B S R & Co. LLP

Chartered Accountants

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Limited review report on unaudited quarterly standalone financial results of Saregama India Limited under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations')

To
Board of Directors of Saregama India Limited

1. We have reviewed the accompanying Statement of unaudited standalone financial results of Saregama India Limited ("the Company") for the quarter ended 30 June 2019 ("the Statement").

2. This Statement, which is the responsibility of the Company's management and approved by the Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "*Interim Financial Reporting*" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013, and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. Our responsibility is to issue a report on the Statement based on our review.

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is 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.

4. Attention is drawn to the fact that the figures for the 3 months ended 31 March 2019 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 up to the end of the third quarter of previous financial year had only been reviewed and not subjected to audit.

B S R & Co. LLP Kolkata

Limited review report on unaudited quarterly standalone financial results of Saregama India Limited under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 *(Continued)*

5. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with applicable accounting standards 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's Registration No.: 101248W/W-100022

B S R & Co. LLP Kolkata

Jayanta Mukhopadhyay
Partner
Membership No.: 055757
UDIN: 19055757AAAABN6683.

Place: Kolkata
Date: 13 August 2019

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 2019

SL. No.	Particulars	Standalone			
		3 Months ended 30 June 2019	3 Months ended 31 March 2019	3 Months ended 30 June 2018	Year ended 31 March 2019
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
			Refer Note 3		
1	Income				
	(a) Revenue from operations	12,083	12,403	11,128	52,437
	(b) Other income	318	1,184	4,311	5,954
	Total Income	12,401	13,587	15,439	58,391
2	Expenses				
	(a) Contract manufacturing charges	2,417	3,547	4,641	21,481
	(b) Cost of production of films and television serials	1,440	1,384	1,323	4,883
	(c) Changes in Inventories of finished goods and work-in-progress [(increase) /decrease]	490	(1,261)	1,173	(4,520)
	(d) Employee benefits expense	1,254	1,159	1,126	4,406
	(e) Finance costs	190	188	152	655
	(f) Depreciation and amortisation expense	113	41	87	301
	(g) Advertisement and Sales Promotion	2,959	2,414	2,219	9,992
	(h) Royalty Expense	1,423	1,459	1,067	5,598
	(i) Provision for Doubtful Debts / Advances (net)	409	610	447	1,295
	(j) Other expenses	1,510	1,460	1,823	6,073
	Total Expenses	12,205	11,001	14,058	50,164
3	Profit before exceptional items and tax (1-2)	196	2,586	1,381	8,227
4	Exceptional Items	-	-	-	-
5	Profit before tax (3-4)	196	2,586	1,381	8,227
6	Tax Expense				
	(a) Current Tax	235	269	532	2,129
	(b) Deferred Tax (net)	(89)	707	(10)	905
	Total tax expense	146	976	522	3,034
7	Profit for the period (5-6)	50	1,610	859	5,193
8	Other Comprehensive Income				
	(a) Items that will be reclassified to profit or loss (net of taxes)	-	-	-	-
	(b) Items that will not be reclassified to profit or loss (net of taxes)	(54)	964	(594)	(166)
	Total Other Comprehensive Income	(54)	964	(594)	(166)
9	Total comprehensive income for the period (7+8)	(4)	2,574	265	5,027
10	Paid-up Equity Share Capital (Face Value of Rs.10/- each)	1,742	1,741	1,741	1,741
11	Other equity				40,873
12	Earnings Per Share (EPS)-Face Value Rs 10/- each (not annualised) :				
	(a) Basic (Rs.)	0.29	9.25	4.93	29.83
	(b) Diluted (Rs.)	0.29	9.24	4.93	29.80

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CIN:L22213WB1946PLC014346

(Rs in Lakhs)

Segment wise Revenue, Results, Assets and Liabilities for the Quarter Ended 30 June 2019

Sl No.	Particulars	Standalone			
		3 Months ended 30 June 2019 (Unaudited)	3 Months ended 31 March 2019 (Audited) Refer Note 3	3 Months ended 30 June 2018 (Unaudited)	Year ended 31 March 2019 (Audited)
1	**Segment Revenue**				
	(a) Music	10,654	11,211	9,970	47,672
	(b) Films/Television serials	1,429	1,192	1,158	4,765
	Total Segment Revenue	12,083	12,403	11,128	52,437
	Less: Inter Segment Revenue	-	-	-	-
	Total Revenue from Operations	12,083	12,403	11,128	52,437
2	**Segment Results**				
	(a) Music	1,366	3,494	2,386	12,218
	(b) Films/Television serials	(117)	44	(122)	(32)
	Total	1,249	3,538	2,264	12,186
	Less:				
	(a) Finance costs	190	188	152	655
	(b) Other unallocable expenditure (net of unallocable income)	863	764	731	3,304
	Total profit before tax	196	2,586	1,381	8,227
3	**Segment Assets**				
	(a) Music	43,608	44,865	37,310	44,865
	(b) Films/Television serials	5,867	5,340	4,096	5,340
	(c) Unallocated	19,138	18,974	19,056	18,974
	Total Segment Assets	68,613	69,179	60,462	69,179
4	**Segment Liabilities**				
	(a) Music	13,008	12,253	11,395	12,253
	(b) Films/Television serials	1,380	824	719	824
	(c) Unallocated	11,610	13,488	9,868	13,488
	Total Segment Liabilities	25,998	26,565	21,982	26,565

B S R & Co. LLP Kolkata

NOTES:

1 The aforementioned results for the quarter ended 30 June 2019 have been reviewed and recommended by the Audit Committee in their meeting held on 13 August 2019 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 unmodified review report on the standalone quarterly financial results for the quarter ended 30 June 2019.

2 With effect from 01 April 2019, the Company has adopted Ind AS - 116 "Leases" using the modified retrospective approach and accordingly previous period information has not been reinstated. Under this approach, the Company has recognised lease liabilities and corresponding equivalent right-of-use assets.
In the statement of profit and loss for the current quarter, operating lease expenses which were recognised as other expenses in previous periods is now recognised as depreciation expense for the right-of-use asset and finance cost for interest accrued on lease liability. The application of Ind AS - 116 did not have any significant impact on these financial results.

3 The figures for the quarter ended 31 March 2019 are the balancing figures between audited figures in respect of the full financial year and published year to date figures upto the end of third quarter of the relevant financial year. The published year to date figures upto the end of third quarter of the relevant financial year were subject to Limited Review.

4 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 2019.

5 During the quarter 30 June 2019, Open Media Network Private Limited (OMNPL), a wholly owned subsidiary of the Company, has carried a restructuring and advances and outstanding interest thereon from the Company aggregating Rs. 6,975.14 Lakhs as on 31 May 2019, have been considered as contributions for Investments in equity shares of OMNPL which are fully provided.

6 The Board of Directors in their meeting held on 08 May 2019, considered and recommended a dividend @ 30% i.e. Rs. 3 per equity shares of Rs. 10 each for the financial year 2018-19, which has been approved by the shareholders in the Annual General Meeting held on 19 July 2019. The total equity dividend paid is Rs. 629.67 Lakhs (including dividend distribution tax thereon of Rs. 107.36 Lakhs.)

