remember, Carvaan is still a brick and mortar sales product. You would be seeing a lot of the promotion that we carry out at times on social media - at times we have mentioned the retail network names, sometimes partner e-commerce platform names and sometimes we use Saregama.com.

Saket Mehrotra: No. I ask this question because recently I saw you had this collaboration with another channel on YouTube, and there was a link there in their description. So just wanted to have that clarified because anyway we are sort of promoting that product quite hard on our own channel and just thought if there is a disconnect there.

Vikram Mehra: No. I can have this conversation with you off-line, but it is a thought out part, keeping in mind the restrictions that we people have on that platform. I will explain to you in more detail off-line, please.

Saket Mehrotra: Okay, and, Vikram, would you like to like throw some light on the recently announced fundraise? What would that be used for? And what is the whole rationale behind it?

Vikram Mehra: We will talk about it. We are still debating and discussing it internally. At the appropriate time, we will come back and talk to you.

Saket Mehrotra: Okay. Thanks.

Moderator: Thank you. The next question is from the line of Ankush Agrawal from Artifacts Capital. Please go ahead.

Ankush Agrawal: Vikram, firstly, can you give some qualitative understanding in terms of the growth rates between different drivers of music revenues, like streaming, YouTube, social media, apps and traditional? Like what kind of growth are you seeing relative to each other between these areas?

Vikram Mehra: So see broadly, we don't give growth projections of specific verticals. The way we are looking at our own revenues, we are growing our overall music licensing business at over 20%. We expect growth to be in the range of 22% - 25% on a short- to medium-term basis. It is primarily driven by digital platforms, be it digital streaming or short-format video apps like Instagram Reels, Triller, Josh, Moj etc. Or it could be a license being given across to Netflix, Hotstar, Amazon and Zee5 for use as part of one of their original IPs. So digital is what is propelling the growth in a very big fashion. From the other segments, the next biggest growth driver is the TV channel space, which is growing at a slower rate than the digital part. The third is public performance, which has completely taken a beating over the last 18 months.

Ankush Agrawal: Right. But on the digital side, I assume streaming would be the highest revenue contributor followed by YouTube and then social media. Could that be a right understanding?

Vikram Mehra: Yes. Broadly, yes.

Ankush Agrawal: And secondly just a bookkeeping question. So in case of our deals, with revenue share and some minimum guarantee how do we book our revenues, like do we book only our minimum guarantee like every quarter and then at the end of the year we see, if there is an overflow and then we do the revenue share?

Vikram Mehra: Actually, completely goes deal by deal, but in principle, you are right. We book only the minimum guaranteed part and we recognize the overflows as and when they come across to our system. In some cases, the overflows are calculated at the end of the deal, somewhere overflows are calculated in the middle of the deal. It goes deal by deal.

Ankush Agrawal: But, the streaming revenue by that time paisa that we get first impact does not get booked, right, overtime, it only gets done at the time of the overflow?

Vikram Mehra: Actually, I just could not understand your question. Can you repeat it?

Ankush Agrawal: Yes. Right. So in a deal, what we have a minimum guarantee, right, we get per stream revenue, right? Or say a share of subscription revenue share of advertising revenue, right?

Vikram Mehra: What we do, if it is a minimum guarantee deal we people start invoicing it a period in advance. So there is advanced billing that happens and the money comes to us in advance. The consumption happens for the period (depending on how the period is defined) and all overflows which are connected to that period come to us at a specific frequency. This may be equal to the period or maybe longer. It could also be three or four periods combined together and the overflows are then finally disbursed to us. That is the time we recognize overflows.

Ankush Agrawal: But the part of overflows would be the advertisement revenue share, per stream share and all that, right?

Vikram Mehra: Yes. See, the revenues calculated for a free customer is a combination of a flat rate per stream plus share of advertising revenue. For a paid customer, it is a share of the subscription revenue. So these are the ways in which revenue gets calculated and on top of this our deals come with a minimum guarantee.

Ankush Agrawal: So broadly, we just book the minimum guarantee upfront like over time and then at the time of whatever the overflow time that is, in last quarter you said it is primarily in the Q3, right, for most deals? So that is when the largest part of revenue would be coming.

Vikram Mehra: Yes. So what we have seen recently is that some of the money came in Q1 also. It varies deal by deal . In principle what you said is correct which is what happens in case of some of the deals. But suppose after the third quarter itself we are in an overflow situation. Then for quarter four, we are booking the actuals then, because we are already crossing the levels. But, in essence every deal is different and every time the deal is going through a renewal these terms change.

