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

(Rs. in Lakhs)

Statement of Unaudited Standalone Financial Results for the Quarter Ended 30 June 2018

Sl. No.	Particulars	Quarter ended 30 June 2018 (Unaudited)	Quarter ended 31 March 2018 (Audited) Refer note 4	Quarter ended 30 June 2017 (Unaudited)	Year ended 31 March 2018 (Audited)
1	**Income**				
	(a) Revenue from operations	11,128	10,537	6,204	34,561
	(b) Other income (Refer note 7)	4,311	745	200	1,422
	Total Income	15,439	11,282	6,404	35,983
2	**Expenses**				
	(a) Contract manufacturing charges	4,641	3,803	355	10,517
	(b) Cost of production of films, television serials and portal	1,323	1,160	1,498	5,223
	(c) Changes in Inventories of finished goods and work-in-progress [(increase) /decrease] (Refer note 7)	1,173	(1,022)	22	(3,736)
	(d) Employee benefits expense	1,126	921	1,019	4,863
	(e) Finance costs	152	101	66	337
	(f) Depreciation and amortisation expense	87	93	93	379
	(g) Advertisement and sales promotion	2,219	1,598	602	4,010
	(h) Royalties	1,067	464	568	3,369
	(i) Provision for doubtful debts/advances	447	560	422	2,132
	(j) Other expenses	1,823	1,491	1,082	4,777
	Total expenses	14,058	9,169	5,727	31,871
3	**Profit before exceptional items and tax (1-2)**	1,381	2,113	677	4,112
4	**Exceptional items**	-	-	-	-
5	**Profit before tax (3-4)**	1,381	2,113	677	4,112
6	**Tax expense (Refer note 5)**				
	(a) Current tax	532	(248)	374	980
	(b) Deferred tax	(10)	216	(27)	81
	Total tax expense	522	(32)	347	1,061
7	**Profit for the period (5-6)**	859	2,145	330	3,051
8	**Other Comprehensive Income (net of tax)**				
	(a) Items that will not be reclassified to profit or loss	(670)	(941)	323	1,598
	(b) Income tax relating to items that will not be reclassified to profit or loss	76	36	(32)	(241)
	Total Other Comprehensive Income (net of tax)	(594)	(905)	291	1,357
9	**Total comprehensive income for the period (7+8)**	265	1,240	621	4,408
10	Paid-up equity share capital (Face Value of Rs.10/- each)	1,741	1,741	1,740	1,741
11	Other equity				36,469
12	**Earnings per equity share (Face Value Rs. 10/- each) (not annualised) :**				
	(a) Basic (Rs.)	4.93	12.33	1.90	17.53
	(b) Diluted (Rs.)	4.93	12.31	1.90	17.51

B S R & Co. LLP
Kolkata
Chartered Accountants

SAREGAMA INDIA LTD.

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

(Rs. in Lakhs)

Standalone Segment wise Revenue, Results, Assets and Liabilities for the Quarter Ended 30 June 2018

Sl. No.	Particulars	Quarter ended 30 June 2018	Quarter ended 31 March 2018	Quarter ended 30 June 2017	Year ended 31 March 2018
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
			Refer note 4		
1	**Segment Revenue**				
	(a) Music	9,970	9,163	4,551	29,268
	(b) Films/Television serials	1,158	1,374	1,653	5,293
	Total segment revenue	11,128	10,537	6,204	34,561
	Less: Inter segment revenue	-	-	-	-
	Total revenue from operations	11,128	10,537	6,204	34,561
2	**Segment Results**				
	(a) Music (refer note 7)	2,386	3,026	1,710	9,057
	(b) Films/Television serials	(122)	(240)	102	(205)
	Total segment profit	2,264	2,786	1,812	8,852
	Less:				
	(a) Finance costs	152	101	66	337
	(b) Other unallocable expenditure (net of unallocable income)	731	572	1,069	4,403
	Total profit before tax	1,381	2,113	677	4,112
3	**Segment Assets**				
	(a) Music	37,310	32,887	25,560	32,887
	(b) Films/Television serials	4,096	3,375	3,269	3,375
	(c) Unallocated	19,056	20,158	18,812	20,158
	Total segment assets	60,462	56,420	47,641	56,420
4	**Segment Liabilities**				
	(a) Music	11,395	10,082	7,301	10,082
	(b) Films/Television serials	719	390	337	390
	(c) Unallocated	9,868	7,738	5,209	7,738
	Total segment liabilities	21,982	18,210	12,847	18,210

Notes:

1 Financial results for all the periods presented have been prepared in accordance with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time.

2 The above unaudited standalone financial results for the quarter ended 30 June 2018 have been reviewed and recommended by the Audit Committee in their meeting held on 23 July 2018 and approved by the Board of Directors of the Company at their meeting held on even date. These results have been subjected to "limited review" by the Statutory Auditors of the Company who have issued an unqualified review report on the unaudited standalone financial results for the quarter ended 30 June 2018.

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

4 The figures for the quarter ended 31 March 2018 as reported in these standalone financial results are the balancing figures between audited figures in respect of the full previous financial year ended 31 March 2018 and the published year to date figures upto the end of the third quarter of the previous financial year. Also the figures upto the end the third quarter of the previous financial year had only been reviewed and not subjected to audit.

5 Tax expenses is net of Minimum Alternate Tax (MAT) Credit adjustment of Rs. Nil for the quarter ended 30 June 2018 (Rs. 728 lakhs for the year ended 31 March 2018).

6 Effective 1 April 2018, the Company has adopted Ind AS 115 'Revenue from contracts with customers'. Based on the assessment done by the management, there is no material impact on the revenue recognised during the period.

7 On 2 April 2018 (around 12:00 AM), there was a fire in the godown (of third party service provider) damaging stocks of the Company aggregating to Rs. 3,758 lakhs. As per the best estimate of the management, Insurance claim receivable aggregating to Rs. 3,400 lakhs have been recognised as 'Other Income' and balance amount has been charged off against loss of such goods for the quarter ended 30 June 2018. Adjustments, if any, arising out of final settlement of the claim from insurance company, will be made upon such settlement. The impact of the above has been given in the segment results of Music segment for the quarter ended 30 June 2018.

8 Out of the 53,38,628 equity shares of Rs. 10/- each issued for cash at a premium of Rs. 35/- (issue price - Rs. 45/-) pursuant to the Rights Issue in 2005, allotment of 5,290 equity shares (relating to cases under litigation / pending clearance from concerned authorities) were in abeyance till 30 June 2018.

9 The figures of the previous periods/year have been regrouped/ reclassified, wherever necessary, to conform to the classification for the quarter ended 30 June 2018.

For and on behalf of the Board of Directors

Kolkata
23 July 2018

B S R & Co. LLP Kolkata Chartered Accountants

SAREGAMA INDIA LTD.

VIKRAM MEHRA
Vikram Mehra
Managing Director
DIN: 03556680

B S R & Co. LLP

Chartered Accountants

Godrej Waterside, Unit No. 603
6th Floor, Tower 1, Plot No. 5, Block - DP
Sector V, Salt Lake, Kolkata - 700091

Telephone: + 91 33 4035 4200
Fax: + 91 33 4035 4295

Limited Review Report on Unaudited Quarterly Standalone Financial Results of Saregama India Limited pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To
Board of Directors of Saregama India Limited

We have reviewed the accompanying statement of unaudited standalone financial results ('financial results') of Saregama India Limited ('the Company') for the quarter ended 30 June 2018 attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'). Attention is drawn to the fact that the figures for the 3 months ended 31 March 2018 as reported in these financial results are the balancing figures between audited figures in respect of the full previous financial year and the published year to date figures up to the third quarter of the previous financial year. The figures upto the end of the third quarter of previous financial year had only been reviewed and not subjected to audit.

This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial results based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, specified under section 143(10) of the Companies Act, 2013. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial results are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited standalone financial results prepared in accordance with applicable accounting standards i.e. Ind AS prescribed under Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the Listing Regulations including the manner in which it is to be disclosed, or that it contains any material misstatement.

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration No. 101248W/W-100022

B S R & Co. LLP Kolkata Chartered Accountants

Jayanta Mukhopadhyay
Partner
Membership No. 055757

Place: Kolkata
Date: 23 July 2018

Saregama India

Q1 FY19 Result Conference Call

24 July 2018, at 11:00 am IST

Hosted by Anand Rathi Research

Participants

Mr Vikram Mehra

(Managing Director)

Mr Vineet Garg

(CFO)

Mr B L Chandak

(Executive Director – RP Sanjiv Goenka Group)

Primary Access Numbers for Participants

Mumbai Access: 022 6280 1386 / 7115 8287

Local Access: 7045671221

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

International Access

USA: +1 866 746 2133	Hong Kong: 800 964 448
UK: 0808 101 1573	Singapore: 800 101 2045

Click here for your Diamond Pass

http://services.choruscall.in/diamondpass/registration?confirmationNumber=9904967