7 Based on the guiding principles given in Ind AS 108 on "Operating Segments", the Company's business activity falls within two operating segments, namely:
(a) Music
(b) Films/Television serials

Segment Revenue, Results, Assets and Liabilities represent amounts identifiable to each of the segments. Other "unallocable income net of unallocable expenditure" mainly includes interest income, expenses on common services not directly identifiable to individual segments and corporate expenses.
Segment Assets and Segment Liabilities are as at 30 June 2019, 30 June 2018 and 31 March 2019. Unallocable corporate assets less Unallocable corporate liabilities mainly represent investment of surplus funds and cash and bank balances.

8 The figures of the previous periods/year have been regrouped/ reclassified, wherever necessary, to conform to the classification for the quarter ended 30 June 2019.

For and on behalf of the Board of Directors of Saregama India Limited

B S R & Co. LLP
Kolkata

Kolkata
13 August 2019

Vikram Mehra
Managing Director
DIN: 03556680

B S R & Co. LLP
Chartered Accountants

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Limited review report on unaudited quarterly consolidated financial results of Saregama India Limited under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To
Board of Directors of Saregama India Limited

1. We have reviewed the accompanying Statement of unaudited consolidated financial results of Saregama India Limited ("the Parent") and its subsidiaries (the Parent and its subsidiaries together referred to as "the Group") for the quarter ended 30 June 2019 ("the Statement"), being submitted by the Parent pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('Listing Regulations'). Attention is drawn to the fact that the consolidated figures for the corresponding quarter ended 30 June 2018 and the previous quarter ended 31 March 2019, as reported in these financial results have been approved by the Parent's Board of Directors, but have not been subjected to review since the requirement of submission of quarterly consolidated financial results has become mandatory only from 01 April 2019.

2. This Statement, which is the responsibility of the Parent's management and approved by the Parent's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "*Interim Financial Reporting*" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013, and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. Our responsibility is to express a conclusion on the Statement based on our review.

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*", issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

   We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33 (8) of the Listing Regulations, to the extent applicable.

B S R & Co. LLP Kolkata

Limited review report on unaudited quarterly consolidated financial results of Saregama India Limited under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ***(Continued)***

4. The Statement includes the results of the following entities:

Parent:
Saregama India Limited

Subsidiaries:
a. Kolkata Metro Networks Limited
b. Open Media Network Private Limited
c. RPG Global Music Limited
d. Saregama Plc
e. Saregama FZE
f. Saregama Inc

5. Based on our review conducted and procedures performed as stated in paragraph 3 above and based on the consideration of the review reports of other auditors referred to in paragraph 6 below, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, 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.

6. We did not review the interim financial information of two subsidiaries included in the Statement, whose interim financial information reflect total revenues of Rs. 316.83 Lakhs, total net loss after tax of Rs. 383.65 Lakhs and total comprehensive loss of Rs. 359.78 Lakhs for the quarter ended 30 June 2019, as considered in the Statement. These interim financial information have been reviewed by other auditors whose reports have been furnished to us by the management and our conclusion on the Statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors and the procedures performed by us as stated in paragraph 3 above.

   Our conclusion on the Statement is not modified in respect of the above matter.

7. The Statement includes the interim financial information of four subsidiaries which have not been reviewed/audited, whose interim financial information reflect total revenue of Rs. 358.08 Lakhs, total net loss after tax of Rs. 27.98 Lakhs and total comprehensive loss of Rs. 32.14 Lakhs for the quarter ended 30 June 2019, as considered in the Statement. According to the information and explanations given to us by the management, these interim financial information are not material to the Group.

   Our conclusion on the Statement is not modified in respect of the above matter.

B S R & Co. LLP Kolkata

Limited review report on unaudited quarterly consolidated financial results of Saregama India Limited under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ***(Continued)***

8. Certain of these subsidiaries are located outside India whose financial information have been prepared in accordance with accounting principles generally accepted in their respective countries. The Company's Management has converted the financial information of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have reviewed these conversion adjustments made by the Company's Management.

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

B S R & Co. LLP Kolkata

Jayanta Mukhopadhyay
Partner
Membership No.: 055757
UDIN: 19055757AAAAB07193

Place: Kolkata
Date: 13 August 2019

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 Consolidated Financial Results for the Quarter Ended 30 June 2019

SL. No.	Particulars	Consolidated			
		3 Months ended 30 June 2019	3 Months ended 31 March 2019	3 Months ended 30 June 2018	Year ended 31 March 2019
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
			Refer Note 3	Refer Note 3	
1	Income				
	(a) Revenue from operations	12,590	12,675	11,669	54,472
	(b) Other income	218	1,239	4,197	5,641
	Total Income	12,808	13,914	15,866	60,113
2	**Expenses**				
	(a) Cost of material consumed/ Contract manufacturing charges	2,695	3,746	4,823	22,161
	(b) Cost of production of films and television serials	1,440	1,384	1,322	4,883
	(c) Changes in inventories of finished goods and work-in-progress [(increase) /decrease]	384	(1,377)	1,104	(4,703)
	(d) Employee benefits expense	1,544	1,468	1,400	5,651
	(e) Finance costs	190	189	152	656
	(f) Depreciation and amortisation expense	118	48	96	333
	(g) Advertisement and Sales Promotion	3,076	2,541	2,391	10,485
	(h) Royalty Expense	1,423	1,453	1,067	5,592
	(i) Provision for Doubtful Debts / Advances (net)	172	99	101	(416)
	(j) Other expenses	1,744	1,730	2,025	7,083
	Total Expenses	12,786	11,281	14,481	51,645
3	**Profit before exceptional items and tax (1-2)**	22	2,633	1,385	8,468
4	**Exceptional Items**	-	-	-	-
5	**Profit before tax (3-4)**	22	2,633	1,385	8,468
6	**Tax Expense**				
	(a) Current Tax	235	271	532	2,130
	(b) Deferred Tax (net)	(89)	707	(10)	905
	Total tax expense	146	978	522	3,035
7	**Profit for the period (5-6)**	(124)	1,655	863	5,433
8	**Other Comprehensive Income**				
	(a) Items that will be reclassified to profit or loss (net of taxes)	35	101	(5)	66
	(b) Items that will not be reclassified to profit or loss (net of taxes)	(69)	1,180	(729)	(202)
	Total Other Comprehensive Income	(34)	1,281	(734)	(136)
9	**Total comprehensive income for the period (7+8)**	(158)	2,936	129	5,297
10	**Profit for the period attributable to:**				
	(a) Owner of the Company	(130)	1,702	848	5,412
	(b) Non-controlling Interest	6	(47)	15	21
11	**Other Comprehensive Income for the period attributable to:**				
	(a) Owner of the Company	(42)	1,259	(733)	(150)
	(b) Non-controlling Interest	8	22	(1)	14
12	**Total Comprehensive Income for the period attributable to:**				
	(a) Owner of the Company	(172)	2,961	115	5,262
	(b) Non-controlling Interest	14	(25)	14	35
13	**Paid-up Equity Share Capital (Face Value of Rs.10/- each)**	1,742	1,741	1,741	1,741
14	**Other equity**				41,067
15	Earnings Per Share (EPS)-Face Value Rs 10/- each (not annualised) :				
	(a) Basic (Rs.)	(0.75)	9.78	4.87	31.20
	(b) Diluted (Rs.)	(0.75)	9.77	4.87	31.18