Ankush Agrawal: Right. Got it. Mostly at the time once you get above the MG you start booking the overflow, till even though we are not getting approval, but still you are recognizing it.

Vikram Mehra: Yes, so I hope you have understood it.

Ankush Agrawal: Yes. I understood. Got it. That was very helpful. Thank you.

Moderator: Thank you. The next question is from the line of Jaideep Merchant from Janak Merchant Securities. Please go ahead.

Jaideep Merchant: Sir, I have two questions. The first being related to your fund raise. We are a little just nervous with the size of the fund raise. I know you have told the previous speaker that you will come to the market later to answer any questions. But the size of the fund raise is quite large, and as shareholders, we believe that, as a management, you will do the right thing as far as the capital allocation is concerned. So I would just like you to reassure us of that. That is my first question.

Vikram Mehra: We assure you that. We people are bullish on the overall music market scenario with the digitization growing at this rapid pace and consumption of content going up so substantially. We just want to have a more aggressive play going on the music side. So we will come to you guys with more details at the appropriate time.

Jaideep Merchant: No. Just we wanted a reassurance that, but if it is a music because 'A' music, 'B' music, we are sitting on the side and just we do not understand your business as well as you do. We just hope that money goes into a related, I mean, just what Saregama does and I hope we are not diversifying into any other kinds of video games, entertainment or sports entertainment or any of the other entertainment fields in a larger entertainment market.

Vikram Mehra: We give you that comfort.

Jaideep Merchant: Great, sir. Second question, sir is, if you can help share with us the average selling price of Carvaan in the first half if you have it with you? And whether it was a breakeven in the first half?

Vikram Mehra: See, our specific prices we do not share. So I cannot get into that space with you. What I am assuring you is that, at the end of the year Carvaan will be in a breakeven situation.

Jaideep Merchant: Great, sir. Thank you very much, and all the best.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Sir, I just have one question. In the deals which you had renewed on the music OTT side, what is a usual escalations or the increase in pie that you see with a pool of OTTs?

Vikram Mehra: Our usual part does not apply because industry usual is 11% when we are growing at greater than 20%. That is primarily coming because we are the only player whose market share is changing so rapidly. This is putting pressure on us also to ensure that our deal renewals happen at a higher rate than what typical industry renewals are happening. So, indirectly I have given you the answer. We are growing our music business right now by over 20% and majority of our music business deals are the minimum guarantee deals or fixed fee deals that gives you an idea.

Pritesh Chheda: So for those guys the content cost increase is at 11%, right?

Vikram Mehra: The music industry is growing at 11%, which means somewhere the other guys who are there in the market may be growing their revenues around that percentage. If the industry average is 11% and we are upwards of 20% at least the big boys are dealing in a fixed fee and a minimum guarantee model. So that gives you an idea of the rate at which our revenues from each of the platforms are growing.

Pritesh Chheda: And in our case and for the industry, or let us say, for our case is music OTT is a bigger chunk of the licensing revenues? Is there any skewness amongst all the areas of revenue which you mentioned which was music OTTs, YouTube, short video apps, advertising or exhibition business? Is it fairly spread or is there any skewness on any side of the business?

Vikram Mehra: In terms of the growth rate or in terms of contribution to our revenues?

Pritesh Chheda: In terms of contribution to revenues?

Vikram Mehra: Contribution-wise, music streaming is the biggest, not just for us, globally for every music label. Music streaming is the single largest contributor to our revenues. Only difference is in India, the revenues from music streaming apps are coming more out of free users. Everywhere else people are migrating from free to paid and music labels earn a share of that paid subscription revenue. So if you ask me the good story is yet to unravel in India.

Pritesh Chheda: Just a follow-up here. When you mention that industry is growing 11% and we are growing faster than the industry. I am just trying to correlate with the music OTT content cost. So music OTT guys, for them the content cost must be growing at 11%, right?

Vikram Mehra: Yes. If we say that the average of the music industry growth 11% should be the rate at which the music streaming cost structure should be looking like. You can make that kind of a jump. Albeit, directionally you may be okay. But it cannot be accurate

Pritesh Chheda: And lastly for us the margin that we report on the music side of the business where we have been mentioning that the Carvaan side of the business will be breakeven. So these margins that we see on the licensing side, bulk of the margin obviously is coming from the licensing side. What in your opinion are the risks, if any, to those margins?