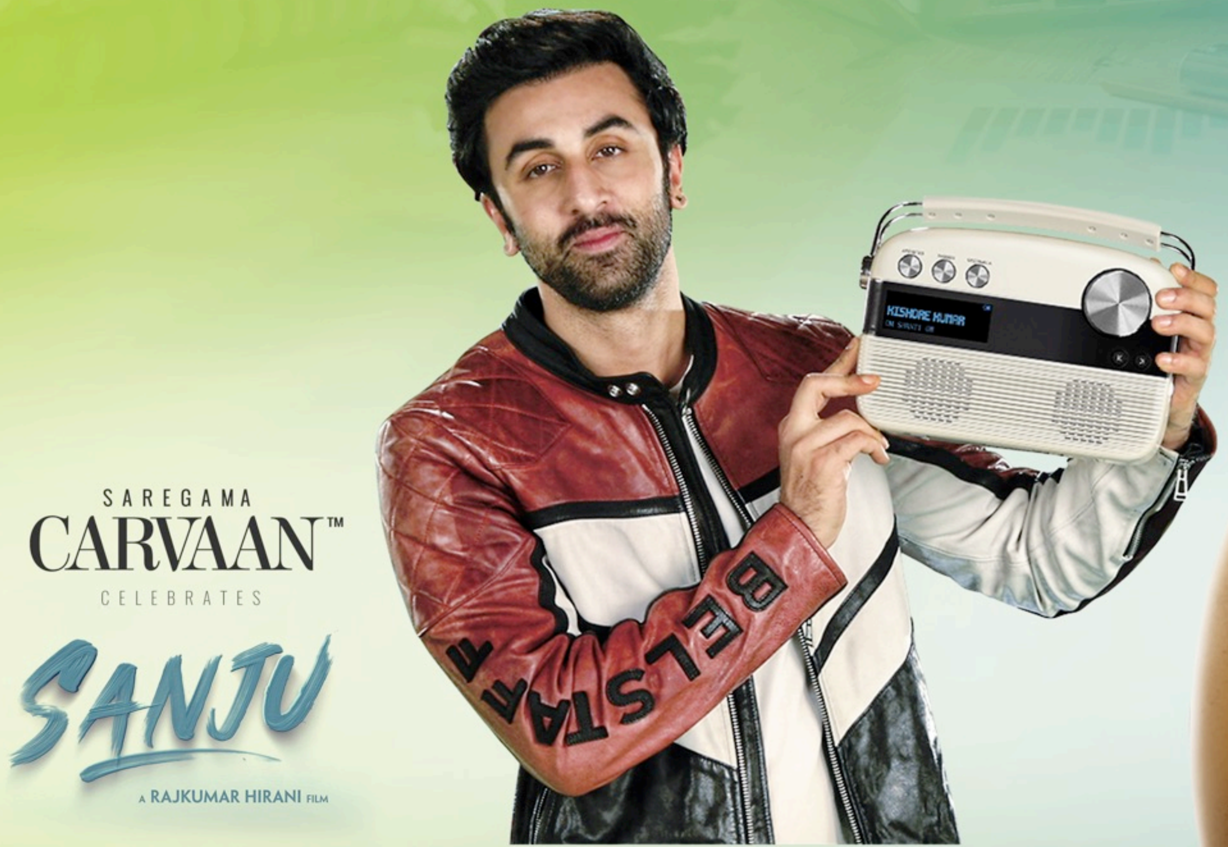
For further information, please contact
Call Leaders

Shobit Singhal
Office No: (022) 6626 6511
Mobile: 9768637537

RP - Sanjiv Goenka Group

SAREGAMA INDIA LIMITED

EARNINGS PRESENTATION | Q1 FY 2019



Snapshot

soul of India

India's oldest music label and youngest film production house

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

High Dividend Yield and a Zero Debt Company

Owning Intellectual Property (IP) rights for 120,000+ songs, 4,100 hours of television serials and 20 movies

Revolutionary product Carvaan sold 387,000 units in its first year without major mass media advertising

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

Leading producer of Tamil television serials – 1716 Minutes of serial per month

Acquiring new film music & Producing digital thematic films targeted at youth

Focus on maximising monetisation of existing and future content across platforms

Executive Summary

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

Business Verticals

Music Segment

FY18 Revenue Share

83%

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

TV & Films Segment

FY18 Revenue Share

15%

- This segment has leadership in Tamil Sun Network channels and has been producing content for Sun TV for last 10 years and broadcast 3-4 serials on Sun TV at any given time
- Company owns rights to 4,100 hours of Tamil Series
- Yoodlee Films is the production division which focuses on thematic digital films in all languages with tightly controlled budgets

Publications Segment

FY18 Revenue Share

2%

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

Strategic Overview

Saregama's long term strategy is to be a pure play content company capitalising on the data boom globally
Higher monetisation of Existing IP to fund IP Creation for Future

IP Monetisation

Higher monetisation of existing content through:

1. Greater presence on all third party digital and TV platforms globally
2. Higher penetration of Carvaan through variants and newer markets
3. Launch of more B2C products/ properties

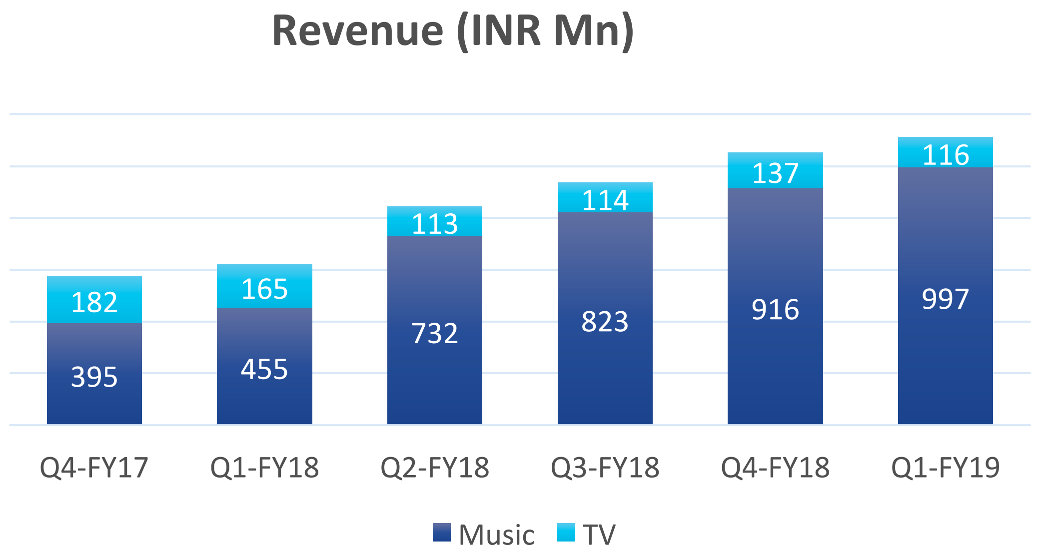
IP Creation

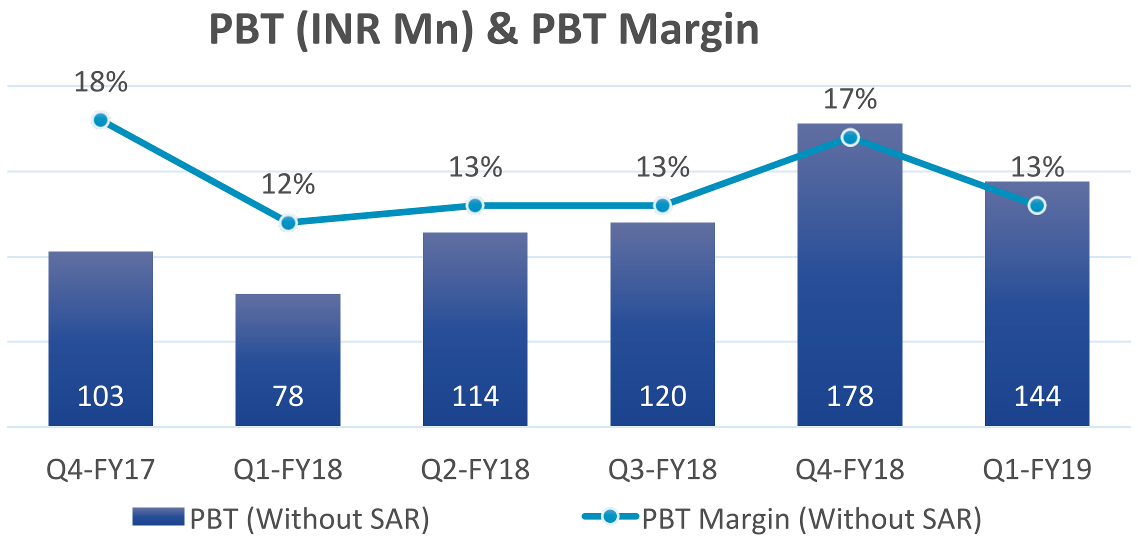
1. New film music acquisition across Hindi, Tamil and Marathi languages
2. Production of thematic films targeted at youth under tightly controlled budgets with primary focus being digital platforms
3. Continue to create new television programs in Tamil language

Q1-FY19 Financial Highlights

Q1-FY19 Financial Summary

Particulars (INR Mn)	Q1-FY19	Q1-FY18	Y-o-Y
Revenues from Operations			
• Music	997	455	119%
• TV & Films	116	165	-30%
Total Revenue	1,113	620	79%
PBT without SAR Provision	144	78	85%
PBT after SAR Provision	138	68	103%
PAT	86	33	161%





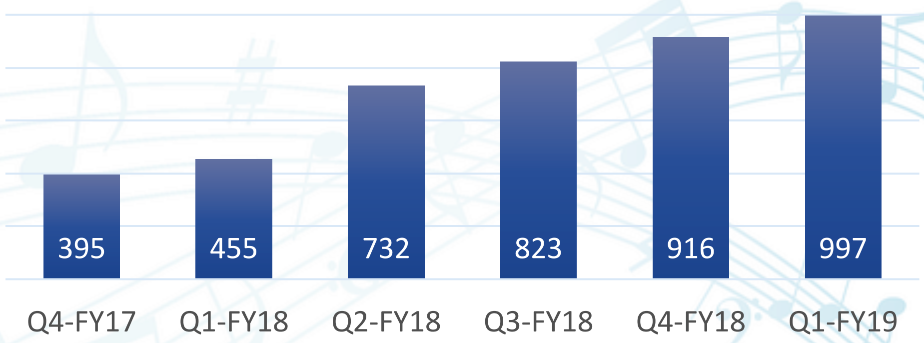
Other Income includes estimated insurance claim amount Rs 34 Crs
Cost of damaged stock due to fire in godown is part of cost of goods sold and other expenses in the quarter

Music Segment Business Overview

Over
120,000
Perpetual Music Intellectual Property Rights

Saregama is one of the oldest music content houses in India, with the largest library of songs under its bouquet. Since inception, the company has continued to expand its catalogue to become the largest perpetual owner of Indian music sound recording and publishing copyrights across 14 different languages.

