



“Saregama India Limited
Q3 FY2022 Earnings Conference Call”

January 20, 2022



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Moderator: Ladies and gentlemen, good day and welcome to Saregama India Limited Q3 FY2022 Earnings Conference Call hosted by ICICI Securities Limited. 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 would now like to hand the conference over to Mr. Bhupendra Tiwary from ICICI Securities Limited. Thank you and over to you Sir!

Bhupendra Tiwary: Thank you Janice. Good evening everyone. On behalf of ICICI Securities, we welcome you all to Q3 FY2022 results conference call of Saregama India Limited. From the management, we have Mr. Vikram Mehra, who is Managing Director, Mr. B L Chandak, who is an Executive Director, and Mr. Pankaj Kedia, who is Vice President, Investor Relations. We will begin with the opening comment by Mr. Mehra post which we will take the question and answer. Over to you Vikram. Thank you.

Vikram Mehra: Thank you. Good evening to all of you guys. The digital revolution is changing India, and, by extension, the fortunes of Saregama. As digitization accelerates in India, we will continue riding on the digital wave. Hope to keep on growing both the revenue and the profitability of the company. We had a very good FY21 and this year we have been able to successfully build on it. Our nine months revenue from operations as of Q3 touched Rs.400 Crores, which is a 26% growth over last year. Meanwhile, our PBT has touched Rs.140 Crores, which is a 38% growth over last year. If I come specifically to Q3, our revenue from operations grew at 12% while PBT grew at 40%. On the quarterly numbers you have to keep in mind that revenue as well as profitability should be seen on a rolling 12 months basis. This is also because the films business is a big contributor to revenue for us. Q3 last year, we had a movie called Comedy Couple that had got released. This year all the schedules had gone a little haywire so the chances are that most of the revenue of films will come in Q4 and Q3 became blank. Some amount of aberration keeps on happening on a quarter-to-quarter basis. It is better we watch and check the numbers on a rolling 12 months basis.

Our operating income before content charge interest and depreciation was Rs.63 Crores, which grew by 44% compared to last year. Now this is a very important metric for us as we people go ahead. As I have stated in the past, we will be constantly investing in new content, which will have their charge off coming in. So this metric actually just shows the impact of revenue and our profitability just before the content charge off and even if the content investments keep on going up, this number should constantly grow. As I said, we



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grew by 44%. The OIBCID number as I see it as a percentage of revenue was at 42% for this quarter. Now we will love to get a pat on our back for such a great job, but I will be honest here. This is a quarterly aberration because no film got released during this quarter. Film is a lower margin game for us. Hence the play of music licensing went up during the quarter. As a result you are suddenly seeing the OIBCID number touching 42% of revenue. Our guidance to the market is that on an annual basis this number should be hovering in the range of 32% to 33%. That is a number that we stand behind. The biggest profitability driver for us over the last many quarters has been music licensing and this quarter was no different. We are on a path of 20% growth year on year for over 12 quarters. Every quarter I am coming out and revalidating this fact.

Over the last nine months, a lot of new content is being released from our side. I would have loved had the Hindi, Tamil and Telugu films also started getting released in the market. Unfortunately, with a very short window during which some of the movies got released we just managed to scrape through only one big movie of ours in Hindi called Bell Bottom. Another big Malayalam movie called Kurup, which is a Dulquer Salmaan movie and one other big Telugu movie called Shyam Singha Roy. So, we could manage only three movies before the lockdown once again came back and hit us. So we had to rely on non-film music for a major part of the year. This also helped because it allowed us to sharpen our skills on the non-film side. In Q1 of the financial year, we had released the song called Paani Paani which became one of the biggest hits of 2021 in India. The good part is it was not a one-off success. We have been tasting success after that also in multiple languages whether it is Tamil, Bhojpuri, Gujarati, Punjabi, and Haryanvi. There is constant amount of song supply that is coming out. Over 165 songs have been released during this quarter alone and the content charge that we people have taken is Rs.11.5 Crores. This is Rs.7 Crores higher on a year-on-year basis compared to the same quarter last year. So our PBT is growing in spite of the fact that we are investing in more content and taking a charge off. If you do intelligent investments, then the returns also should start coming in sync with the charge off that we people are taking and we should be able to balance it out. Even licensing business that we are talking about, the big revenues as you know are from the OTT streaming applications, YouTube and the various kinds of kinds of licenses issued to brands, TV channels and films. During this quarter there were two new deals that we have signed. One is the short format app called Chingari and a Marathi app called Planet Marathi. Both were issued licenses for using our music in their respective apps. A lot of new brands like Vivo, Amazon, Nestle, and Himalaya also ended up taking a license from us for using our music in their advertisements. This growth of 20% plus as stated earlier is coming from a combination of industry growing around 11% odd and constant increasing market share. The market share is going up only and only for the simple reason that we are investing more



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and more in newer content. Now that we people also have raised funds through a recently concluded QIP, we have a strong war chest for us to start expanding our new content appetite. You will see us in multiple languages going out there and picking up aggressively newer music that is coming out, both film and non-film. But we will play smart. We are not going to pick up any content at any cost. Over the last 5-6 years we have invested heavy on technology, data analytics, and on predictive models. These tools are extensively used to assist us in picking the right content at the right pricing. You will not see us going out there and just for the heck of it picking up expensive content. We know that we have to grow our revenue and we will grow it handsomely but not at the expense of profitability. We live, eat, and sleep by the ROI metric here. Content is being picked up with a clear understanding that content has to give a good return on investment. The only dampening news this quarter ended up being public performance i.e. licensing revenue from 5-star parties, concerts, shows etc. where music is getting played. A large amount of this revenue is actually generated in the last 10 days of December around Christmas and New Year, and it typically hits our books in Q4. Now this will be the second consecutive year or maybe third consecutive year wherein this revenue is going to get affected. Q4 may not be getting the typical revenue boost that it used to get because of public performance revenue.