S R & Co. LLP Kolkata

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CIN:L22213WB1946PLC014346

(Rs in Lakhs)

Segment wise Revenue, Results, Assets and Liabilities for the Quarter **Ended 30 June 2019**

Sl No.	Particulars	Consolidated			
		3 Months ended 30 June 2019	3 Months ended 31 March 2019	3 Months ended 30 June 2018	Year ended 31 March 2019
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
			Refer Note 3	Refer Note 3	
1	**Segment Revenue**				
	(a) Music	11,017	11,270	10,357	48,969
	(b) Films/Television serials	1,429	1,192	1,158	4,765
	(c) Publication	144	213	154	738
	Total Segment Revenue	12,590	12,675	11,669	54,472
	Less: Inter Segment Revenue	-	-	-	-
	Total Revenue from Operations	12,590	12,675	11,669	54,472
2	**Segment Results**				
	(a) Music	1,300	2,470	2,792	12,278
	(b) Films/Television serials	(117)	44	(122)	(32)
	(c) Publication	(305)	(138)	(284)	(1,030)
	Total	878	2,376	2,386	11,216
	Less:				
	(a) Finance costs	190	189	152	656
	(b) Other unallocable expenditure (net of unallocable income)	666	(446)	849	2,092
	Total profit before tax	22	2,633	1,385	8,468
3	**Segment Assets**				
	(a) Music	43,903	45,015	37,170	45,015
	(b) Films/Television serials	5,867	5,340	4,096	5,340
	(c) Publication	457	517	539	517
	(d) Unallocated	20,140	20,008	20,058	20,008
	Total Segment Assets	70,367	70,880	61,863	70,880
4	**Segment Liabilities**				
	(a) Music	13,980	12,645	11,681	12,645
	(b) Films/Television serials	1,380	824	719	824
	(c) Publication	377	326	667	326
	(d) Unallocated	11,712	14,015	10,263	14,015
	Total Segment Liabilities	27,449	27,810	23,330	27,810

B S R & Co. LLP
Kolkata

NOTES:

1 The aforementioned results for the quarter ended 30 June 2019 have been reviewed and recommended by the Audit Committee in their meeting held on 13 August 2019 and approved by the Board of Directors of the Parent 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 unmodified review report on the consolidated quarterly financial results for the quarter ended 30 June 2019.

2 With effect from 01 April 2019, the Group has adopted Ind AS - 116 "Leases" using the modified retrospective approach and accordingly previous period information has not been reinstated. Under this approach, the Group has recognised lease liabilities and corresponding equivalent right-of-use assets.
In the statement of profit and loss for the current quarter, operating lease expenses which were recognised as rent expenses in previous periods is now recognised as depreciation expense for the right-of-use asset and finance cost for interest accrued on lease liability. The application of Ind AS - 116 did not have any significant impact on these financial results.

3 The consolidated financial results for the 3 months ended 30 June 2018 was not subjected to limited review by the Statutory Auditors of the Company since the requirement of submission of quarterly consolidated results has become mandatory only from 01 April 2019. The figures for the 3 months ended 31 March 2019 are the balancing figures between audited figures in respect of full financial year and the year to date figures upto the 9 month ended 31 December 2018, which was not subjected to limited review by the Statutory Auditors of the Company.

4 The Consolidated financial results are prepared in accordance with the principles and procedures as set out in Ind AS 110 notified by Ministry of Corporate Affairs. The consolidated financial results of the Company include its five subsidiaries, i.e. Saregama Plc., RPG Global Music Limited, Saregama FZE ,Kolkata Metro Networks Limited and Open Media Network Private Limited, (hereinafter referred as "Group") combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses eliminating intra-company balances and transactions and resulting unrealised gains/losses. The Consolidated financial results are prepared applying uniform accounting policies. The Group has one joint venture i.e. Saregama Regency Optimedia Private Limited, which is under liquidation with effect from 19 September 2016. Accordingly, this entiy has not been consolidated by the Group.

5 Based on the guiding principles given in Ind AS 108 on "Operating Segments", the Group's business activity falls within three operating segments, namely:
(a) Music
(b) Films/Television serials
(c) Publication

Segment Revenue, Results, Assets and Liabilities represent amounts identifiable to each of the segments. Other "unallocable income net of unallocable expenditure" mainly includes interest income, expenses on common services not directly identifiable to individual segments and corporate expenses.
Segment Assets and Segment Liabilities are as at 30 June 2019, 30 June 2018 and 31 March 2019. Unallocable corporate assets less unallocable corporate liabilities mainly represent investment of surplus funds and cash and bank balances.

6 The figures of the previous periods/year have been regrouped/ reclassified, wherever necessary, to conform to the classification for the quarter ended 30 June 2019.

For and on behalf of the Board of Directors of Saregama India Limited

B S R & Co. LLP
Kolkata

Vikram Mehra
Managing Director
DIN: 03556680

Kolkata
13 August 2019

Saregama India

Q1 FY20 Result Conference Call

14 August 2019 (Wednesday), at 9:45 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

For further information, please contact
Call Leaders

Shobit Singhal

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Press release for the results of Saregama India Limited.

for the Quarter ended June 30, 2019

9% YoY Revenue Growth in Q1'19-20

Yoodlee film 'Hamid' wins 2 National Film Awards

Mumbai, Aug 13, 2019: Saregama, India's oldest music label and the youngest movie studio, announced its financial results for the 1st Quarter ended June 30. Company's revenues went up by 9% on YoY basis. The company launched two new products in the first quarter Carvaan Go – the mobile variant targeted at 35-60yrs segment and Carvaan 2.0 – the new age variant supporting both music and wifi based podcasts broadening Carvaan's appeal to all members of households. The company registered 34% growth in Q1 FY20 in Carvaan units YoY basis, this is despite falling store footfalls and suppressed demand in almost all categories. In Q1 of FY'19-20 the company registered sale of 219K units of caravan.

Licensing: Income continue its growth trajectory and register 16% growth in revenue on YoY basis.

Carvaan: The focus this quarter was to expand Carvaan's footprint outside top 10 towns through targeted marketing campaigns, dealer network and sales manpower expansion in these areas. The net result was that the sales contribution of Outside top 10 towns went from 39% in Q4'18-19 to 43% in Q1'19-20.

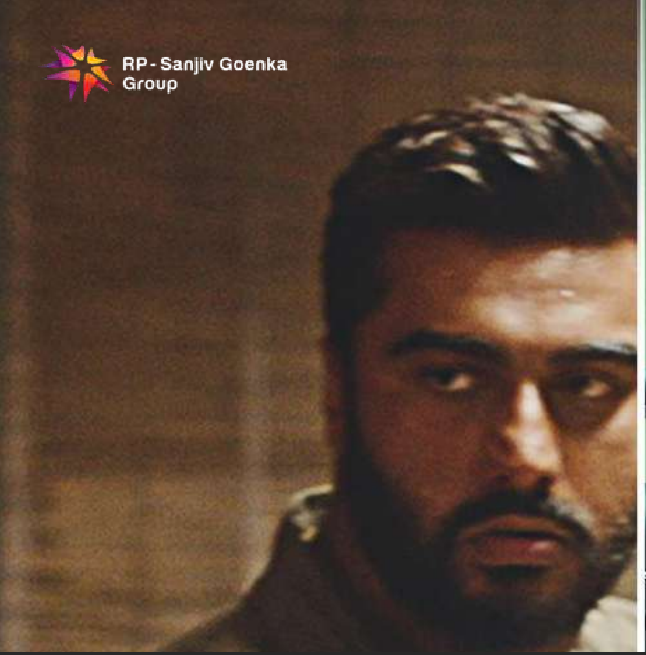
Yoodlee: launched its movie Hamid on Netflix and it is trending since its release in May'19. Hamid also had the rare honor of winning 2 National Films Awards.