Music Segment Revenue (INR Mn)



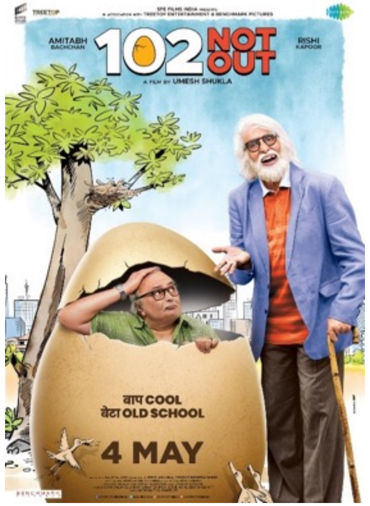
B2C Music Segment

- The company launched a revolutionary breakthrough product called ***'Carvaan'*** is a portable digital music player with in-built stereo speakers that comes with preloaded music in Hindi, Tamil, Marathi and Bengali languages with a PAN India dealer network in over 12K+ outlets and it has also been recently launched in USA, UK and Canada.
- The company also has 24 SKUs of music cards which aim towards a market of in car consumption.

Effies Awards for Carvaan

B2B Music Segment

- The company monetises these rights through license fees across diverse platforms like OTT platforms (Saavn, Amazon, Google, Gaana etc.) television channels, radio, Youtube, telecom etc.



B2B Music Segment Operational Highlights

Q1-FY19 Operational Highlights:

33% YoY

Growth in **Music Publishing** revenue

41% YoY

Growth in **Music OTT** revenue

29% YoY

Growth in **Youtube** Revenue

IPRS has received copyright society registration from the Govt. and has started issuing publishing licenses. PPL has shown revenue growth in the first quarter

New Film Music Released

102 Not Out

Maniyar Kudumbam

Thadam

Aan Dhevathai

Billa Pandi

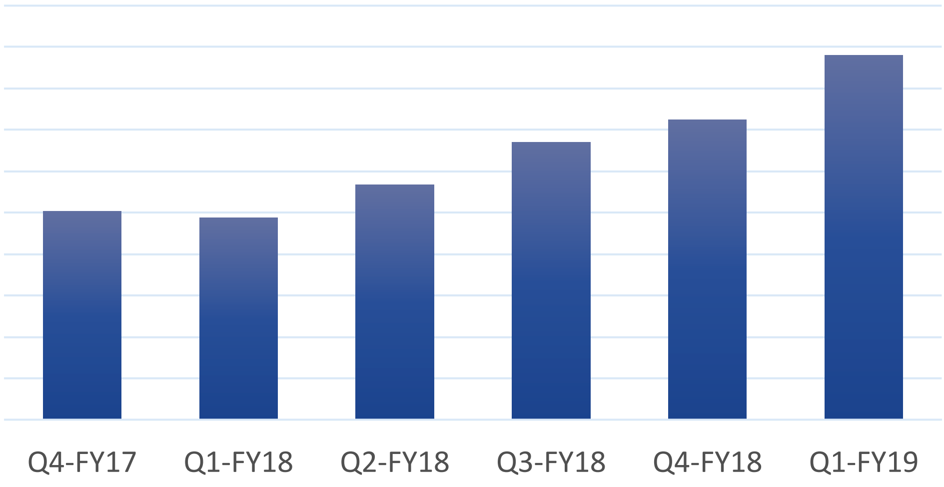
Future Outlook:

OTT & YouTube will continue double digit growth while Telecom will continue to decline

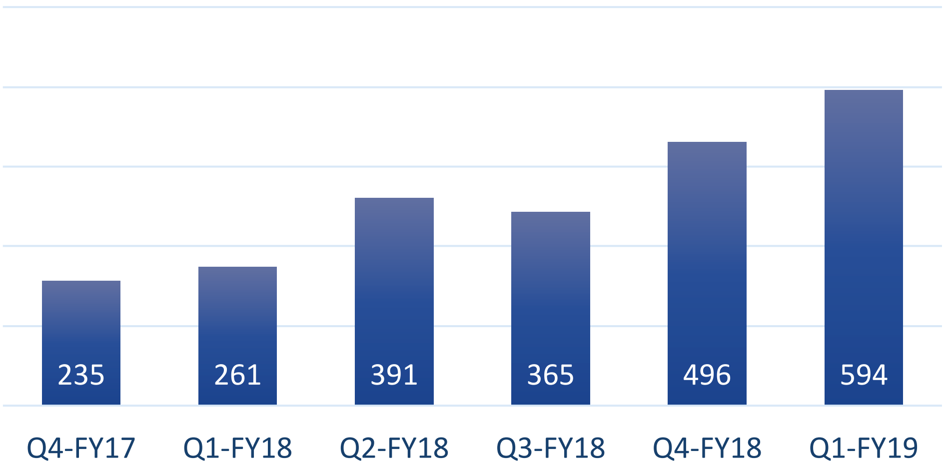
Acquisition of new music content will start helping publishing business to grow further

Collection societies (IPRS, PPL) has lot of headroom

OTT Streams (Mn) per Quarter



YouTube Views (Mn) per Quarter



B2C Music Segment Operational Highlights

Q1-FY19 Operational Highlights:

Carvaan growth story continues with **164k** units sold in Q1-FY19

2,328 new billing dealers added taking the total dealers to **12,148**

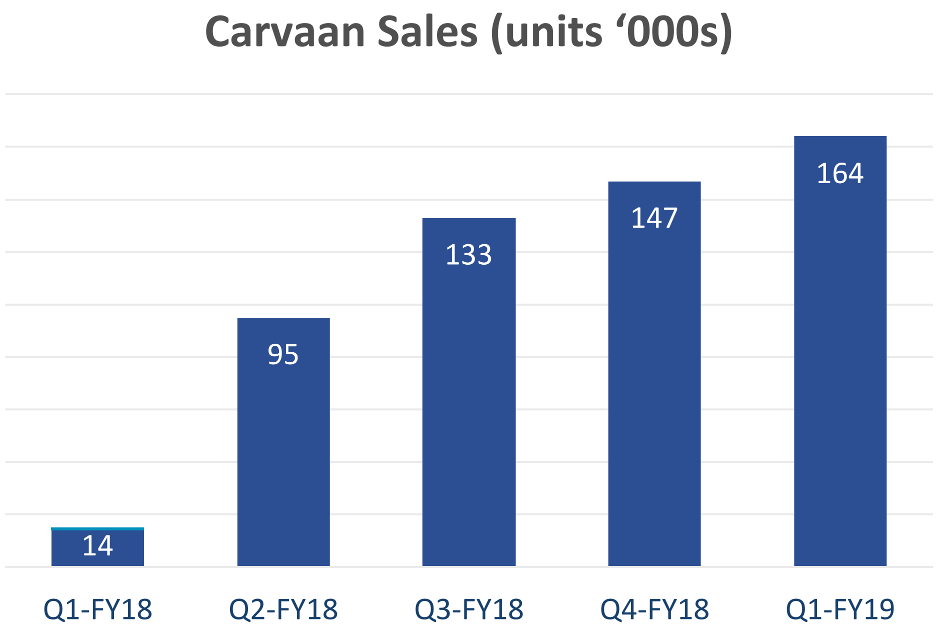
ET Innovation of the Year

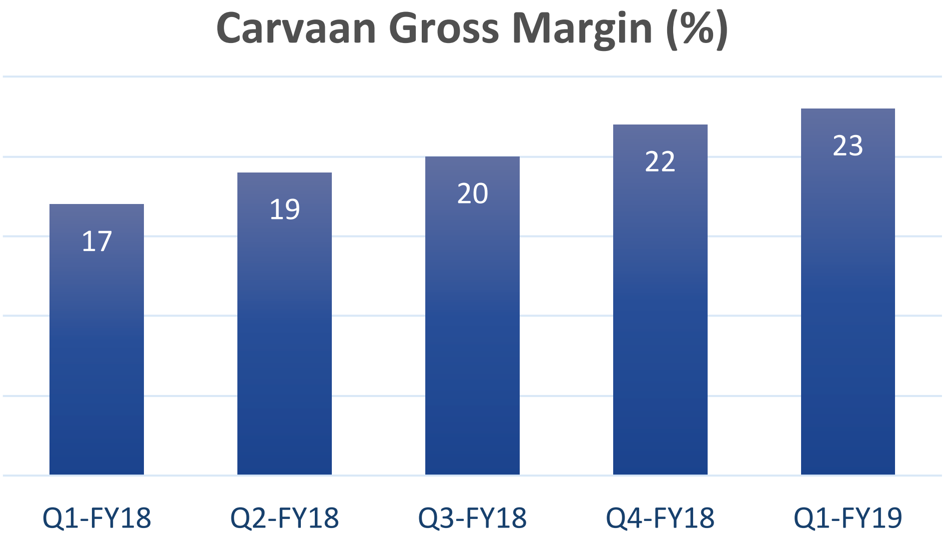
Retail network in **300+** Cities

Gross margin improved to **23%** from 17% at launch in Q1-FY18

Future Outlook:

- New Carvaan variants will be launched in the immediate future
- Number keep Growing Annual Estimates: **750k** units
- Big marketing push to continue during the year
- Gross Margin will grow through high volume of sales & cost leverage





TV & Films Segment Overview

TV Serials

- Saregama has been producing content for Sun TV for the last 10 years and broadcasts 3-4 serials on Sun TV at any given time
- The IP of all these serials is owned by Saregama

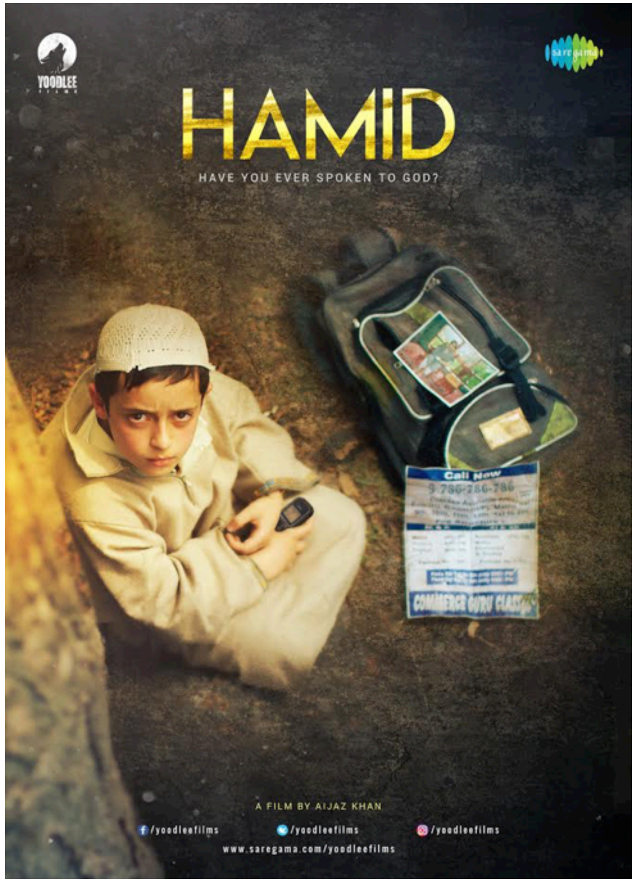
4,100 hours of Tamil serials

YOODLEE FILMS

Yoodlee Films

- Yoodlee Films is the Saregama's production house with a focus on thematic films in all languages with controlled budgets and a focus on younger digital audience
- All these films are shot in 4K with sync sound, and are 100-120 minutes long