On the Carvaan side even though for majority period of Q3 there were no lockdowns as such except may be the last seven days here and there yet the footfalls in the retail stores were still very low. I will call it a damp Diwali from that perspective. We did not see too many walk-ins happening in the electronic stores. There was also a chip shortage happening which resulted in some of the television brands not being stocked up fully. That resulted in lesser footfalls at the retail stores. Despite that, we logged in sales of Carvaan to the tune of 141,000 units. This is much better than Q2, but it is very similar to our performance in Q3 last year. All this, I will reiterate is coming with zero marketing spends and no push on the distribution side from Saregama. This is all based on consumer pull. We continue maintaining our stand that till the time the entire impact of COVID does not go away and retail markets do not fully open up, we have no plans to invest on the marketing side or the distribution side of Carvaan. We will wait and watch with a very cautious approach towards this product. We commit that like last year, we will be able to get at least a breakeven and possibly a very minor profit on Carvaan.

During the quarter there were no films or series released from the Yoodlee side. Yet, the good part is that two of our web series are now very close to completion. The shoots are going on in full swing. Both the series have already been licensed out. As we finish the shoot of the film and deliver the content, we should be able to recognize the revenue. This



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should be happening over the next three to four months. It may come in Q4. It may go to Q1 next financial year.

On the television side, all our programs are maintaining their respective leads and positions, so it was pretty stable from the TRP perspective. From the revenue perspective, it was a good quarter because advertising revenue in Q3 is typically the highest in the country. That is the time most brands advertise especially around the time of Diwali and Dussehra... So we had a positive impact through both the value of advertising slots that we get from Sun TV as well as YouTube revenue. That is the reason that in spite of no film getting released, we will still be able to maintain our margins in the TV and the films business. So overall, it has been a good quarter and one that gives us lot of satisfaction that we are on the right track. We are picking up the right music and we are able to monetize that music in a proper fashion. Similarly, as regards our work on the films and series side, we have a very strong foundation. We are preparing this company for big growth on both these fronts in the days to come. Thank you and happy to take your questions now.

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

Ravi Naredi: Thank you for nice result. Here Ravi Naredi. Sir why not you opt for buyback in stock dividend and one side we are issuing QIP? On the other side, higher dividend we are paying and taxes is paying so why this is going on in our company? That is my first question?

Vikram Mehra: Sir I will request you to direct this question to the Board...

Ravi Naredi: Sir can you tell how much revenue we earned in music license to Nestle, Amazon, PhonePe, and Vivo?

Vikram Mehra: Sir, we can't give individual license values. It might result in giving out our competitive information to the market. You are seeing the overall revenue growth. Every quarter we people do brand licensing and different brands keep coming in.

Ravi Naredi: Okay and Sir our main earnings from music can you tell in future film can overcome music if yes how many years it will happen?

Vikram Mehra: Sir as a company at this juncture, we believe music is far bigger. In the films business, we have no intent to get into large budget Bollywood films. We will continue making films and



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series only on a pre-licensed basis. This means it would primarily either be given to the digital platforms like Netflix, Hotstar, MX Player etc. or small budget regional cinema for theatres.

Ravi Naredi: What price we bought music right of Rocky Rani Ki Prem Kahani can you tell this figure?

Vikram Mehra: Sir that is competition sensitive information. Cannot share that.

Ravi Naredi: Thank you Vikram. You are doing fantastic. All the best.

Moderator: Thank you. The next question is from the line of Aditya Nahar from Alpna Enterprises. Please go ahead.

Aditya Nahar: Thanks Vikram, hope you are doing well.

Vikram Mehra: I am absolutely okay.

Aditya Nahar: Vikram again congratulations and hope you keep executing as well as you do. My question was on the Carvaan Musicbar with the subwoofer so just been sort of exploring the option to buy an assortment discounted by nearly 40% to 45% just wondering is it a logic to it or there is a strategic move that you have done? Can you just talk about that?

Vikram Mehra: It is a strategic part. This industry functions in this fashion only. You will find all the music bars in that price category doing a similar kind of discounting. When you are doing a buildup on the pricing part, you already factor-in this level of discounting on the sticker price.**Aditya Nahar:** The point I was getting to I hope you are breaking even?

Vikram Mehra: Yes. There is no Carvaan unit getting sold at a negative margin. Otherwise, why will we do it? All our Carvaan branded hardware units are at an operating profit level.

Aditya Nahar: Yes Vikram thank you so much. That is all.

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

Sahil: Sir one question I have is when we look at your YouTube channel, there are roughly 5000 videos we can find and we own 130,000 songs so like why is it that we only see 5000 videos on YouTube channel?



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Vikram Mehra: I am a little surprised right now as to which channel you are referring to . We have 25 different Saregama channels.

Sahil: Actually, I added up all of them, if you add up all of them it might be around 20,000 to 30,000? It is not 130,000, but the main channel is the one you are referring to? The main channel has Saregama?

Vikram Mehra: I will get back to you on that. Since you are throwing specific numbers by the time hopefully the call ends we will have that data. But please bear in mind that we only have the audio rights for a majority of the older content. Pre 1990s, when film music rights used to be sold, it used to be only the audio rights and not the music video rights. Whatever YouTube revenue we are making right now is coming on the back of only audio. And we are one of the largest YouTube revenue makers in the country.

Sahil: I completely understand, but in this case let us say we only have audio rights for an old song would we be able to put it up on YouTube at least? We might not have the video, but can we put up the audio?