Vikram Mehra: Bad choices of content. If I may go back and say, we try to mitigate it by taking the individual gut call out of content selection. All our content selection is done on the basis of predictive models that have been built using millions of data points that come across to us on a daily basis about how every song released in India by every label over the last three years has performed on each of the platforms. This gives us a better idea about which artist is performing how well in the market. This allows us to pick our content with a little more quantitative feel to it and not just a gut call to minimize the risk of poor content selection.

Pritesh Chheda: So content selection is the only risk which you run on your margin?

Vikram Mehra: Yes. Because poor content selection means that you will not get the returns that you expect.

Pritesh Chheda: Okay, and lastly, sir, what is our market share now in the incremental content purchase, and what is our market share in the existing industry.

Vikram Mehra: I will not be able to share that detail.

Pritesh Chheda: Market share on the industry side historic?

Vikram Mehra: You can check out IMI which is the apex body of the music industry. They publish the size of the music industry. So that is one data point you have our revenues from music licensing. That will give you a good idea about our market share.

Pritesh Chheda: Okay. Thank you very much, and all the best, sir. Thank you.

Moderator: Thank you. The next question is from the line of Suraj Fatehchandani from Compound Everyday Capital. Please go ahead.

Suraj Fatehchandani: Sir, I just had one bookkeeping question. So when I see this content charge, which I can see in the investor presentation. So how do I look at this thing and the statement of P&L? I cannot see a different line item for this thing.

Vikram Mehra: When you see the content charge it now spread between three different places in our P&L. It is part of depreciation and amortization expense. It is part of advertising and sales promotion and royalty expense. So, parts right now whenever we people are releasing a song there is a content cost and there is marketing cost. The marketing cost is getting booked under advertising and sales promotion. The content cost is getting divided between depreciation and amortization expense and royalty.

Suraj Fatehchandani: And royalty. Perfect. Thanks a lot, sir.

Moderator: Thank you. The next question is from the line of Rahul Ramakrishnan from Vista Investment Group. Please go ahead.

Rahul Ramakrishnan: Vikram, first of all, just amazing work over the last five years, totally what you have done over there. So I just have one question. As we continue to gain market share, it is natural that we do face resistance from the incumbent, right? So how do you see that affecting our content cost over the next three, four years?

Vikram Mehra: Wish I had a crystal ball in my hand. In the music business, a larger company releasing more number of songs has an edge in having lower cost of marketing and higher realization per song. So the fight for taking premium content is limited only. There may be hundreds of smaller companies but it becomes difficult for them to pick up a big budget Bollywood film. They do not have the ability to monetize that content as effectively and comfortably. So the relative competitive intensity in our industry, while being there, is not that intense. There are only three, four of us playing out there in the Hindi space. Across these three players Saregama is the only national level player in the Gujarati or the Bhojpuri or the Bengali space.

Moderator: Vikram, sir, can you hear us?

Rahul Ramakrishnan: Yes. I got that. Thank you so much for your answer.

Moderator: Thank you. The next question is from the line of Kashyap Javeri from Emkay Investment Managers. Please go ahead.

Kashyap Javeri: Sir, my question is on Yoodlee. The first question is that, we were expecting to reach three-digit revenues in three years. But looking at the quarterly run rate, I understand it cannot be probably a quarterly business because content creation might not be same across. But could this target be preponed for us now?

Vikram Mehra: I will still maintain that direction. It is not going to change.

Kashyap Javeri: Okay. Sure, and second question is on, again, musical content side increasingly what we are seeing is that, a lot of singles are being produced by the artist themselves like for example, the recent Tony Kakkar song was done by a company, which is something that I have not heard of actually, to be very frank. Even we did this one music video with B Praak but if you look at the first time that they released Filhall was released by some music company which was sort of unknown type. Are you seeing increasing trends that the popular artists are going on their own creating their own content releasing on YouTube or some of the streaming apps?

Vikram Mehra: I will continue from where I left in the last answer. From the outside, it looks very easy for any individual today to go out there and launch a song. Please understand the mathematics and a typical artist on their own if they are releasing the song will be able to release 3, 4, 10, 12 songs in a year. It will take him five years to have a catalog of 60 songs. With a catalog of 60 songs if you are going to go to a leading OTT streaming platform or a short format app, it is a little difficult to get a deal. So the model that many of these individual artists follow is a bit different. They do not make too much of money right now from music. But they go out and use music as a marketing tool for themselves because then they get invited to various shows and they make money through these shows. Without taking names, chances are very high that these artistes have gone out and given the monetization rights of their own content to one of the big labels. The names that you took I can tell you off-line they are being managed by somebody else.