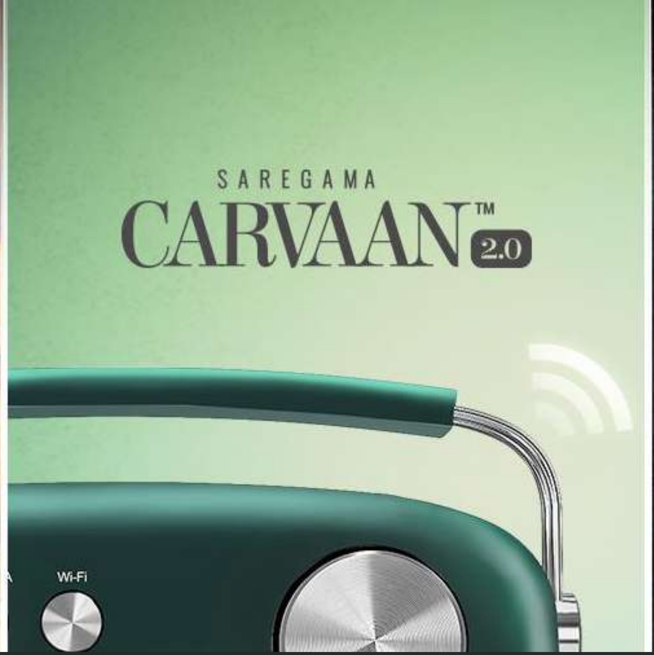
Financial Highlights:

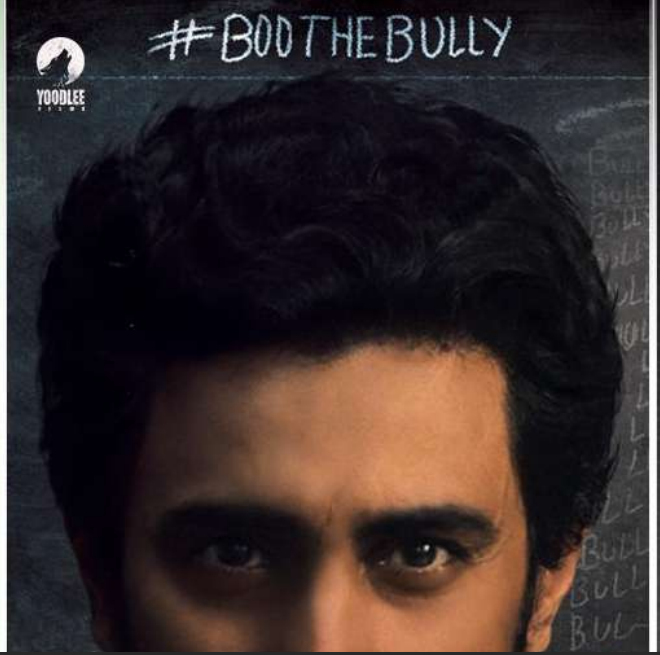
Financial Summary – Standalone - Quarter 1 FY 2019-20.

Particulars (INR Mn)	Q1-FY20	Q4-FY19	Q-o-Q Growth	Q1-FY19	Y-o-Y
Revenues					
• Music	1065	1121	-5%	997	7%
• TV & Films	143	119	20%	116	23%
Total Revenue from Operation	1208	1240	-3%	1113	9%
PBT	20	259	-92%	138	-86%
PAT	5	161	-97%	86	-94%

To promote pull for Carvaan demand in outside top 10 towns, Company has started focused investment in advertisement campaigns. In addition, company is also investing in building deeper sales structure in these areas. This has created little impact on the profitability and company reported PBT of Rs 20 Mn in Q1 FY20 standalone basis. Company has also start publishing consolidated results from this quarter onward and company reported near breakeven results in Q1 FY19 to Rs 2.3 Mn. As part of structural change company has decided to convert all existing SAR to ESOP.

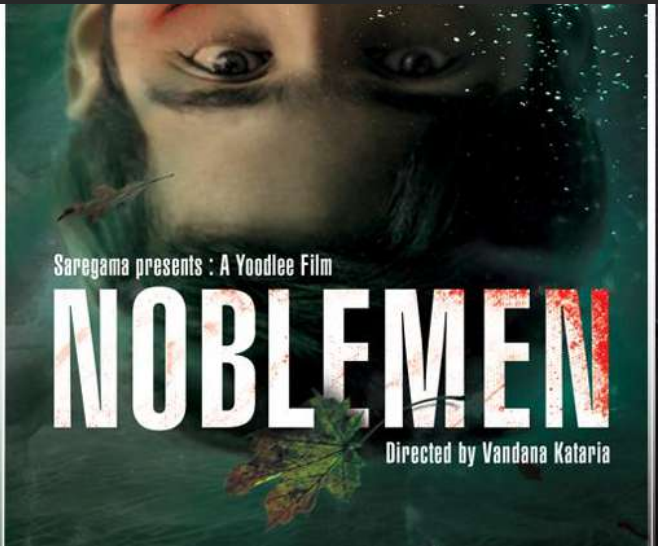






SAREGAMA INDIA LIMITED

Q1 / FY20 EARNINGS PRESENTATION




YOODLEE FILMS
2 NATIONAL FILM AWARDS
Call Now
SAREGAMA PRESENTS A YOODLEE FILM
HAMID
DIRECTED BY AIJAZ KHAN

Snapshot

India's oldest music label and youngest film production house	High Dividend Yield and a Zero Debt Company	Strong and professional management team with experienced stalwarts from the entertainment industry
Owning Intellectual Property (IP) rights for more than 120,000 songs, 5800+ hours of television serials and 25 movies	India's first song was recorded in 1902 under the company's erstwhile label - HMV	Digital licensing agreements across global OTT platforms, TV channels, radio stations, telcos
Revolutionary product Carvaan: Digital Music Player with 5000 preloaded songs, easy UI and high quality speakers	Leading producer in terms of number of hours of content produced for Tamil television serials	Producing digital thematic films targeted at the youth segment

sa re ga ma
soul of India

Strategic Overview

Rising Smartphone Ownership
450-500M

Falling
Data Prices
>Rs3/GB

Falling Piracy

Rising Individual based Content Consumption

Content Consumption thru Legal means Going Up

- Indians spent 30% of their phone time on entertainment
- 325M people viewed video online in 2018 growing @25%
- Avg. data consumption went from 4 to 8 GB/pm

Greater Monetisation opportunities for Premium Content IP Owners

Advantage Saregama

120k songs IP across 18 Indian languages
+
20% Market Share in New Film Music in next 3 yrs

25 Films IP
+
50 New Films over next 3 years

5800+ hrs of Tamil serial content IP
+
1800 hours of new content over next 3 yrs

Strategic Overview

Saregama's long term strategy : To be a Pure Play Content Company capitalising on the global data driven entertainment boom