Vikram Mehra: Yes, we do put up the audio. Often, we combine 10 songs audio and post it as a single video. There is also some amount of advertising revenue we can make because the customer stays on that video for a longer time than usual. I hope you are clear.

Sahil: Yes I think that helps? I would just say that maybe we should probably consider having the individual songs? In case someone wants to listen to just that one song they might search for that song by name and not find it right? They will find the 50 minute video?

Vikram Mehra: Fair enough. I will be surprised if any song owned by Saregama, does not have an individual video as well. Nevertheless, your point is well taken. Let me ask the team to have a look at this in case we might have missed something.

Sahil: Thank you so much. The second question I have is like we know your Carvaan sales and music streaming revenue for the last year like we can make some rough estimates like how the streaming revenue has been in these three quarters and it seems to be roughly flat for the three quarters? It is definitely 20% to 25% higher than last year, but quarter on quarter it seems roughly flat? My question to you is with these contracts that we have with these OTT apps are they basically renewed once a year or like we should expect quarter on quarter growth for the streaming revenue?



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Vikram Mehra: You are making a lot of conclusions based on your assumptions, which I can neither confirm nor deny. You will be able to see these numbers at the end of the year. We are going to be declaring both licensing and Carvaan numbers separately as we do every year. That will answer your question, but whenever you are looking at revenues, please look at it on an annual basis because our contractual rights are typically one year or two year contracts. All my contracts are minimum guarantee basis contracts, so we recognize the minimum guaranteed amount over the contractual period and when the contract is getting over, that is the time whatever overflows are coming they get recognized. That is the policy which is a conservative policy from our side we have been following all throughout. That is why there will be bumps here and there that you will find quarter to quarter. Check the number at the annual level and I assure you right now we have been growing at 20%.

Sahil: Thank you so much.

Moderator: Thank you. The next question is from the line of Vivek Gautam from GS Investment. Please go ahead.

Vivek Gautam: Yes sure it is a pleasure to go through your concall with such a clarity you have, it is always we look forward to it and basically just wanted to know what is the progress on the paid service part? I believe that is a good trigger for revenue for the number of subscriber or still most of them are still would like to go in for the free route and what is the progress over there?

Vikram Mehra: That is a pain point for us and me in particular. Unfortunately, it is not in our hands. It is in the hands of our partners - the streaming platforms of the country. There are nine streaming platforms in India to whom we have licensed our music. They have to eventually move towards a paid economy. Even today we are not seeing that much of a push happening towards creating a paid economy. I was just checking out the global numbers. Globally, the total number of paid subscribers have now crossed 500 million - 530 million to be precise. In India, the video streaming services numbers have also started picking up big time during COVID. I am personally very hopeful. Give it another year or two the market dynamics are going to ensure that music streaming platforms will move towards the paid economy. You cannot sustain this business only on advertising. The move towards a paid economy is great news for both the platforms and the content owner.

Vivek Gautam: This pandemic has it turned out to be a sort of boom for our movie business in the sense that our competition film business has turned out very nicely that Bhoot Police or whatever



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the movie they had produced so how has been the progress for us in this front any positive trigger happening due to pandemic as people are sort of confined to home?

Vikram Mehra:

It will be wrong to say pandemic was good. I think the pandemic has been bad for anybody and everybody. But the fact of life is that because of the pandemic more people stayed at home. When they were staying at home, they consumed more content both on the music side and entertainment side and the impact of which is evident. The streaming numbers have gone up. YouTube numbers have gone up both for music as well as video content. The other change that happened is with the people in their 50s, 60s and 70s who were very apprehensive about adopting newer technologies to consume music. These are the people who may be living in a Jabalpur or Ujjain and whose first reaction was my son or daughter will come out and put some music on my phone and I will listen only to that. They were not playing around with the streaming applications. When they were locked during COVID at their homes with their kids and grandkids, they got exposed to these apps and now they have started using the apps. Now, when a 60-year-old uses the app, he does not listen to the newer content. He or she ends up listening to Kishore Kumar and Mohammed Rafi. So to that extent we had a big advantage coming in the space of music. On the film side, the bad news was that there were a lot of delays in terms of shoots. But the good news was that we being just a four year old company in the films and series space have already made 17 films that have been licensed out in the last four years to various digital platforms. The film business has already become a profitable business without depending too heavily on what happens in theatre because our business is more a platform dependent business than a theatre dependent one. I am very bullish as we people go ahead right now in the films and series business without taking risks on big Bollywood films.

Vivek Gautam:

This Pani, Pani was a big hit for us thanks to Badshah and other people. Any other step we are taking for the single song by large brand singers like probably Badshah or Pawan Singh in Bhojpuri or we are going in for sort of on our own and trying to nurture the new talent and that has turned out to be quite a good hit?

Vikram Mehra:

At this moment as I talk to you we are betting and working with the top talent and not nurturing our own. We are not trying to make anybody big. We are just going out there with the biggest names and working with them. First, we are investing in film music in a huge fashion. So Karan Johar's next movie is Rocky Rani Ki Prem Kahani which is with us, Sanjay Leela Bhansali's next movie Gangubai is with us, his next to next film Baiju Bawra is also sitting with us, Ranveer Singh's next movie with South India's top director called Shankar is with us, Ishan Khattar's next movie is with us and Vicky Kaushal's next movie is with us. So we are investing a lot on film music content in Hindi and also in Telugu,



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Malayalam and Tamil. On the non film side we are working with all the A category artistes. As we go forward, we are very keen to start the artist management business also within Saregama whereby we can identify young talent, nurture them, and then the talent works for a limited period exclusively with us. That is a business we are looking at. Right now music is being done with all the A category stars in the market. Paani Paani is the most visible because it is the number one song. You can only have one song as a number one song. But if we start looking at the top songs of the year, we have multiple songs in that list.