4movies released and 9 under production



Historical Financial Statements

Historical Standalone Income Statement

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

Historical Standalone Balance Sheet

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

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

Historical Consolidated Income Statement

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

Historical Consolidated Balance Sheet

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

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

Disclaimer

Saregama India Ltd. Disclaimer:

No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained in this presentation. Such information and opinions are in all events not current after the date of this presentation. Certain statements made in this presentation may not be based on historical information or facts and may be "forward looking statements" based on the currently held beliefs and assumptions of the management of Saregama India Ltd., which are expressed in good faith and in their opinion reasonable, including those relating to the Company's general business plans and strategy, its future financial condition and growth prospects and future developments in its industry and its competitive and regulatory environment.

Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, financial condition, performance or achievements of the Company or industry results to differ materially from the results, financial condition, performance or achievements expressed or implied by such forward-looking statements, including future changes or developments in the Company's business, its competitive environment and political, economic, legal and social conditions. Further, past performance is not necessarily indicative of future results. Given these risks, uncertainties and other factors, viewers of this presentation are cautioned not to place undue reliance on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements to reflect future events or developments.

This presentation is for general information purposes only, without regard to any specific objectives, financial situations or informational needs of any particular person. This presentation does not constitute an offer or invitation to purchase or subscribe for any securities in any jurisdiction, including the United States. No part of it should form the basis of or be relied upon in connection with any investment decision or any contract or commitment to purchase or subscribe for any securities. None of our securities may be offered or sold in the United States, without registration under the U.S. Securities Act of 1933, as amended, or pursuant to an exemption from registration there from.

This presentation is confidential and may not be copied or disseminated, in whole or in part, and in any manner.

soul of India

THANK YOU

"Saregama India
Q1 FY2019 Results Conference Call"

July 24, 2018

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

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

Moderator: Ladies and gentlemen, good day and welcome to the Saregama India Q1 FY2019 results conference call, hosted by Anand Rathi. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. I now hand the conference over to Mr. Shobhit Singhal from Anand Rathi. Thank you and over to you Sir!

Shobhit Singhal: Thank you Mamta. Good morning to all of you. Welcome to the Q1 FY2019 earnings conference call of Saregama India Limited. From the management side, we have today Mr. Vikram Mehra, the Managing Director, Mr. Vineet Garg, CFO and Mr. B. L. Chandak the Executive Director. Now I would like to handover the floor first to Mr. Vikram Mehra for his opening remarks post that we can start with the Q&A session. Over to you Sir!

Vikram Mehra: Good morning everyone. Thanks a ton for joining the call. This quarter as was summed from the last quarter we have continued on a trajectory for growth. The music part of the business seems to be growing steadily and contrary to the general belief that is all Carvaan story, both parts of the businesses B2B as well as B2C seem to be showing pretty healthy growth numbers. Overall basis and year-on-year basis, music part of the business has more than doubled. Q1 last year versus Q1 this year.

Carvaan is a huge bulk of that. Compared to last quarter of 146000 units this quarter we went to 164000 units of Carvaan and Carvaan Mini combined. This came on the back of overall a growing demand for the product. A first time top of the line marketing campaign that backed Carvaan, till now we have never done the marketing campaigns, and launch of Carvaan Marathi. The good part is and which is very comforting to us internally that as the volumes are going up they are not coming at the cost of margins. As the volumes are going up, we are using the scale and the scale is still not very big. 164000 is a very nice number, looking at where we were maybe a year back, but on an overall basis, we still believe it is not a large enough number. We can scale it up much more, but even with that growth in number we are able to improve our gross margins, which are as committed to you in the last call that we will show further improvement this year and by the end of the year, I had projected a number of 24%to 25%. We have already touched 23%, which means within a year from 17% gross margins, we have gone up to 23% gross margin, which for us is a very, very comforting part.

The product also won lot of awards all across, in Economic Times Innovation of the Year Award. It has won Asian level SCs Award, which is a reasonably coveted award in this space. It is getting recognition from both sides. Launch of the language versions are allowing us to penetrate deeper. Our retail network is becoming stronger and stronger. Today, it is almost impossible to find any modern retail chain in the country, which is not putting up Carvaan. All of you, whichever cities you guys are maybe in, go out there, walk to any Croma, walk to any Vijay Sales, walk to Crossword, walk to a Fair Deal, Vivek, you name it. You will go out there and find Carvaan being placed with a very decent placement most likely closer to the entrance of the store itself.

That also shows that the network in general has now started believing in the product much more. Like many of you, the network also initially thought it may just be one quarter wonder and they are realizing, the product has got serious potential and they are ready to go back and pack to the fullest. So Carvaan was a great thing and the journey continued in this quarter.

On the B2B side the publishing part of the business showed a very handsome growth. We have seen upwards of 30% growth coming in the publishing business. This is on the back of TV broadcasting doing well. Also, the fact that societies, PPL and IPRS as stated in my last part of presentation, we will see an upswing coming from their side. IPRS has got the government registration. Under the able leadership of Shri Javed Akhtar, we will see that IPRS will get more and more effective in getting monetization done of the right set that are sitting out there. We had a change of leadership at the PPL level also. We have a new CEO there. There also we are seeing very good results coming within six months of the journey. In fact, the first quarter of PPL had shown a growth over the previous quarter and all of us being shareholders, we end up getting because our music gets monetized through these two societies. We obviously are going to see a greater upswing and first quarter was a testament to that.

Our OTT or streaming business, I had projected a 40% odd growth coming in and it continued we saw a 41% growth in OTT business. Our gain, I am repeating myself, till a year back, everybody feared that this OTT part which was based on minimum guarantees, is it a sustainable business or not? The great part is that the actual number of screens is going up. If you see Q1 last year to Q1 this year we are almost doubled on the number of screens. It is not a minimum guarantee nor the screens that are coming out are moving at a much faster pace. In fact, if the revenue is growing at 40%, screens are growing at 100%, which shows that we have a decent amount of headroom even in this space to help us out. In fact, the whole strategy to acquire new film music, which has just started, seems to be bearing fruit and OTT is a very good space where you can see immediate results. 102 Not Out was a one high profile movie that we released this quarter along with four other Tamil films and

102 Not Out helped us a lot. Because of the first high profile movies we have acquired it opened doors with all our partners. They started taking us a little more seriously about our claim that we will acquire new music. In 102 Not Out, we had also as part of the deal ensured there is a Carvaan placement happening in the movie, which helped a lot. As much as our advertising helped, similar was the help that we people got out of Mr. Bachchan and Mr. Rishi Kapoor using Carvaan within the film.

The New Music acquisition strategy slow and steady we people are moving, and it seems to be going as per our projections. The other big thing that happened in this quarter was a launch of a third Tamil serial. This is a daily that we launched on Sun TV called Roja. We are now running three daily on Sun. Close to around 1700 minutes of content we are creating every month for Sun TV and the IP of all the content stays with us. Roja when it started in the first month was working on lower ratings. By July, it is the second highest rated afternoon program on Sun TV. By the way, first position program happens to be Saregama program So, we people are now in a pretty descent position in the female TRP. This program is doing very well. Since the advertising inventory sold by us, good ratings mean that we will be able to maintain our rates and as the festival starts coming in we should be in a good enough position to go back and monetize this.

Our movie business in this quarter went a little slow in terms of releases. We in fact have not done any proper release. There is only a theater release. As you guys know for us the real release of any film is the digital or TV release and not theatre release, so we do not make films for theatre. Abhi and Anu was released in theatres from critic's perspective, got its accolades and we will be closing deals very soon. We already have closed two more deals for our films with a digital platform, which will be reported in the current quarter, which is July to September.

This quarter, as we had announced earlier also saw a fire happening in our godown, which has had an impact both in terms of the topline and the bottomline when you see. The other income includes this one-time recognition of the revenue from what we expect to get from the insurance companies. We have taken a very conservative estimate. We have a cost of Rs.37.5 Crores, which has been factored in under various heads and Vineet can tell you later about those. While correspondingly we have taken revenue of Rs.34 Crores, which is sitting in the other income side, which means there is a loss that we are taking in this quarter, which has fully factored in on a conservative basis right now Rs.3.5 Crores. This quarter as I said also showed a higher marketing push, which is coming out there on Carvaan because of which the marketing costs are going to be higher this quarter. You will see this delta becoming even more in the coming two quarters.

Any daily TV serial right now, every time the initial episodes are done you incur what are called a setup cost. The first 70 to 80 episodes end up moving out there at a loss and then after that you end up moving into profits. This is a very standard at operating loss level. It is a very standard practice across all daily serials. We believe that space is going to get over in the April to June quarter and this quarter onwards we will be in a better position to go back and write higher revenue to take care of the cost, so things are as per schedule right now. I am not worried out there at all. The royalty number is showing a very high delta. Those of you who were on the call in the last quarter, I had stated that the Q4 numbers were very, very low because Q4 we had done some kind of a reversals of the Q2 and Q3 numbers. Last year that time also, please see the royalty payouts on a consolidated basis for the year and not for the quarter. Looking at that number right now the royalty numbers have grown only at the same rate at which the Carvaan sales number have grown, so there is nothing disproportionate that is happening out there on the royalty side also.