Kashyap Javeri: And so, when we look at content creation within the same business would we also be tempted to do this kind of business or we would just create on our own and do it on our own?

Vikram Mehra: Right now, our focus is more on IP ownership and then monetization. See, in this market, you have to be open to all possibilities. The phenomenon you are talking about is limited only to one language, which is Punjabi. This phenomenon is not happening anywhere else. Let us see in Punjabi also how long can this phenomenon continue. But for whatever reason, suppose my entire market changes, are we going to adapt? Yes, we have to adapt.

Kashyap Javeri: And in music, would you be able to disclose your market share in Gujarati and Bhojpuri this first half?

Vikram Mehra: See, again, now it all depends. I will have to put hundreds of riders there, how do you define market share? The easiest way to define market share is that the content that got released in the first half, what is the amount of views that the content generated on YouTube. Out of those views how many are paid views and organic views are also questions that are going to come in. So I do not want to make an absolute number statement in front of you. Nevertheless our internal data says that in terms of new content, we are number one in Gujarati and we are number two in Bhojpuri.

Kashyap Javeri: Okay. Got this, sir. Thank you so much.

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

Ravi Naredi: See, Vikram ji, again, you make a century as you are making in last inning, really fantastic result. My question is, how much music right and film making expenses done in quarter two so our margin came down?

Vikram Mehra: Sorry, I did not get it.

Ravi Naredi: How much music right and film making expenses we have incurred in quarter two on our margins?

Vikram Mehra: INR 11.3 cr is the charge that we have taken for new content in quarter two. This number last year in quarter two was INR 2.4 cr.

Ravi Naredi: Okay. That is the reason. Second is, how much is licensing revenue we earn in this six-month period? Financial year 2021 you had given, 2839 million.

Vikram Mehra: We will declare that at the end of the financial year. I am giving the comfort is that it is growing at a rate of 20% plus.

Ravi Naredi: 20% as we are growing in last two years. Sir, YouTube viewer increases quarter-by-quarter, what is the main reason behind this?

Vikram Mehra: New content, sir.

Ravi Naredi: Yes. YouTube viewers?

Vikram Mehra: All new content. In YouTube numbers of the views are going up because we are releasing more and more new content that will grow for us.

Ravi Naredi: Okay. All the best, sir, and carry on the century again in next quarter. Yes, sir.

Moderator: Thank you very much. Ladies and gentlemen, that will be the last question for today. I will now hand the conference over to the management for closing comments.

Vikram Mehra: Thank you, everyone, for your patient listening. Saregama, as a Company is at the right place at the right time. Digitization is taking over the world. COVID has further accelerated this digital transition and we, as an IP owning company, IP of music, IP of long format movies, IP of short format digital series and TV series, are in a very sweet position to take advantage of this digital transition. We maintain a bullish stand on music licensing, we should be growing in the range of 22% to 25% over the next three-to-five years. We will continue investing heavily on new music content, both on the film side and the non-film side. We will continue differentiating ourselves vis-à-vis every other music label in terms of our focus on various regional languages of India and not limit ourselves only to Hindi.

With theaters opening up now, we expect more films to start getting released from the quarter four of the year. Some will come in Q3, majority may start coming from Q4 and the big movies that we people have acquired like Sanjay Leela Bhansali's next three projects are with us. Shankar's next movie of Ranveer Singh produced by Pen Studios sitting with us and many such large budget movies, they all will start coming out.

We continue our cautious approach on Carvaan. We will wait and watch to see which way the market moves and only when the retail networks are fully open, are we going to start once again focusing on the product.

On the film side, our stated strategy remains unchanged. On Hindi side, we will make our films and series only on a pre-licensed basis. Even on the regional side, series will be made only on a pre-licensed basis so that our exposure is not there. We will take some amount of risk only on regional languages films. We will first make them and then license out. But even there our endeavor will be to ensure 70% cost of the film should get presold and pre-recovered through TV, cable and satellite deals. So overall, we expect this year to be pretty decent, both from the top line and the bottom line perspective.

Thank you, ladies and gentlemen. I hope to talk to each of you guys again after the end of the quarter three. Thank you.

Moderator: Thank you very much. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.