Vivek Gautam: Any acquisition plans Sir in the offering?

Vikram Mehra: One of the reasons why we people have raised funds also was to constantly look at strategic acquisitions whether of catalogue or of companies in the space of music or related to music. The moment something is ready we will let you know.

Vivek Gautam: Thank you Sir. Keep up the good work.

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

Saket Mehrotra: Thanks Vikram. Great set of numbers. Just two questions. I think this year like this is more of an observation, I just noticed that you guys were really up there on the whole Instagram game with respect to let us say recreating Koi Sehri Babu and then also getting those two stars on the video so like in continuation to this do you also see other platforms becoming serious contenders on this trend?

Vikram Mehra: When you say other platforms becoming serious you mean, I am not clear about your question.

Saket Mehrotra: So while I understand obviously I use Instagram so that is how I get to know it I am guessing like are the other platforms also almost at par when it comes to the usage of our catalogue or they are also strategically important?

Vikram Mehra: They are right now. We have licensed our content not just to Instagram, but to Josh, Moj, Sharechat, Triller and now Chingari. These are relatively newer platforms compared to Instagram, but they are moving very, very fast. Some of these platforms have got a huge pull on the regional language side and may not be big in Hindi and English. Without taking names one of them is very big on Bhojpuri, one is very big in Gujarati and in South Indian languages. There are dedicated teams within the system for each of the platforms.



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Saket Mehrotra: Got it and Vikram another question just in continuation to what Sahil was mentioning earlier so like for example I own the physical compact disc of Cassini's Division which was earlier with HMV and now with Saregama, but for some reason I was not able to find it on Spotify so is there any way let us say we can reach out to someone in your team to help us get may be a digital format of those form?

Vikram Mehra: Not there on Spotify will be shocking for me if that happens. Please immediately write to us. On YouTube there is still a chance because some of the audio, which is very, very old and there is no video connecting to it we may not have created a slate based video for that song. On Spotify or Gaana or Saavn of the world the entire catalog is put up, so if you note anything, I think you are connected to Deepak right.

Saket Mehrotra: I had tweeted this out so I will again probably write an email to Deepak?

Vikram Mehra: It will be a great help to us if there is something which is missing and nobody in my system has noticed it then anyway, I am going to pull up my own system too. Every song has to be there.

Saket Mehrotra: Thanks a lot Vikram. That is it from my side.

Moderator: Thank you. The next question is from the line of Swechha Jain from ANS Wealth. Please go ahead.

Swechha Jain: Thanks for giving this opportunity. Sir I just wanted to understand some kind of unit economics about having paid subscribers versus the ad-based model, what kind of EBITDA margins or per unit realization typically we get paid in these two models if you could just help me understand that?

Vikram Mehra: I will help you on a very broad level here. On the free side typically we get paid 10 paisa per stream so every time you hear a Lag Ja Gale on any of these apps, on an average we get paid 10 paisa. Now let us look at the paid model. Once again typically our deal on all the paid subscription is that whatever platform gets we get 50% of that. This 50% is treated as content pool, which will be distributed across all the songs heard by that subscriber during the month. Suppose you are a Gaana or JioSaavn subscriber and they make Rs.100 from you, then on an average the content pool will become Rs.50. If you are a very heavy user of the app and suppose you hear 100 songs in a month that means every song stream is now worth Rs.50 paisa. Now assume you did not come in at Rs.100, but at a discounted pack so even if you come at Rs.50 then also you are talking of 25 paisa per stream compared to a 10



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paisa of free so the upside potential is massive the moment you start moving to a paid economy.

- Swechha Jain:** What I understand is 50% is what we make right?
- Vikram Mehra:** So whatever platform makes from the customer, it earmarks 50% of that amount under content pool. Basis whatever number of songs the customer is hearing, if all of them happen to be Saregama songs then the entire money will come across to me.
- Swechha Jain:** Understood. If I am spending the entire Rs.50 bucks on only listening to Saregama songs on that platform we get the entire Rs.50 bucks, right?
- Vikram Mehra:** Yes.
- Swechha Jain:** Understood. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Arpit Shah from Stallion Asset Management. Please go ahead.
- Arpit Shah:** I just wanted to understand what will be our capital allocations after we have raised the QIP money, where are we looking to use the cash and the growth that you have been targeting for the next three years 25% to 30%, that is all organic or it includes inorganic part?
- Vikram Mehra:** So the entire fund raise of INR 750 crores that has happened is purely for the music business. Those funds are not going to be used for our films or our Carvaan business. The other businesses are well capitalized and they will be able to manage to run on their own. So this is dedicated only for music business and our projection of 25% to 30% revenue growth that we are giving is a combination of both organic new content purchase as well as some inorganic purchases.
- Arpit Shah:** In organic you mean the music label, right?
- Vikram Mehra:** Yes, it may be a music label and it may be in allied business that you are talking about like artist management and anything which is in the space of music. We are not going to go outside the world of music as far as this capital allocation is concerned.
- Arpit Shah:** Just wanted to understand on the Carvaan part, we are currently not investing any marketing money for that, so the sound bar that we have launched like what are the intentions there



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and what are we trying to do with the sound bar because we are not trying to invest on Carvaan or anything?

Vikram Mehra: The sound bar as a product was ready before COVID hit us. We put it on hold when the pandemic hit us. After a point we realised that there was no point holding that much stock and wait for markets to recover. So we waited for some time and then finally decided that we will launch it without any marketing support. It is not that we have a large supply. The inventory of Carvaan is very, very lean at this moment. We are not sitting on large supplies and whatever we had right now is just moving on its own in the market.