Overall, we have seen a very decent growth coming in music. Films and television business did not grow in this particular quarter, but you will see a decent change happening in the coming quarters as more and more deals start getting fructified. On the movie deals, it is a conscious strategy right now that having sold two of the deals with additional cap funds were done earlier we people were going steady to get the right realization for our movies and that strategy seems to paying off. I see a decent future for that too. We had committed to you a PBT without a SAR impact of 14%. We already in this quarter have touched a number of 13%. Had this Rs.3.5 Crores of fire loss had not happened, hopefully we would have even delivered a 14% number for this quarter, but overall our projection of 14% number on PBT without SAR continues for the entire year. That will be all from my side ladies and gentlemen.

Moderator: Thank you. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Amit Kumar from Investec. Please go ahead.

Amit Kumar: Thank you so much for the opportunity Sir. Actually, I just had one question really on the capital allocation of the company, so the way I look at it five business lines the legacy, music catalog, Carvaan be it a little bit of TV content production that you do down South films business and the new music that you are acquiring? The first three are not sort of really very capital intensive? Carvaan has scaled up, so I do not think it requires sort of self funding at this point in time, but the latter two I know these are fairly sort of long dated investments in intellectual properties, so which one of these two would you sort of prioritize from a capital allocation perspective?

Vikram Mehra: There is no specific priority we are working both of them are a part of our bigger strategy to use the monetization of our existing catalog content to get this company ready for future and we are saying we will be investing in all kinds of IP whether it is films, television or music depending on what we believe the potential returns that we can get from that IP, so we are going on a case to case basis and taking a call.

Amit Kumar: That is the point, which I was sort alluding to also because I am not sure I fully understand the returns from the film strategy that you have and it is not very big. We are talking about sort of undertaking very small projects out there, so definitely scale is going to be challenge out there? At least on the music business what we feel there are three big players there is definitely space for more TCB and Zee Music, Zee Music definitely we have seen within a three years sort or rather within a four years of time span to get to Rs.100 Crores kind of scalability with decent profits as well as what we understand, would we not be better off focusing because that is anyways is a core business that sort of adds on to the library and to the catalog music business that you already sort of have on our plate? Would we not be sort of better off focusing on that side rather than on the film side?

Vikram Mehra: Film business is not taking that much amount of cash. As we have said earlier also right now the maximum amount of money that we spend on a film is between Rs.4 Crores to Rs.4.5 Crores. We do not go beyond that and most of the times right now and by the times end of this year, the returns or the sales revenue that we will be getting from the licensing of our catalog of our first set of movies will start funding the rest of the movies. In fact, the film business unlike the conventional films business is not a very capital-intensive business. Film business is what is going to help us a lot is that within number of platforms that are going up in this country offering video streaming content. It is a very, very handy business for preparing the company three years down the line. If you see the news now, Walmart has also announced that they want to get into the film licensing and subscription business, so you have some of these biggest companies globally, all eying India, all are looking at the video content and we are competing with the television channels right now who are also looking for the video content. We believe in the days to come any company, which is making quality content will be in a position to go back and drive very decent multiples and that is not taking attention away from music, so be rest assured music is going to take a significant amount of our attention and resources. It is just that on music also in the beginning we have consciously taken a call that we will grow slowly rather than getting into very high-profile movies and burning our hands without fully knowing how to go back and monetize the latest content. The initial steps we have taken, we have taken all seven to eight smaller budget films last year. We are already upping our numbers in terms of what kind of films we will be taking. It is slow and steady movement, which is happening right now towards eventually going out there and becoming a formidable player in the new content acquisition too.

Amit Kumar: Understood. I appreciate it. 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: Sir what is our advertisement budget for the whole year? Our advertisement in June quarter on advertisement is Rs.22 Crores, which is three times our net profit, so if it is justified or what is the budget for the whole year Sir?

Vikram Mehra: Let me just answer the second part, which is it justified, or not? Please understand if the Carvaan sale is happening to sell any consumer durable product and Carvaan is like any other electronic products. You will need to create awareness amongst people so that the products start selling. Please take it the sales number in conjunction with the fact that we are working on 750000 units' sales happening out there of Carvaan in the country. To manage those kind of numbers, which are unbelievable if I say so. You will need to go back and do the basic marketing spends. Rest assured these marketing spends in the long run are going to be pretty profitable to make Carvaan a very established brand and as we launch newer variants of Carvaan they will not be taking as much spends that Carvaan is taking at this moment. Even at the net margin level, because majority of the market spends are going behind Carvaan. At a net margin level also end of the year Carvaan is going to show decent profits.

Ravi Naredi: How much budget for the whole year you may expect?

Vikram Mehra: I am not in a position to go back and comment on the specific budgets out here right now, but what I am promising you at this juncture is to show a net profit.

Ravi Naredi: Sir Indian plant has been started in July, which you are planning?

Vikram Mehra: Which Sir.

Ravi Naredi: Indian plant?

Vikram Mehra: Indian plant has started right now. In the month of July, they will be churning out 15000 units. This is the Greater Noida plant and we are scaling up the numbers out there slowly. That is something we all follow in a new unit that we do not end up taking it to the peak capacity. In the end it is geared up to produce 50000 units on a per month basis.

Ravi Naredi: But it is a third-party plant not ours, right?

Vikram Mehra: They are all third-party plants. There is no capital expense from our side on plants.

Ravi Naredi: Any movie we released in June quarter?

Vikram Mehra: For us a movie release means that digital sale and we have not done any digital sales, which can be reported in the June quarter. In fact, the deals that the people have done, they have finally got inked now. They will all be seeing in the July or September quarter. In the month of June, only Abhi and Anu from critic's perspective a theater release was done.

Ravi Naredi: Sir we take the existing director for this movie or we take new directors?

Vikram Mehra: Directors approach to us. Our approach is very clear right now, it has to be very high on story and very low on star cast and known director, so that the fee that we are paying to these guys are not very high that is how we have been able to go back and create movie in these kinds of budgets and in spite of that Netflix is going out there and buying all our movies. In fact, second movie called Brij Mohan Amar Rahe, which I had announced in the last that the sale has happened, you will start seeing the advertising of that starting from Netflix side from this week onwards, they are presenting it in the month of August and a lot of fanfare, it is going to come on Netflix.

Ravi Naredi: Okay and Sir in Q4 concall you assured there will be not be any loss due to fire, but it is now 3.5 Crores we have booked, so will you comment anything?

Vikram Mehra: My understanding is that there is a 5% standard deduction that always happens and the insurance claims, keeping that in mind, we have to go back, and unless we get the final stuff in our hand, which will take may be another month or two, this is the most conservative basis on which we people have gone out there and put a 34-number, obviously management attempt will be to minimize a loss further.

Ravi Naredi: Thank you very much and all the best. We will meet in the AGM. Thank you.

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

Ankit Agarwal: Sir I just wanted to ask out of the 164000 units that we sold of Carvaan how much did we do in the June month?

Vikram Mehra: We do not monthly level numbers out here, but all I can give you is large number happened around May. It was bigger month if I may say so because the Mother's Day happening and the advertising campaign breaking and 102 Not Out also happening.

Ankit Agarwal: Okay, so do we think that on a per month basis like a lakh unit sale is feasible for the next nine months or that is too high a number?

Vikram Mehra: We will maintain a projection of 750,000 units for the year. We did a very flat, even say 100,000 had I said 10,000 on my own, any of you guys would have laughed at me saying, I do not know what I am talking about, even 750,000 units many of the analysts do not believe that is the achievable number, so I will maintain the 750,000 unit part only and we believe we are on track to achieve that number.

Ankit Agarwal: Okay, one last question if we see more demand then do we have the production capacity to meet that?

Vikram Mehra: Yes, the production capacity has been built right now to manage the number that you had in mind, which is 100000 unit per month and we are already with the fourth plant the way it is getting geared up right now, we will be able to go back and scale it up further. We will never come to you again saying right now that the supply could not meet demand that happen in the first three months or five months when we were just setting up this business, now we have gone out there and made the right investments there.

Ankit Agarwal: All the best Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Swathi Krishna from Moat Portfolio Manager. Please go ahead.

Swathi Krishna: Thanks for the opportunity. My question is, is it sustainable in the long run to do with this one product that is Carvaan or is there any plans of expanding to other devices like the headset and iPOD also would Carvaan be introduced in south languages in this quarter?

Vikram Mehra: Let me go one by one. So Carvaan is not going to remain the way the Carvaan is. I would have shared that little more right now in my closing remarks that Carvaan itself is getting upgraded and you will be seeing that version coming in the month of September. There are variants of Carvaan coming in right now which are going to be more premium, which are more of a margin strategy that we people will have then there are different kinds of products, which follow the principal of Carvaan, which means preloaded music with integrated speakers and a very easy user interface along with Bluetooth and USB capability and if that being the principal and the audience being 40 plus there are multiple products that are getting planned out here. In fact, one of the product is all ready and we are just wondering when to launch. Should Diwali be the right launch time or Christmas is the launch time or may be next year, so there is a large amount of work happening right now in the product development, but I want to give you the comfort right now is we do not look at Carvaan as music product internally at Saregama. We look Carvaan as an electronic consumer product within Saregama and all the R&D that is happening is keeping that in mind. You were asking other languages, we already are there in Hindi, Tamil, Bengali and Marathi. Are we looking in more languages? There are couple of other languages also that we people are considering.

Swathi Krishna: Okay, are you looking at collaboration or an acquisition or plans with other companies, which are into entertainment space?

Vikram Mehra: You said about acquisition in artificial intelligence?

Swathi Krishna: No, I mean in the entertaining piece, like Music Card like movie sort of things?

Vikram Mehra: Music card?

Swathi Krishna: No entertainment for example movie or music like some other company are you looking at collaboration or acquisition with these?

Vikram Mehra: In the movie part, we are open, we are not stuck on any models right now. We are very open as long as it is an IP based strategy. What we are not very keen on doing right now is our services business whereby we create content and handover the IP to somebody else. I will repeat the broad thinking right now, that with 380 million smartphones in this country and data cost falling below Rs.5 per GB we believe in year or two years down the line right now almost everybody who is a paying customer will have a smartphone and an insatiable appetite for content. We want to ensure whether it is audio or it is video content, we are the content owners that ends up fueling majority of the platform for Indian content need, that is where all the investments are going and we will follow all possible strategies to do this and while doing this we do not want to take any of this very large risk project, so we are not making films, which are made for 300 Crores theatrical revenue that is a different business, we are not getting into that business. Our business is the smartphone device that is going to be there in consumers hand and we will form whether it is joint IPs, whether it is joint production path right now, whether own IPs we will follow all possible routes.