Diversified monetisation of Existing IP to fund IP Creation for Future

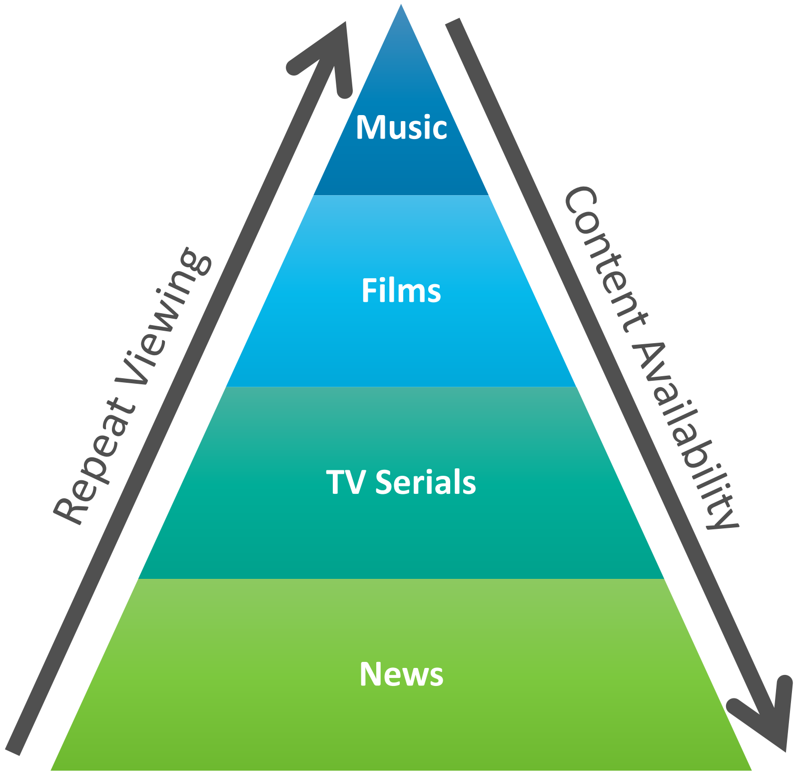
IP Monetisation

Higher monetisation of existing content through:

1. Greater presence on 3rd party digital and TV platforms globally
2. launch of Saregama branded physical products with embedded music

IP Creation

1. New film music acquisition across Hindi, Tamil, Marathi and other languages
2. Production of thematic films / series targeted at youth consuming on digital platforms
3. TV programs in South Indian languages

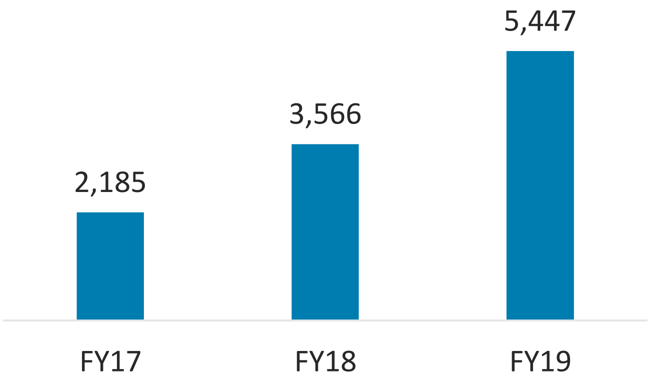


Company Focus on Top 2 tiers

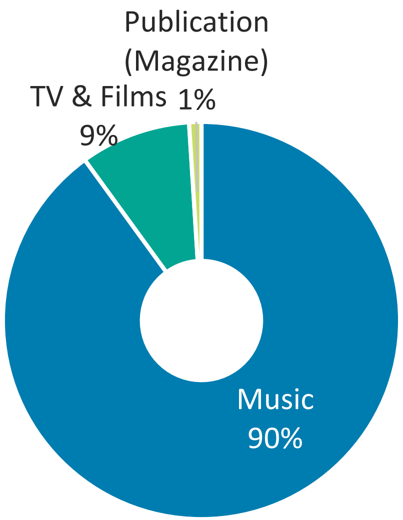
Company Overview

- Saregama India Ltd., an RP Sanjiv Goenka Group Company, is India's oldest music label, youngest film studio and a multi-language TV content producer. Over the years, the Company has expanded its business from audio to home video, publishing, digital, events, films production and distribution and audio visuals.
- The Company has a music library of 1.2 lakh songs, covers 18 languages spread across eight music categories – Bollywood, regional films, ghazals, devotional classical, Indian pop and kids music.
- Since 2017, Saregama has been making headlines again owing to the launch of two unique initiatives, Saregama Carvaan and Yoodlee Films.
- Carvaan is a perfect blend of digital technology and a retro form factor with preloaded songs, in less than a year from its launch, it is now Saregama's flagship product.
  - Carvaan, Carvaan Premium, Carvaan Gold and Carvaan mini are portable digital music players that come with features such as Bluetooth, USB, FM/AM and a collection of in-built songs.
  - Carvaan Go is personal digital audio player comes with features like 3.5mm audio jack, Bluetooth, Support for mirco SD card, FM/AM and playlist designed for every genre, Legendary artist and nightmode Speaker.
  - Carvaan 2.0 is blend of Carvaan +Wi-Fi podcast along with standard carvaan features daily updated 150+ Wi-Fi based audio stations are available.
- Yoodlee Films, Saregama's film production arm is positions as writers studio. The films produced by the studio are driven by the powerful stories targeted at young audiences across the words who primarily consume content on personal devices
- 5,800+ hours of Tamil serial programming telecast on Sun TV and features in top 3 slots of afternoon prime time.

Consolidated Revenues
(In INR Mn)



Segmental Revenue Breakup
Consolidate FY19



Business Verticals

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

FY19 Revenue Share

90%

- Includes 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 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

FY19 Revenue Share

9%

- This segment has leadership in Tamil Sun Network channels and has been producing content for Sun TV for last 18 years and broadcast 3-4 serials on Sun TV at any given time
- Company owns rights to 5,800+ 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