Arpit Shah: Just wanted to know you mentioned about talent management like what are you trying to do with talent management?

Vikram Mehra: Sorry in what.

Arpit Shah: In talent management? You just mentioned something about talent management?

Vikram Mehra: This is the artist management part. Our intent is that we identify younger talent in multiple languages and nurture this talent by giving them breaks in big music videos that are done by Saregama. Make that talent big and then monetize on that talent so that every time the talent goes away for singing in a shaadi or a corporate function or does an Instagram post or does a ribbon cutting, we get a commission out of it. This vertical will help us in two ways. One is to defend our core business of music so that we always have artistes who are working with us and second it can create an altogether new revenue stream for us as we people go forward. Remember we people anyway will be needing a lot of talent to launch non-film music videos on a regular basis. So why not sign up that talent on the roster of Saregama.

Arpit Shah: Got it. Thanks. Thank you Sir.

Moderator: Thank you. The next question is from the line of Nitin Sharma from Moneycontrol Research. Please go ahead.

Nitin Sharma: Thanks for letting me in. I have a quick question. Just wanted to understand what is the typical investment in the web series? What kind of target returns that are in mind that we need to make? Further what is typical time line to recover that investment?

Vikram Mehra: I will give a broad answer to this. The web series budget varies a lot depending on which platform is it going to and how big an actor you are getting into that web series. But our



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model of web series is very clear. We started spending money on a web series only after securing a licensing deal. We do not make the series and then go and try to license it with our platform. We pre-licence it and only then start spending money. In that sense the risk is close to zero unless there is a cost overrun on our side, which has not happened till date in any project of Saregama. Once the web series is going to be released the entire cost of the series is going to be charged off during that year itself. We do not capitalize anything on a web series or films. The moment we get the first digital revenue we write off the entire cost. After writing off the entire cost, we are looking at a 15% to 20% margin while the IP stays with us for long term monetization ability.

Nitin Sharma: Sir just one more question if I can squeeze in? Where do you see your topline growth in the next 12 months and what is the potential margin expansion if you can talk about it?

Vikram Mehra: I will answer in two ways. I am not going to give you a number on the overall growth because on Carvaan we are following a very cautious approach and hence cannot project. On music licensing and the films business we are looking at 25% to 30% growth in the next year. As far as margins are concerned our guidance is that our operating income before content cost interest and depreciation that number should be hovering between 32% to 33%.

Nitin Sharma: Thanks Sir.

Moderator: Thank you. The next question is from the line of Anika Mittal from Anvil Research. Please go ahead.

Anika Mittal: Once again thanks for these numbers. It is making us more and more exciting and looking at Saregama as one of the best investment opportunities for long term perspectives so thanks for that Vikram. I am just taking a step back and then thinking like when you think about this regional music right? Basically, I am from South so there is one niche area, which is on carnatic music right where there are multiple artists and there is a huge demand on Southern side on this carnatic music are we trying to do anything on those areas as well Vikram?

Vikram Mehra: I will be upfront with you. We did a lot of investments on the Carnatic and the Hindustani side till I think 2018. Unfortunately, the returns on those investments are not that high. We people try to monetize it through YouTube, through streaming applications, and having some dedicated Carvaan variants that we own. We have not been able to get large returns. It does not mean that we will stop investing, but it is not an area, which is taking the most aggressive investments from our side any longer.



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Anika Mittal: Great. Thanks Vikram and anything specifically on regional stuff that you are looking in terms of acquisition? I think we spoke about it during this call on December?

Vikram Mehra: On new regional content we are very aggressive so in Malayalam we have picked up Kurup, which was Dulquer Salmaan movie. The music was with us. We have a Prithviraj Sukumar movie coming in. We have a Tovino Thomas movie coming in. The music is all sitting out there with us. Of the two series that I spoke about, one of them is a Malayalam series that we are licensing to a digital platform, and which has got the biggest stars from Malayalam featuring in it. In Telugu, we just released a Nani film. We have got a Mahesh Babu film, which is coming up. In Tamil we have just announced that we will be picking up the music of a Surya film, Dhanush film, and three or four Prabhu Deva films. In the Punjabi space we have picked up music of Ammy Virk and Amrinder films. You are going to find us getting very, very active on the regional side. For each of the languages there are dedicated setups within the company which look after content acquisition, marketing and monetization and these are all managed by language experts.

Anika Mittal: One final question Vikram. On this tie up with OEMs any new automobile that is coming on road so you said that you are actively working on those lines as well so is there any update that you want to say?

Vikram Mehra: As I said last time, we have had this dialogue multiple times with the car manufacturers. Right now getting a car itself is the difficult part with a seven/eight month waiting period. So we have gone slow on that dialogue and nothing has materialized till now for various reasons. Either it is financially not making sense or the amount of changes they want from our side is not making sense so it is an ongoing thing. I have nothing new to share on that front.

Anika Mittal: That is it from my side. Thanks Vikram.

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

Aman Vij: Good evening Sir. My first question is on the volume and pricing growth. When we talk about 11% industry growth and we are targeting 25% to 30% overall revenue growth in music streaming, so if you can roughly give what kind of volume and pricing growth are we seeing in the industry as well as for us?



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Vikram Mehra: This is all revenue. This is not a hardware unit. At the end of the day some of the revenue cannot be linked directly to the number of streams or the number of YouTube views so you have to take this as revenue growth in music business alone. Carvaan is not a part of this.

Aman Vij: No I am not taking about Carvaan? Say for example every year industry is growing at 11%?