Swathi Krishna: Thanks for the clarification. Thank you.

Moderator: Thank you. The next question is from the line of Pranav Bhavsar from ASA Capital. Please go ahead.

Pranav Bhavsar: Good morning Sir. Do you share exports breakup, so of this 164000 units any exports that has been done?

Vikram Mehra: Exports revenues are not part of the revenue numbers that all get consolidated in the end of the year, but what I can give you the comfort right the only country in which we have now started pushing a little harder is US, the other countries, which is UK and Canada we at this juncture the focus is to put the product out there, put it on Amazon, do only Amazon level push and nothing else, we are not spending money, setting up a retail infrastructure out there yet, we want to stabilize India little more before we start pushing.

Pranav Bhavsar: Like from India also any breakup on how much is coming from Amazon like online channels versus your retail channels?

Vikram Mehra: I will not be able to share that, but I can tell you this right now contrary to the belief, a broad majority comes from retail network, not digital.

Pranav Bhavsar: Okay. Thank you so much Sir.

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

Dhwanil Desai: Good morning. Three questions from my side. First is on the B2B side, so I think if I look at the presentation, the growth on the publishing and OTT side is very, very robust, but if I look at the overall numbers looks like that the B2B numbers are flat, so can you throw a bit a light on – is it because of the telecom business that we discontinued?

Vikram Mehra: Smart question and a very smart observation. It is not flat, there is a growth in B2B side also, but yes you are right, the telecom part is what is taking the beating and more specifically we have gone out of the WAP business. It is in the fourth quarter 2017-2018 when we took the conscious call that Saregama will completely go out of WAP business, that WAP business is sitting as part of the first three quarters revenue especially the first quarter with substantial revenue last year, which show the big decline because we are out of that business completely. The caller ring back tone business is a flat or a minor decline kind of a business that we people are looking at. For comparison, it is one more quarter where telecom, WAP business, was there in 2017-2018, WAP business, but it is not there in 2018-2019. From Q3 onwards, it will be true reflection of this segment which is going to be start showing a large growth. The segment which are the segments for tomorrow publishing business, YouTube business and very important OTT business, they are all showing very, very steady growth, growth which is based on fundamentals and not just one deal happening here and there.

Dhwanil Desai: I think from the Q3 or Q4 onwards we will see the trajectory of growth slightly different than what we are seeing?

Vikram Mehra: What is happening right now Q1, all growth is happening because Carvaan had just been launched and that quarter we literally did not, we did a test launch, so all these is growth, so by the time we are in Q4 then we will have a tougher time convincing Carvaan growth story because the denominator will also have Carvaan, but the B2B story becomes even better then.

Dhwanil Desai: Sir my second question is on the Carvaan side and this is more to do with overall system setup that we are doing in order to scale up this business, so wanted to understand what kind of service network, support system that we are building in because now we are going pan India, we are going deeper into Tier 3, Tier 4 towns, so as we sell more and more units we will need to have that kind of a support system and service networks available, so if you can throw a bit light on that and also what kind of I mean are we already building in the warranty cost in our P&L or it is something, which is not yet part of it?

Vikram Mehra: Both the answers, I will give you, let me give you the second one right now, we are already building the warranty cost as part of the P&L, so no surprises are going to come and hit you right now at a later juncture. The good part right now is that the failure rates are reasonably low, we had our initial set of stabilization issue right now especially on FM part and some of the other things, which are connected to the transportation within the country those issues have sorted out right now, so at this juncture it is in a pretty steady state. There are two or three points, I would like to drive out here, we people had zero dealers for selling Carvaan right now because Carvaan not been launched or Saregama owned less than about 20 dealers as of April 2017, today we are having more than 12200 dealers who have build at least one Carvaan and ours is cash and carry, we do not do anything on credit out there within Saregama. So, the speed at which network has grown out there for us, there is primarily consumer durable and telecom and gifting shops right now which are selling this. Part number two that entire team that looks after Carvaan, entire team right till the person who heads that business right now, everybody is new to Saregama, nobody has been taken from our existing business, these are the guys who have been hired right now from sales and service setup of LG, Samsung, Tata Sky, Airtel, DTH, Vodafone kind of companies, so these are the guys who have been there in the business of electronics and services. I said in the beginning also we treat Carvaan as an electronics business, a personal good product rather than just music going in.

On the service infrastructure we people have tied up right now for last one year with Jeeves, which is a Flipkart company, which specializes in third party product services, they are available across 300 towns and we work very, very closely with them, we have our own call center also now, which is monitoring this and we are going out there making further investments on the service side to ensure that there are no pitfalls coming in. Very rarely and I have around 25 years of work experience and it is only marketing that I have done throughout my life, I have not seen any product that in one year, actually a new product in a brand-new category, which can become a perceptual leader so fast. One is that the product is doing well, second is overall the response and the feedback to the product is very positive and we are making all the necessary moves to ensure that the brand Carvaan does not get hit because of any poor customer service.

Dhwanil Desai: That helps. Thanks a lot, and the last question is on this IPRS and PPL thing and if you look at the global music industry the performance rights is a very substantial part of the overall revenue mix at least 12%, 13%, 14%, so how big this number can be for India or are we any different and without getting into numbers, what percentage of shares that we as a shareholder – Saregama as a shareholder can plan to have in the overall revenue, if you can?

Vikram Mehra: It will be substantial. My problem is literally starting closer to a zero number, any number at this juncture right now looks funny, meaning, some stupid growth percentages here. We believe right now that it has got a large enough upside potential sitting in there. All I can tell you right now is the only other place right now, I am personally sitting as a Director is IPRS, I do not sit as a Director anywhere else because we see right now a large enough potential coming in. Javed Akhtar Sab who is heading this it seems to be steering it in the right direction out there. We have more and more of users who are now accepting that a license has to be taken from IPRS, so you will see in the days to come is becoming a large proportion or revenue for everyone.

Dhwanil Desai: And that drives you close to the bottomline is that safe to assume?

Vikram Mehra: Whatever money comes from IPRS flows to the bottomline.

Dhwanil Desai: Okay, great. Thanks a lot, and all the best.

Moderator: Thank you. The next question is from the line of Tejas S from Trust Group. Please go ahead.

Tejas S: I have just two questions on your annual report there is an interesting line it says that we are looking at getting revenues for Carvaan on recurring basis and also open to extending the platform to third party content provider, so if you can elaborate on that, that would be my first question? Second is I was quite shocked to see that we were not able to generate cash last year and majorly it went into working capital increase especially current asset receivables and inventory, so if you can throw some light on the receivable side and how do we see operating cash flow for this year? Thanks.

Vikram Mehra: Let me try to attend the first one and I will ask Vineet to take the second one. On the first one side, right now see there is limited amount of stuff I can tell you beyond this on Carvaan Future Path, this question is often asked right now that will Saregama ensure right now that Carvaan is only for its own music. Philosophically, I am against it because Carvaan is electronics business that we people are in. Carvaan is a way for people to listen to their favorite music at a press of a button, so principally if anybody else wants to come out there and say that we want to put up a content out there as part of Carvaan we are going to be open to it at a right financial deal. Right now, we are very, very open to that idea, whether it is any other Indian label or it is any of the global labels what we have gone out there is patented Carvaan. This concept is now sitting out there with us and there are substantial entry barriers that are getting built whether it is a retail network which has got setup right now, it is difficult for anybody else to jump into it. It may be easier for some of the people to just piggyback on it, we have already started getting feelers for some of the smaller labels going back and saying can you put our content also as part of this. Are we in principal open to the idea? We are in principal open to the idea. Are we actively pursuing it? No. At this juncture we have enough content of our own to fuel Carvaan numbers that we people are looking at. Second part is Carvaan till now is like a washing machine or a refrigerator. You sell Carvaan you make your margins right now a 23% gross margin you have done with it, we are looking at ways in which can I have an ongoing revenue stream also coming out there, in that case it will become like a Tata Sky Set-Top Box, consume pay something upfront and then consumer has to pay something on an ongoing basis also. We are looking at there are no precedence's like this, there is no product globally called Carvaan or like Carvaan out there, so it is difficult for me to find a precedence, but if this become a platform on its own from which I can have a recurring source of revenue coming in, various things are being looked at. I am not at a liberty to share anything more, but there is serious amount of work going on in this space both from the content side as well as R&D is concerned. So that is the Carvaan part, now let Vineet take the other question.

Vineet Garg: On a working capital side, I think whatever sales we are doing is explained earlier as well, Carvaan is completely on cash and carry basis. There are very few retailers where we give them credit that to generally 30 days credit, so entire sale is on the cash and carry so we do not have any challenges on the cash we maintain the company is a debt free company and want to remain there. Q1 there is only small accident is happening in the beginning of the year because of which we need to manage our inventory. We lost our entire inventory on March 31 in fire and we rebuild that. Apart from that we are not investing anything real time in working capital, we are completely cash and carry company, and will remain cash and carry.

Tejas S: Thanks for that answer. My question was basically for the full year number last year which is FY2018 and we have a great product, great pull in the market and when we compare ourselves with other consumer electronic companies the main underlying thing is that they generate large cash flows because of the pull, but we could not in last year FY2018 and mainly because of the three heads which I said, so how this year you would look at it?

Vikram Mehra: Firstly please I am very flattened that you are comparing us with this large consumer companies, remember it is a brand new category getting created with the brand new product, I was the first employee of Tata Sky when we were creating the category there and I understand right now how the first year goes for any new category creation – we are in category creation phase in spite of that Carvaan has thrown profits last year and obviously the numbers are going to become much better in the year that is coming in here. The B2B numbers are also going to throw enough cash back. The call that we people need to take at any juncture is what do I do with that cash, do I reinvest as part of content whether it is audio or video or do I keep the cash with us. Our conscious call is that we will go back and reinvest in content and please remember whenever I am reinvesting in content we charge it off. Any of my films that I am investing in they get charged off in the year in which the movie is released 100%. What I can assure you the two-guiding principles with which Saregama management team is working right now, one we will remain a debt free company, number two we will go back and throw a minimum PBT without SAR impact on it right now of 14% in the year and this is after charging of all the content that we people have acquired and released in the financial year.