FY19 Revenue Share

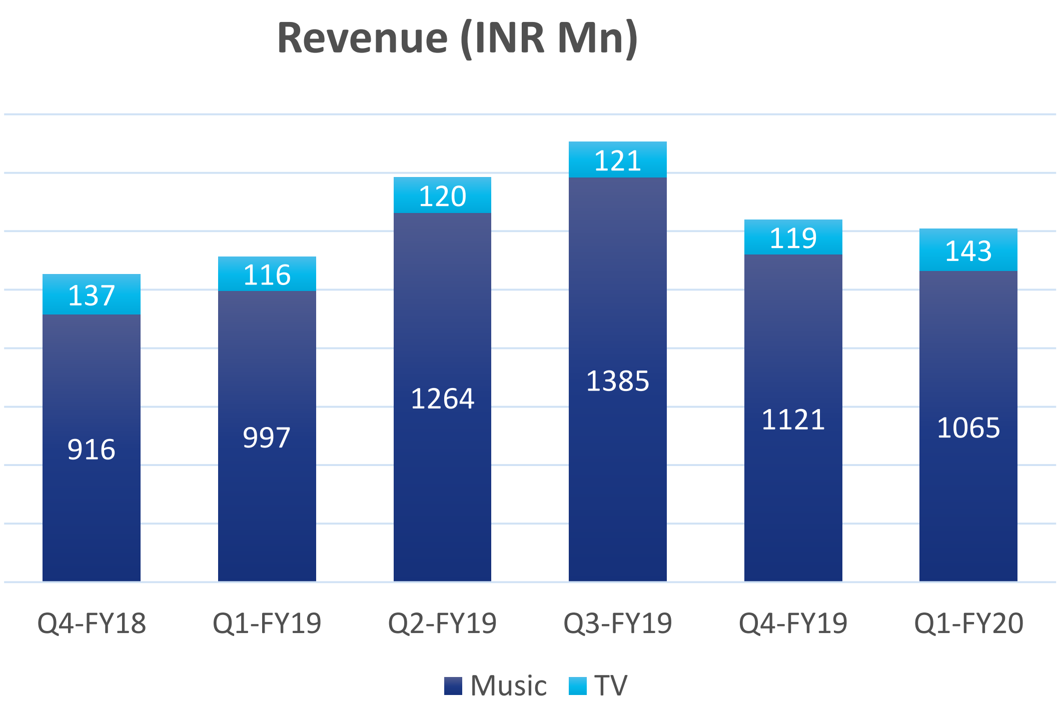
1%

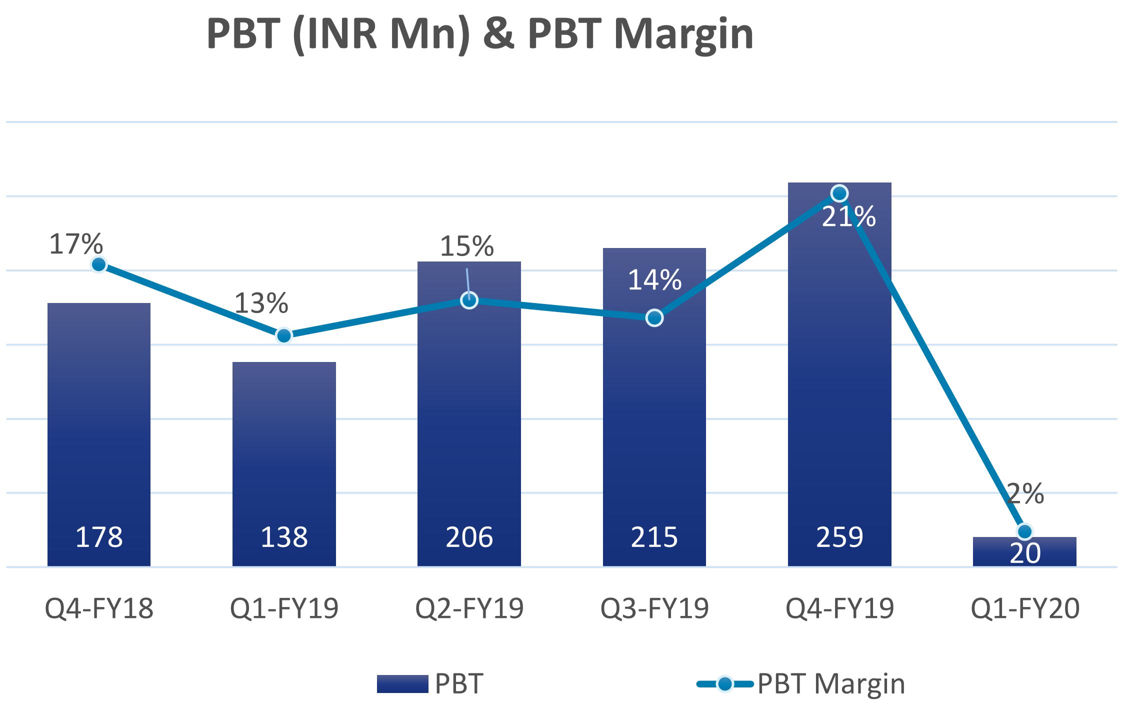
- This segment includes the publication of “Open” Magazine and a weekly current affairs and features magazine.
- “Open” has sustained circulation and ad revenues with an association of premium brands including Audi, Omega, Volkswagen, Toyota, Honda, Samsung, Airtel, IBM, HP, TAJ, ITC, Skoda, etc.

Financial Highlights

Quarterly Financial Summary-Standalone

Particulars (INR Mn)	Q1-FY20	Q4-FY19	Q-o-Q Growth	Q1-FY19	Y-o-Y
Revenues					
• Music	1065	1121	-5%	997	7%
• TV & Films	143	119	20%	116	23%
Total Revenue from Operation	1208	1240	-3%	1113	9%
PBT	20	259	-92%	138	-86%
PAT	5	161	-97%	86	-94%





Financial Performance- Standalone Quarterly

Particulars (INR Mn)	Q1-FY20	Q4-FY19	Q-o-Q Growth	Q1-FY19	Y-o-Y Growth
Revenue from Operations	**1208**	**1,240**	**-3%**	**1,113**	**9%**
Other Income#	32	119	-73%	431	-93%
Total Revenue	**1240**	**1,359**	**-9%**	**1,544**	**-20%**
Total Expenses	1190	1077	10%	1382	-14%
EBITDA	50	282	-82%	162	-69%
EBITDA Margin (%)	*4%*	*23%*		*15%*	
Depreciation	11	4	175%	9	22%
Finance Cost	19	19	0%	15	27%
PBT	20	259	-92%	138	-86%
Tax	15	98		52	
PAT	**5**	**161**	**-97%**	**86**	**-94%**
PAT Margin (%)	*1%*	*13%*		*5%*	
Comprehensive Income	-5	96		-59	
Total Profit including Comprehensive Income(Net of tax)	-0.4	257		27	
Diluted EPS	**0.29**	**9.24**	**-97%**	**4.93**	**-94%**

In Q1 FY19 Other Income includes Rs.340 Mn estimated Insurance claim receivable & Total Expense includes Rs. 376 Mn towards cost of damaged stocks because of fire in the warehouse.