Vikram Mehra: Revenue.

Aman Vij: Yes revenue, but revenue will always have two parts. One is the overall pricing growth that the people are seeing? For example if earlier because of our inventory we were getting Rs.0.9 paisa per stream? Now we are getting Rs.0.10 paisa per stream so this is always this pricing growth also which we would be seeing every year or every second year?

Vikram Mehra: Fair enough. Let me try and answer your question. We always have been able to manage approx. 10 paisa pricing. We are one of those few labels who maintain that pricing from the word go. We are seeing growth that will come out of more consumption happening rather than per stream rate moving up or down. This growth is going to come in because more people in India are jumping onto the digital bandwagon and get their smartphone. After they consume some of the other apps they end up joining and downloading the music streaming apps. So, the new customer coming in and that customer who has the app is now listening to more songs. I will share with you my favorite stories that always happen is when I was younger and we people used to have free time, I remember going out waiting for meetings and I used to sit at the reception either reading a newspaper or daydreaming. Now nobody daydreams. Anybody who is free for two minutes also, just picks up the phone and starts doing something. The amount of time we people are spending on a mobile phone is going through the roof and it will further go up. We may say it is good or bad, it does not matter. That is the reality of our culture. We all our stuck to our phones. While you are travelling to the office and going home and if I am stuck for even five minutes my phone comes out. That means that much more consumption is going to be happening so more people jumping on the bandwagon and they are spending more time on this device called mobile phone, which means great news for us. Either they will listen to a song and we get paid. Or they will watch some videos from where our song may be getting used. Somebody is using our song in the background then also we get paid or they will be watching an ad where our song is coming and then we get paid or they will be watching a series on Netflix which may be our series and then we get paid or it may be somebody else's series, but our song is running in the background we get paid.



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Aman Vij: Sir broadly when we say we are present on all the nine streaming apps and all those things so irrespective of how much of our content is there on the app or may be irrespective of the size of the streaming company broadly I am not talking about exact numbers then that Rs.0.10 paisa per stream remains intact? It is not sometimes it will be Rs.0.15 and sometimes it will be Rs.0.07 and the average is Rs.0.10?

Vikram Mehra: I can't be that specific. But the rates remain fixed during the period of a contract if that is your question.

Aman Vij: But say two year revision of contract then there should be a pricing escalation if I am not mistaken?

Vikram Mehra: I will leave it right now to the commercial negotiations. At this juncture, we believe that the Rs.0.10 paisa price is the price that is going to hold for us.

Aman Vij: Sure Sir. My second question is on the OTT streams and YouTube streams numbers so YouTube streams number has grown quite well for us from a billion per quarter stream if I go back say eight quarters back to now 3 billion we are crossing 3.3 billion, same for OTT stream if you can give a number because the last number we have is for say it is like one year back number when the streaming number was 1.7 billion roughly so has that number also grown like YouTube streams or the growth is much lower as compared to growth in YouTube?

Vikram Mehra: Firstly, let me correct, on YouTube from this quarter onwards we are giving a count of all streams not just the streams coming on our channel but also streams that are coming from user generated content where our song is getting used and Saregama gets paid for it and that is 32 billion per quarter and not 3 billion. If you see our latest presentation which has been uploaded because the data you are referring to is only our own channel not including everything in which we get paid. YouTube growth in the country has been phenomenal because this is one of the first apps people go out there and download. Streaming numbers also have grown in a very, very significant fashion. In fact I will just quote industry level numbers here not connected to the Saregama. The understanding is that the streaming may be growing in terms of numbers may be growing at 30% to 40% year on year.

Aman Vij: So we are seeing growth on both sides YouTube stream as well as our OTT streams?

Vikram Mehra: Yes, otherwise industry would not have grown. These are the only two triggers that are growing the industry today.



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Aman Vij: Sure Sir and so this 32 billion numbers we used to give earlier YouTube streaming and OTT streaming which was like 2 billion to 3 billion number each if you can give a rough breakup of the broader segments?

Vikram Mehra: The OTT numbers were going out and was creating some amount of issues with the platforms also. Further, it was hurting our competitive part and that is the reason. It was getting used in every commercial negotiations and then we decided we will not publish that. But I can assure you it is growing in a very healthy fashion otherwise I will not be able to write a 20% increase in revenue year on year. On YouTube from this quarter onwards we have taken a call that we will give the full number rather than giving only channel number so whether it is my channel or it is user generated content or if the user generated content is using an IP which belongs to me and Saregama is the party that will get the commercial benefit out of it. We include all of this.

Aman Vij: Sure Sir. The final question is on the Yoodlee films part? Sir we have talked about our vision three to four years back, it seems to be doing well? We have done like 17 odd films in the last three to four years, but when do we see the next level of scaling of like doing 10 films a year or 15 films a year that level of scaling so that we can be at Rs.100 Crores numbers which we have talked about?

Vikram Mehra: It is clear right now. So let us talk about Rs.100 Crores number. Let us not talk about number of films we will do to get that. What happens when you do a series one series at time will be given into four or five films. The numbers that you are talking about right now is a number which is there in the close vicinity. It is not a bizarre number that you are throwing at me. A couple of years we should be able to go back and reach that number.

Aman Vij: Thank you.

Moderator: Thank you. The next question is from the line of Suhrid Deorah from Paladin Capital. Please go ahead.

Suhrid Deorah: Good afternoon. Thank you for taking my question. I am sorry I am a little bit new to the business so I just wanted a clarification on a couple of points, which you talked about? One is you mentioned that the contract we renew on an annual basis the music contracts? Is there a particular quarter in which these take place and could you explain the overflow concept that you mentioned earlier?