Tejas S: Sure. Thanks a lot.

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

Ravi Naredi: Thank you again giving the chance. Are we planning to make any Hindi TV serial for any TV channel?

Vikram Mehra: Our stand is very, very clear out there if I can retain the IP, yes, we used to make Hindi TV serials earlier and we were never able to retain the IP we have consciously got out of that business last year, so 2017-2018 was the year in which or what we got out of all our non-core businesses whether it is WAP or making serials for somebody else as a services company. Now our stand is very, very clear right now, we will primarily go for content where we retain the IP ownership.

Ravi Naredi: Okay and all songs of Carvaan posted on WhatsApp group usually often any plan to check it?

Vikram Mehra: Sorry I could not get your question?

Ravi Naredi: All songs of Carvaan, 5000 songs always play in the WhatsApp group often is someone sending like this?

Vikram Mehra: What has happened is that is very clearly competitive move right now by one of our competitors. Give you comfort right now, no WhatsApp server is capable of putting the entire Carvaan Music what you see as part of the WhatsApp part is somebody has taken off from YouTube channel, Saregama YouTube channel, the first five second that you here right now Carvaan ka ad, which is playing in out there. It is one one-and-a-half hours of content, some places there is two hours of content, the way we look at internally right now we see this it is competitor doing a marketing activity for Carvaan. It is not impacting Sir. Do keep in mind what we are selling is not music, that music is very easily pirated and available. What we are selling is electronic product that makes listening to music very, very convenient and has the packaging of nostalgia all around it.

Ravi Naredi: Okay and a small question, when do you receive this insurance claim?

Vikram Mehra: Insurance claim we are expecting to receive in Q2.

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

Moderator: Thank you. The next question is from the line of Aakash Manghani from BOI AXA Investment Managers. Please go ahead.

Aakash Manghani: Good morning Sir. Thanks for taking my question. You mentioned that Carvaan sales on cash and carry. I would like to understand for FY2018 in the first place, what was the inventory days and payable days related to Carvaan?

Vikram Mehra: I do not know, we cannot get into that much detail. So, the model is very clear, music industry follows from model of credit since we do not consider Carvaan to be a music product, we consider it to be an electronic product right now, we follow the principle of the electronic business, which is the distributor pays us upfront before he takes our products and distributor in turn goes out there and manages the product, the retail network and distributor takes its own commission for doing so. Hence there is absolutely no chance right now that is coming in of sales returns coming in.

Aakash Manghani: I understand that, but basically my question is you might be holding some finished goods inventory at your warehouses and you are getting these products manufactured from an Indian manufacturer and you are getting some from the Chinese, so what is the credit period you get on the manufacturing capabilities?

Vikram Mehra: I suspected there are two parts I have tried to answer this I do not know. Part number one, we are now maintaining between the inventory that we own and the inventory which is owned by the distributor, we now are keeping a pipeline of 60 days in the market, some of that has kept by us and some of that has kept by the distributor. Distributor one is obviously fully paid to us and ours is something, which is sitting as part of our books. On the manufacturing side, we are focusing more to increase the number of vendors rather than scale up the existing vendors and get better terms from them, to ensure this we have to keep on supporting these newer guys by giving them advances, we have not reached a stage whereby we can get that kind of terms that you are looking right now on credit we read from these vendors yet, it is a conscious call. The increase in gross margins and this is another point just for your reference. The increase in gross margins that the people are showing quarter-on-quarter is not coming out of lower cost of material, all that is coming right now is we people driving out all inefficiencies in our logistics, in our warehousing, servicing infrastructure and dealer network. The focus in manufacture is very, very clear right now is hedge your risk, get more guys coming in so that we can go back and ensure that the Carvaan numbers start have to look far bigger than 750000 units also we have enough guys who can go back and provide this to us. Which means that number or units I am giving to every manufacturer not necessarily going significantly up on a quarter-on-quarter basis, so I am getting additional manufacturer in place, which means we are not flexing a muscle yet to get terms which on the credit side.

Aakash Manghani: I do not know what is the inventory that you would be having on your books, but your net cash conversion cycle on this business would be in the range of a month or so, some broad number that you can talk of?

Vikram Mehra: We can consider that close to a month.

Aakash Manghani: And you mention that the increase in gross margin is driven by efficiency is coming out of logistic servicing?

Vikram Mehra: Logistic servicing, warehousing and dealer distributor margin.

Aakash Manghani: Okay and what will be the item, which is driving the maximum?

Vikram Mehra: Let me leave it right now because everything out here is going to be quoted right now by my partners after that. It is all forgoing out there and volumes keep on going up remember since there are actually brand new company in this space even if you take a warehouse, you have to take a warehouse for a minimum part and size and as units are very, very small right now than the loading per unit becomes higher whether that or partnership will be the service guys or what we are doing with the dealer distributors, for many of the distributors, there was brand new category not even constraint working out here. So, all that we are driving now that is getting more and more established as a product, we believe right now that the margins, our desired gross margin number are 25% should be an achievable number by the end of the year.

Aakash Manghani: Can you help me with the RM to sales for the product because gross margins including all of these other components as well, what will be the pure RM to sales for Carvaan?

Vikram Mehra: The only number we will be in a position to go back and report right now the gross margins out there, the only thing which is not part of which has not been debited while calculating gross margin are the above the line marketing expenses rest everything has been factored in at operating gross margin that all I can share with you guys.

Aakash Manghani: Okay, the next question is what is the plan for A&P related to Carvaan for the remainder of the financial year? What will be the cumulative number that you will be looking at?

Vikram Mehra: Asked earlier also right now. All I can tell you, I cannot share my plans out there in public with competition there. We people have very aggressive A&P plans right now, the current quarter which is second quarter and for third quarter. We want to capitalize during this entire festival season. The key part is to go back and find everywhere right now to exceed the 750000 units sale target, but in the end Carvaan will be net margin positive product. We will not come back to you and say that on gross margin we are pretty decent for all the money has been spent on marketing that assurance I can give you.

Aakash Manghani: Could you talk about the net realization that was in Q1 for Carvaan?

Vikram Mehra: Again, right now we have gone out there and shared with you the gross margins, we people made on Carvaan in the last quarter, overall if you see my profitability that has gone up significantly compared to a year before and one of the primary factors there was Carvaan.

Aakash Manghani: You used to talk about Rs.4000 net realizations, you are not giving that net?

Vikram Mehra: Rs.4000 is the net realization. That is the impact on my topline. The gross margins on that filling 23%, 750000 units is the number that I am talking to you about that we will be going back and selling, 50000 combinations.

Aakash Manghani: Rs.4000, have not fallen because I think there are more of the units that you might be doing now so that is Rs.4000?

Vikram Mehra: All I can tell you right now, the sale is primarily Carvaan not mini.

Aakash Manghani: The last question is on the publication business, I mean FY2018 is a big drag on the P&L and balance sheet has been so for the last few years, the open TV, magazine, what plans on that over the next one to two years. Can there be a loss of 12 Crores?

Vikram Mehra: We cannot give you anything that is different from what I have said in the last few quarters. I think the last two quarters I have been saying is that there is a serious intention within the group right now to avail and understanding an appreciation that the initial plans that the people had open being media business for it to be consolidated with the only other media company within the group which SAREGAMA made a lot of logical sense, may be with SAREGAMA moving in very different areas right now may be it makes less sense so they are considering it very seriously to find a solution to this entire part. The other assurance I can give you right now that the losses that you people are writing an open, the losses are not going to go up anymore than right now the losses will be currently writing. So, you would not have escalation right now. Can I give you a timeline by which solution will be found out? No, I cannot give you a timeline. Is there a very strong intention to get it done is work happening? Yes, work is happening at the senior most level at the group.

Aakash Manghani: As of now FY2019 should be another Rs.11 Crores, Rs.12 Crores of losses is that the way to assume?

Vikram Mehra: That is.

Aakash Manghani: Okay, fair enough. Thanks a lot and wish you all the best.

Moderator: Thank you. The next question is from the line of Vignesh Ramesh an individual Investor. Please go ahead.

Vignesh Ramesh: Thanks. Most of my questions have been answered. The first one is on the degrowth that you are saying on strategy growth but I know this is in line with the strategy that you talked about and you have been talking about, but can you just give me a sense of when this will bottom out and when you will see?

Vikram Mehra: Which deal?

Vignesh Ramesh: I am talking about the degrowth in the TV business, so we have been talking about pulling off from the non-IP publishing in TV business, can you just give me an indication of when this degrowth will stop and whether we will see the topline in growth currently in the TV business?

Vikram Mehra: In fact, if we have not taken the new serial Roja just quarter itself right now you would have seen a turnaround happening and positive numbers coming in. Since we took Roja and as I said at the set of face, always the costs are higher and the revenues do not come in.

Revenues are coming in when the TRP start looking better. You will see right now by the time this festival season is over, a complete turnaround happening out there. Just give me time till this festival season.

Vignesh Ramesh: Okay and second question is on content acquisition, so this has also slowed down, if we compare it about five years ago what it was last year of three or four and we have been talking about revamping business also, can you give me an indication of how this will grow?

Vikram Mehra: New music acquisition?

Vignesh Ramesh: Yes.