Financial Performance- Consolidated Quarterly

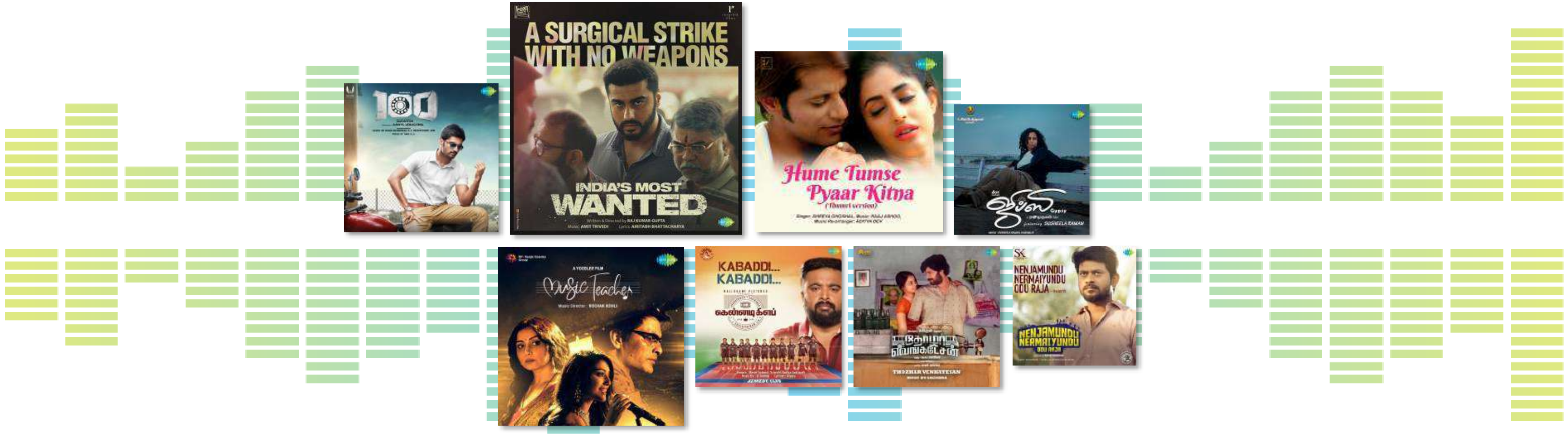
Particulars (INR Mn)	Q1-FY20	Q4-FY19	Q-o-Q Growth	Q1-FY19	Y-o-Y Growth
Music	1102	1127	-2%	1036	6%
TV & Films	143	119	20%	116	23%
Publication	14	21	-33%	15	-7%
Revenue from Operations	**1259**	**1267**	**-1%**	**1167**	**8%**
Other Income#	22	124	-82%	420	-95%
Total Revenue	**1281**	**1391**	**-8%**	**1587**	**-19%**
Total Expenses	1248	1104	13%	1424	-12%
EBITDA	33	287	-89%	163	-80%
EBITDA Margin (%)	*3%*	*23%*		*14%*	
Depreciation	12	5	140%	10	20%
Finance Cost	19	19	0%	15	27%
PBT	**2**	**263**	**-99%**	**138**	**-99%**
Tax	14	98	-86%	52	-73%
PAT	**-12**	**165**		**86**	
Diluted EPS	**-0.74**	**9.72**		**4.95**	

In Q1 FY19 Other Income includes Rs.340 Mn estimated Insurance claim receivable & Total Expense includes Rs. 376 Mn towards cost of damaged stocks because of fire in the warehouse

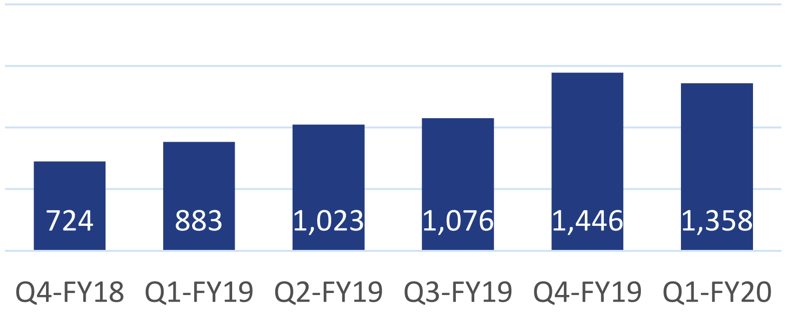
Operational Highlights

Music Segment Operational Highlights

New content investment steadily going up. Saregama invested Rs.56 Mn in FY18 and Rs.324 Mn in FY19 in new music rights acquisition

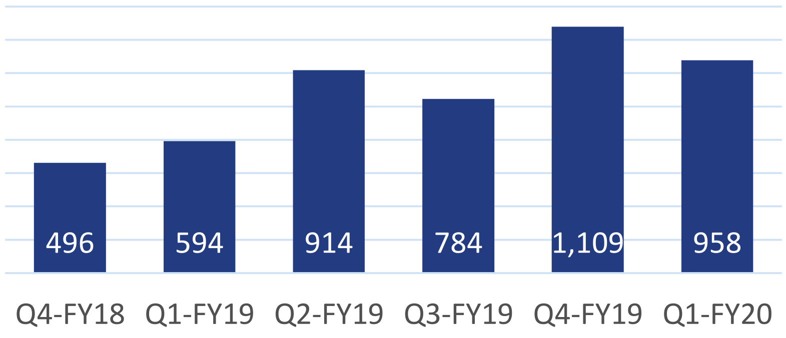


OTT Streams (Mn) per Quarter



Nos. till Q4 are Actualised and Q1 Nos. included estimated Nos.

YouTube Views (Mn) per Month

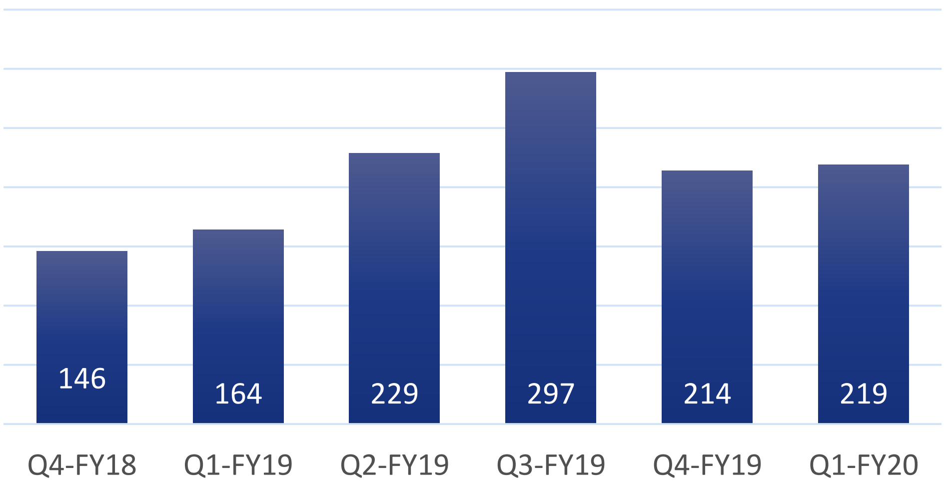


Views count is from 25 Channel owned by Saregama

Music Segment Operational Highlights

- Sales kept steady inspite of falling store footfalls
- Focus on increasing mid to small towns penetration
  - Awareness creation
  - Distribution network expansion
  - Manpower
- Two new variant launched
  - Go helps reduce the entry price
  - Carvaan 2.0 helps widen the product appeal by offering non-music content targeted at different age groups

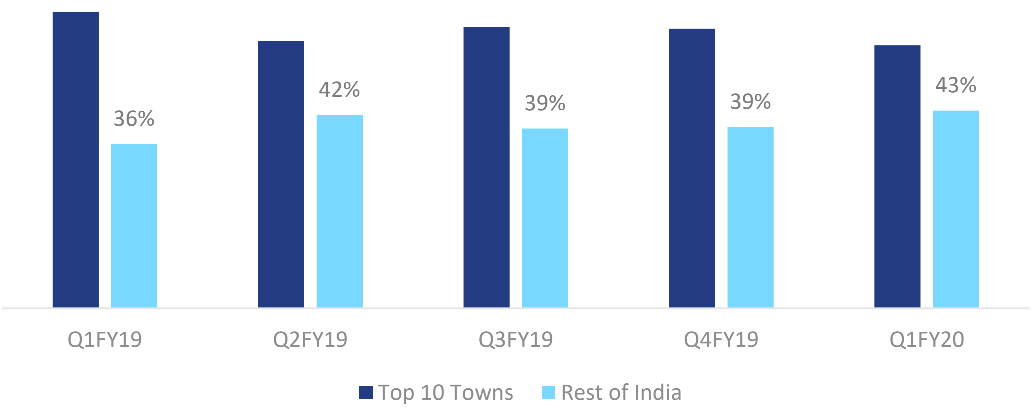
Carvaan Sales (units ‘000s)



2.2K new billing dealers added in Q4 total 24.7K dealers

Gross margin for Carvann is 25% in Q1 of FY-20.