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Vikram Mehra: Let me explain the overflow concept first to you. Suppose I have a deal with a platform X whereby the broad contours of the deal are that every time my song is heard by a free customer I get paid Rs.0.10 paisa and if it is a paid customer say 50% of the money that the customer is paying is going to be to my content pool and we get a share of that 50% basis the number of Saregama songs heard. Now all these are variable ways in which we make money. We protect ourselves by commanding a minimum guarantee to protect us from any potential downside that may happen in the future. If the actuals are higher, we end up getting an overflow. It is very basic concept of MG overflow happening here. In terms of which quarter, it depends. It depends on deal by deal by deal actually that which deal because every time we people are getting an overflow, we are ensuring that the next deal gets the minimum guarantee goes up by that much amount so then the growth has to be even bigger right now for an overflow to come in so it varies a lot for us on the overflow concept.

Suhrid Deorah: When you are so confident about the growth being 20% and higher and you mentioned that the pricing you expect will remain at Rs.0.10 paise for the free stream months so the growth ultimately will only come from more streams per song going forward and that is what you are forecasting is going to reach 20%?

Vikram Mehra: Actually two parts right now why I am sounding confident about 20% growth. Earlier we used to give a guidance of 20%. Now we are saying 25% to 30% instead is because earlier numbers were primarily projected on the fact that the industry was also growing and more people were coming in and since we were able to monetize our content better than many of the smaller labels hence we were getting a larger proportion of that revenue the company was making from the customer. But the bigger change, which has now happened is that with the funds that we people have raised we are now in a position that we can invest aggressively in new content. Primarily, this is a country of younger people. You will find more 20-year-olds and 25-year-olds right now using this digital apps compared to the middle aged and older people. The younger people right now obviously want to hear the latest music much more than music which is 20 years old. We did not have a big play in that space. As we are going ahead our play is going to become more and more significant which is a market share fight, and we believe we will be able grab enough amount of share from all our competitors. It is already showing in our numbers that we are grabbing share now from our competitors. This gives us the confidence that we will be able to grow the revenue at 25% to 30% while the industry is not going to change. The industry will remain at 11%.



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Suhrid Deorah: That is very clear so you will be taking share in terms of the content is more relevant to the younger audiences and the number of streams and I guess over a period of time, which may be a longer period of time the mix will change from free to paid?

Vikram Mehra: That is a altogether free to play which I never factored in any of our projections. The jury is still out on whether it may happen or not happen. I am very bullish on it and I confess this in every meeting, I am very bullish on it. There are a lot of people in the industry who are not. I believe there is no way but to go to a paid side, but time will tell. Our projections of 25% to 30% growth and revenue are not based on going paid. This is assuming industry remains the way it is.

Suhrid Deorah: The revenues could show up in a lumpy fashion as you mentioned when the overflows take place and that could show up in a particular quarter?

Vikram Mehra: If you are looking at it right now my request will be please check us on an annual basis. It is easier that way. It is not that you will ever have it that in one quarter music is growing by 5% and in the other quarter it is growing by 40%. It is not going to happen, but a few aberrations keep on happening. On a rolling 12-month basis right now we are committing to 25% to 30% growth.

Suhrid Deorah: Thanks and one very basic question? I know you mentioned that it has been hard to monetize physical performances, but how does any company including yourself how do you monetize private events?

Vikram Mehra: Private events?

Suhrid Deorah: Yes somebody is playing your song at a wedding for example or some private location? Do you make money on that?

Vikram Mehra: Yes we do. Let us keep wedding out for the moment here. You are having your 50th birthday, you are having your kid's birthday, 25th marriage anniversary - for all those events we end up monetizing. So, what we have done rather than each of these companies doing it themselves all the music labels have come together and created a society called PPL whose mandate is to go out there, work with various hotels, work with various event organizers and ensure right now that every time they are doing an event they end up clearing the license first. They collect the money and that money gets distributed across to all of us.

Suhrid Deorah: Got it. Thank you. Thanks very much.



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Moderator: Thank you. The next question is from the line of Dipen Sheth from Buoyant Capital. Please go ahead.

Dipen Sheth: I have two questions. One is more of maintenance or bookkeeping question and the other one which is a little more strategic so the first one is you recently raised money and naturally you are running a heavy treasury as we speak so what is the internal decision that has been taken on deploying this money where it is parked?

Vikram Mehra: We people are following an extremely conservative approach out there to ensure that the capital is well protected. It is a combination of fixed deposits and debt funds.

Dipen Sheth: That is it? You are not carrying any equity on your books at all?

Vikram Mehra: Not through this. We have some of our group investments that are sitting out here, but they have been there from legacy reasons. But the funds that we have deployed is Rs.750 Crores that we have collected, and we have parked them in these two places only.

Dipen Sheth: So I can naturally look this up from your annual report but what is the legacy holding that you have or exposure to your group companies?

Vikram Mehra: I will share that with you. We have a share of CESC and Philips Carbon Black.

Dipen Sheth: We will figure that out so that is mostly legacy right?

Vikram Mehra: It is not a question of which. It is very, very old.

Dipen Sheth: In your stated financials the other comprehensive income bit relates to the debt fund exposure the adjustments on the debt fund exposures and nothing else?

Vikram Mehra: Can you come again; I will ask my colleague to answer this.

Dipen Sheth: So, you have another comprehensive income line which changes, and it is pretty significant in material every quarter for the last two to three quarters, so I am assuming that it is mostly got to do with your debt fund exposures and nothing else.

B L Chandak: These are basically related to the investments in group companies.

Dipen Sheth: Okay, so we will have to fish that out. Okay, I will figure that out. So, you are basically marking them up and down with the market.