Vikram Mehra: New music acquisition five year back we never used to do it, about 10 years or so right now SAREGAMA did not acquire any new film music apart from a random movie here and there. This is the work that we have started around 12 months back where we said right now that is important that we start preparing this company for future, two decisions were taken, new music acquisitions and films for the digital audience. New music acquisition very consciously we people have taken a call that we will go slowly. Last financial year we bought Movies, which were reasonably smaller budget movies. Please understand however good intention may be that we can do wonders with new music. This team has not done it for 10 years. There are set of assumptions that the people have in place that if we spent 'x' amount of money on a movie, how will we start recouping those investments. We typically work on a cycle of five years for recouping cost of new content audio or video. Those assumptions having put in place, what we have done, we done a further breakup internally is where will we recover this money from, how much from streaming, how much from telecom, how much from YouTube, how much from video licensing, how much from publishing business. The last year went only vetting those assumptions with the smaller budget films, we are not scaling up this year, so we have already 102 Not Out is what we took, we have already announced Indra Kumar's next movie Total Dhamaal whose music is sitting with us. We have Sunny Deol's movie in which Salman has gone out there and done a video number called Yamla Pagla Deewana Phir Se, which is getting released in the month of August. The Kajol movie which is coming out in the month of September, so this movie which is getting release Saheb, Biwi Aur Gangster, the music is sitting out there with us, so we are consciously now going out then raising a little higher profile. Last year movies were much smaller. These movies are a little bigger, they are not the A list as yet. We want to again try this out see that assumptions are all correct before we scale it up in a very big fashion. I do not want to make a mistake of misstep out here of theme not be fully prepared to go back and recoup investments because majority of the investment get recouped in year one of the movie release, you need to get it right you do not get a second chance that easily.

Vignesh Ramesh: Understand just a followup question on that one then. Do you see that impacting our topline growth or revenue growth from the B2B business because of that especially on the OTT space of digital media streaming?

Vikram Mehra: If you take out the telecom factor right now out of it and suppose you remove the telecom factor completely and just look pure numbers, which are telecom has massive decline because of that we are out of that business. B2B business is growing. These are the three verticals, which are there, 33% of publishing revenue, 41% on music OTT, and 29% of YouTube. These are the only three verticals left if telecom is out. If the average number out here is sitting upwards of 30% and this is just when we are just started investing a new content. You will see these numbers going steady. The telecom factor will completely get wiped out in 2018-2019. The moment I am sitting in 2019-2020 that denominator not going to have the telecom hang over sitting out there only. The numbers are looking pretty decent. The streaming business is working pretty decently on catalogue and new is even better. So, see the New Music acquisition is an expensive game, we need to be confident that we have now the wherewithal and the expertise to go back and do it. We are not running away, we are going more aggressive right now on the Tamil side than the Hindi side. The ticket price on a per movie is much lower in the case of Tamil than Hindi and should four movies of Tamil have got released while only one movie of Hindi got released similar thing is going to happen in this quarter. Some six channels movies are going to get release, so we are playing the game, we are not running away from the game. We are just sticking it right now in logical steps.

Vignesh Ramesh: Understand. Thank you. All the best.

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

Rahul Jain: Thanks for the opportunity. Sir just needed to understand in terms of the growth what I see is as far as our music is concerned, I understand that year-on-year there is an impact of telecom part, but just needed to get more details in terms of this quarter comparison versus the last quarter that is quarter-on-quarter our Carvaan sales are up by almost 12.5% whereas our music business the revenues are hardly up by around 8.5%, so am I missing something or even in last Q4 we had a good impact of the telecom part, which is still playing on?

Vikram Mehra: I do not know where you have arrived right now that on quarter-on-quarter part, Q4 B2B took Q1 B2B.

Rahul Jain: I am talking about the entire music business in the current quarter as far as Q4 presentation of the Company **(inaudible) 57.32**, about Rs.99 Crores versus Rs.91 Crores, last Q4 FY2018. We see a growth of 8.8%. If I look at the sales of Carvaan, the Carvaan sales in terms of volumes are up from 146000 to 164000, this is a growth of 12.5% and as you mentioned before in a previous question that most of the sales?

Vikram Mehra: I got your point right now. I do not know if you have been following our company for long we will always rely that Q4 is always the peak of the quarter so what happens lot of society payment, which is the PPN and IPN always land up coming out there in the last quarter and we recognized revenues only when a money is actually coming into us, so that is your facing issue. You go back throughout and always you will find Q4 being disproportionately high for our business. I think that is the factor right now, you can take my personal assurance on this that apart from telecom every other part of B2B, which is YouTube, OTT and business right now, all assuring handsome growths out here. So Q4 is disproportionately high at two factors and you will find this year also same thing happening on Q4. There will be no change.

Rahul Jain: Sure.

Vikram Mehra: That comes right now. All India Radio money gets consolidated right till the end. Lot of these people then finally start giving you money as the financial year closes.

Rahul Jain: In terms of the due consideration, I understand the **(inaudible) 59.14** just to have more clarity, are we like I understand as far as our movie business is concerned as a whole what we look is for a five-year payback for our movie business as entire booking. So similarly, Sir in regards to the new music acquisition given the cost, which will be higher given that there is much more competition than what we had earlier so how do we look at the new music acquisition, how are we looking at, if I look at it as a separate pie where we are going to acquire music on a continuous basis, so how do I look at this acquisition of music over a period of next two to five years to come?

Vikram Mehra: So, let me try to answer indirectly. The way we people look at internally is all new IP investment whether it is music or it is video is no longer germane right now, if Saregama is investing in newer IP, which will be relevant many years down the line the internal thumb rule is right now that we should be able to recover on an average investment in maximum five years as long as we are working on that philosophy we will keep on investing. The amount of money we will invest in it is governed by a commitment of 14% PBT without SAR that we have given to the market right now. Whatever is remaining beyond that right now keeps on getting invested. So, these are two governing factors that we people are sitting on. That different between films and movies is typically films will have a life of 25 to 30 years, so 30 years is a very normal part unless it is an iconic movie then it is 40-50 years life also. Today also Saregama is making the money on the music, which was bought 60 years back and 70 years back. Music typically treated as a lifecycle of 65 years of which music if one is playing. There is also medical work, which has happened in the spaces that human ear is more perceptive to newest tunes audio clues between the age of 16 to 24 or 25 after that ear is not able to offer newer stuff and people typically end up liking the music throughout their lives, the music that they heard between 16 to 25 is the most admired music so the way lot of us look at it right now that if you can go back and target acquired the music that a kid is heard between 16 to 25, next 50 to 60 years for make him to listen that music and keep on recovering the cost. Hence music has a much longer shelf life. Movies are relatively shorter shelf life, but both are long enough not like TV serials, which have a very, very short life, which is going on. Overall as a company we will look at five years timeframe in which the cost to get recovered. I have not answered your question very directly because you wanted, but I am answering the principle with which the management team functions out here.

Rahul Jain: No Sir I am happy with that fair enough I understand that and Sir on the movie business just to get the numbers, you have currently four movies, which have been released, out of which three were released in the last year am I right?

Vikram Mehra: Three were released last year, the fourth movie only the theater part has been taken in, the digital release is not happened in the last quarter. The release part is a very tricky part right now, we consider actually a full release of a movie only when the digital and the TV sale is happening because we are making movies only for that in very specific movies because of various reasons to get critics feedback, we do a very limited screen release of the movie in the hall. Like in case of Ajji we people released the movie only in 34 screens and immediately sold it to Netflix after that.

Rahul Jain: Sure, but as what the policy of the company is on the previous calls we have been continuously talking about that. Correct me if I am wrong, this fourth movie, which has been just partly released in a very partial manner, your 100% of the cost will be returned off in this Q1 is that correct?

Vineet Garg: So how the movie cost going to recognize is we are saying the movie release has happened on when we say the digital release is happen that is the release of the movie. So, we consider cost of the movie at the time of digital release.

Rahul Jain: Just last number on this you said 9 are in the production, 4 had been released, how many movies are completed till date in terms of a production?

Vikram Mehra: There are in various stages of production at this juncture, some movies are sitting on almost at a ready state right now where deals are happening as I said for this quarter we already have deals for two of movies whose revenue will get recognized right now in the current quarter Q2, we are hopeful at least one more movie deal can go back and happen. There are some movies, which are being shot right now at this moment. There are some movies where the shoot has happened and we are in the postproduction stage. You will get a much better feel of which way the movie business is happening by the time the next two quarters are over.

Rahul Jain: Sure. Thank you so much and wish you all the best Sir.

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

Vikram Mehra: Thank you guys. I am hopeful right now that you people are encouraged by the results that have come out. As a management team we believe that we have just started scratching the surface whether it is Carvaan or it is a B2B business that we people have on music or it is Yoodlee films I think all of them have got seriously long potential going in. We maintained on Carvaan, our projection that the target market is minimum size of 25 million and it is left to the management team's ability and capability and willingness to ensure that how much of the 25 million can we can go back and tap. What I am happy is that most of the people working out here believe in this dream completely and you will be seeing numbers coming on Carvaan, which may end up surprising you also further in the days to come. It is a long-term story for us it is not three months, six months, one year, two years story and we are doing everything possible on the R&D side to ensure that the concept of Carvaan continues for a much longer time. Our new music acquisition strategy will continue to be slow and stable, we will keep on taking movies that we believe in, keep on vetting our assumptions before we jump into the much bigger lead of A+ movies for acquisition. The films project, the cautious call in this quarter right now to hold on to our numbers and ensure that we start getting a relatively higher valuation for a movie. I am happy that we are appreciating the kind of content, which has gone in. Our second movie Brij Mohan Amar Rahe hits Netflix in August that will again become a bigger testament for the world to see that kind of movie we had or quality of movie that we are able to go back and make. Our movie business for the next two to three years, we are clear remains a growth business. We are not going to promote any disproportionate amount of money behind the movie business from end of this year onwards movie business starts funding for itself. There is no reason if the revenue that we get right now from the first set of movies will hopefully start funding the next set of movies. On the cost side a point that I forgot to mention we have always been maintaining the fact that the manpower cost out here was on the higher side and our strategy was not to go back and trim the workforce, but to change the skill set that we have in the workforce for that, they can go back and deliver higher returns. I am happy to see right now that we have been able to keep our manpower cost relatively flat and what was the 15% of the topline and now it has already fallen down to 10% of the topline and you will be seeing this number in single digit in the days to come. So our number of 750000 units on Carvaan stays, our projection of overall end of the year B2B business growing anything between 16% to 18% stays, our manpower cost going below 10% stays, the films and television business right now will start especially the TV business will start showing profitability from this festival season, we go back and commit to that part and the films business way also will start happening, you will see touching numbers coming in and at no juncture the films business is going to become a drag and we are not in the business or making a 50 Crore film and if the film flops right now the entire money going waste that is the commitment you have from our side. Thank you very much.

Moderator: Thank you. On behalf of Anand Rathi that concludes this conference. Thank you for joining us. You may now disconnect your lines.