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- B L Chandak:** Yes, these are mark to market.
- Dipen Sheth:** And these are equity exposures?
- B L Chandak:** Yes.
- Dipen Sheth:** Do you have on top-of-mind number on what this equity exposure would be as of 31 December. So if you can throw a number there and in the meanwhile I will ask my strategic question if Vikram will permit me.
- B L Chandak:** This is 136 Crores.
- Dipen Sheth:** It is 136 Crores, so it is not too scary. In any case, these are good solid companies, would be Philips Carbon and CESC right, most.
- B L Chandak:** These are CESC and RPSG ventures.
- Dipen Sheth:** Now the strategic bit sir, if I may ask, so you are sitting on cash which is a great thing to be in a market where a whole lot of new content is getting created, how do I know that you would not overpay for it in some of the minimum guarantees that you give out, what is the early evidence here or what is the rule book here, what is your right to win here?
- Vikram Mehra:** The rule book out here is the structure in which we people work. All the content that is picked up during our financial year, we have committed to the board that the payback period of that has to be five years, it cannot be longer than five years. It has taken us four years to convince our own board from 2017 till 2021 by proving them year after year after year by doing smaller investments in new content and showing them that we have a performance track record that is better than five years and we are sticking to our promise. Based on that only we finally got a go ahead from the board to go and make larger investments. So both these things are going to go hand in hand. We need to invest in newer content to manage our topline growth. But while we are doing it, we are sticking to a payback period of five years and OIBCID number right now of 32% to 33%.
- Dipen Sheth:** So, again it is like you are like an investment manager? That you are taking a call on and hoping that something will payback for itself in less than five years and like any manager you can go right, and you can go wrong?
- Vikram Mehra:** That is fair enough, it is the way you are doing your homework before you make an investment. There are couple of fashions right now, we have done the same part on the



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world of music, so there is a lot of data mining and predictive modeling. To share with you every song which is there in India is part of our system and we track basis of which we get a lot of data and we have hired a top data scientist within our system. These are the guys who used to run the entire data analytics for me at Tata Sky. That team is sitting in here and they are the guys who are mining these data and building predictable models which if you are film producer and come to me and say this is my movie and this is the songs and things like lyricist, composer, actor and choreographer- our model based on the last three years of performances of these artists is able to throw a good understanding about what is the probability of success.

Dipen Sheth: And having said that showbiz is a lot like stock markets, you will never know what will work and what will bounce?

Vikram Mehra: I do not know if I can agree with that completely. This is a little bit more scientific. Second, this is then combined with the listening session of the song done only by people under the age of 30 in my company. Anybody over the age of 30 is not allowed to decide which song to pickup or not including me. It is under 30 kids who listen to the music and then the qualitative feedback that comes out, whether the song is going to work or song is not going to work. So you are working on the immediate past track record of all the artists who are involved in it on a mathematical basis combining it with the listening test that is happening here and then you book it. But is it risk free, I am sure nothing is risk free.

Dipen Sheth: No this is very inspiring, that list bit which you said about people under 30 that is a great thing you are doing. Great and all the best.

Vikram Mehra: I do not think just because I am the managing director of the company, I may have the greatest ear for music. I know in and out of our business, but at the age of 50 if I say I know what a 21-year-old wants, I am sure my son is the first one who will go back and say that dad has gone bananas. It is reality. Younger people's music should be tested and checked by younger people, not by us.

Dipen Sheth: I think that is a fabulous thing for you to say. Thanks very much. This is very inspiring.

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

Sahil: I had just a couple of more questions. One thing is if at all possible, could you start sharing some qualitative numbers on like how much of our revenue comes from subscriptions and how much of it comes from the free or the ad paying customers, even if not in a quarterly



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basis, annual basis, that would be really helpful in tracking how that piece is playing out. We know concretely are people shifting and how that is reflecting in our financials? So, it is more of a suggestion if you can share it may be once a year also it would be wonderful.

Vikram Mehra: That will be difficult. But what I can tell you is on the music streaming side there is no comparison, it is only and only advertisement today. There is very little subscription going in. On a separate chat later I can tell you my views as to why subscription is not picking up and I do not think it has got much to do with the customer.

Sahil: So essentially just to understand better if at all you might be able to share like why is it difficult to share with us in terms of the breakup?

Vikram Mehra: Subscription and advertisement breakup we will not be in a position to share as this is sensitive information and we do not want to go out there and give that out. Every label has a different kind of a deal going on, so we do not want to put all that information in the public domain. But whenever we believe that subscription income is becoming even slightly significant, we will come back to you and share the good news with you guys.

Sahil: That is all, thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for closing comments.

Vikram Mehra: Thank you everyone. This is one long call. I am happy right now with the amount of interest that all of you guys are showing in our company. I will just repeat our guidance. We believe that the music business as we people go over the next three to five years should be growing between 25% to 30% y-o-y. The films and series business, we believe that business should also start to grow between 20% to 25% y-o-y. That is an increase compared to what we used to say earlier. We are seeing the foundation becoming even stronger in that business. On the profitability, our guidance remains that operating income before content interest and depreciation should remain in the range of 32% to 33% of the revenue from operations as we go ahead. Our big focus is going to be new music content investments. As market starts opening up and movies start getting released, you will see much more of Saregama coming from all sides. So, while we people keep on striving to grow our revenue between 25% to 30%, we have an eye always and always on the profitability of the company. Hopefully, with your help and blessings, the company grows stronger from here. Thank you.



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Moderator: Thank you. On behalf of ICICI Securities Limited this concludes this conference. Thank you all for joining. You may now disconnect your lines.