Sales Share in Top 10 Towns vs Smaller Towns



Future Outlook:

Carvaan Karaoke to be launched this festival season

Annual Estimates for FY 20: 1200K units

Films & TV Segment Operational Highlights

Film Business

Hamid:

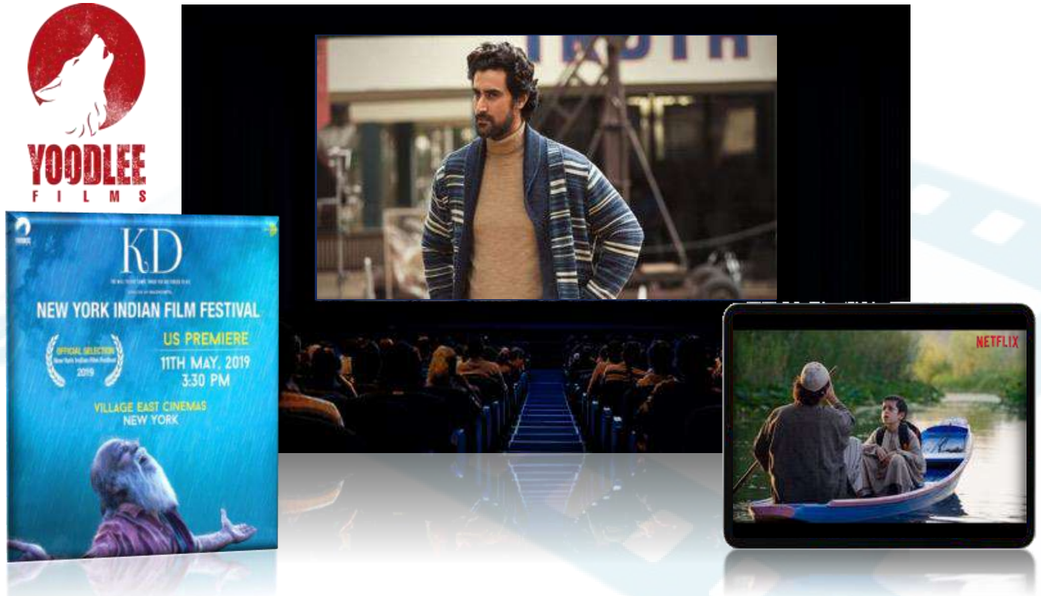
- Released on Netflix and is trending
- 2 National Film Awards

Noblemen

- Limited release in theatres. Rave reviews. Licensed to Netflix

KD

- New York Indian Film Festival
- Ottawa Indian Film Festival



Future Outlook

- 12 movie output deal with leading Indian broadcaster/ Digital platform.
- Another deal on the cards

Q1-FY20 Operational Highlights:

- Roja running successfully in three languages in Sun TV (Tamil), Gemini TV (Telugu) and Udaya TV (Kannada)
- Revenue pressure continues
- Monetisation of our popular Shows on our YT Channel.

Future Outlook

- Next 2 quarters should be better due to festival releated increased advertising spends

Financial Overview

Standalone Income Statement

Particulars (INR Mn)	FY19	FY18	FY17
Revenue from Operations	5,244	3,456	2,081
Other Income#	595	142	159
Total Revenue	**5,839**	**3,598**	**2,240**
Total Expenses	4,920	3,115	2,003
EBITDA	**919**	**483**	**237**
EBITDA Margin (%)	**18%**	**14%**	**11%**
Depreciation	30	38	41
Finance Cost	66	34	23
PBT	**823**	**411**	**173**
Tax	304	106	73
PAT	519	305	100
PAT Margins	9%	8%	5%
Other Comprehensive Income	-16	136	1,301
Total Comprehensive Income (After Tax)	**503**	**441**	**1,401**
Diluted EPS (INR)	**29.8**	**17.5**	**5.7**

 # In FY2018-19 other income includes Rs. 322 MN estimated Insurance claim receivable & Total Expense includes Rs. 376Mn towards cost of damaged stocks because of fire in the warehouse.

Standalone Balance Sheet

Equity and Liabilities (INR Mn)	FY19	FY18	FY17
Shareholders Fund			
(a) Equity Share Capital	174	174	174
(b) Other Equity	4087	3,647	3,236
Net worth	**4261**	**3,821**	**3,410**
Non Current Liabilities			
(a) Employee Benefit Obligations	25	21	19
(b) Deferred tax liabilities (Net)	557	456	424
Current Liabilities			
(a) Financial Liabilities			
(i)Borrowings	608	129	-
(ii)Trade Payables	526	386	371
(iii)Other Financial Liabilities	411	347	115
(b) Other Current Liabilities	166	116	68
(c) Provisions	356	359	262
(d) Employee Benefit Obligation	8	7	16
Total	**6,918**	**5,642**	**4,685**

Assets (INR Mn)	FY19	FY18	FY17
Non Current Fixed Assets			
(a) Property, Plant and Equipment	2056	1,881	1,893
(b) Investment Properties	24	24	25
(c) Intangible assets	69	61	62
(d) Investments in subsidiaries and Joint Venture	158	155	155
(e) Financial Assets			
(i) Investments	1,212	1,234	1,076
(ii)Loans	46	34	42
(iii)Other Financial Assets	-	-	-
(f) Other Non Current Assets	15	112	19
Current Assets			
(a) Inventories	924	473	99
(b) Financial Assets			
(i) Trade Receivables	1129	781	556
(ii) Cash and cash equivalents	15	64	156
(iii) Bank Balances other	18	16	1
(iv)Loans	13	5	28
(v)Other Financial Assets	1	1	1
(c) Current Tax Assets (Net)	336	414	413
(d) Other Current Assets	902	387	159
Total	**6,918**	**5,642**	**4,685**

Consolidated Income Statement

Particulars (INR Mn)	FY19	FY18	FY17
Revenue from Operations	5447	3,566	2,185
Other Income #	564	102	133
Total Revenue	**6,011**	**3,668**	**2,318**
Total Expenses	5,065	3,203	2,090
EBITDA	946	465	228
EBITDA Margin (%)	17%	13%	10%
Depreciation	33	42	44
Finance Cost	66	34	24
PBT	**847**	**389**	**160**
Tax	304	106	73
PAT	**543**	**283**	**87**
PAT Margins	9%	8%	4%
Other Comprehensive Income	-13	164	1,402
Total Comprehensive Income (After Tax)	530	447	1,489
Diluted EPS (INR)	31.2	16.2	4.9

 # In FY2018-19 other income includes Rs. 322 Mn estimated Insurance claim receivable & Total Expense includes Rs. 376Mn towards cost of damaged stocks because of fire in the warehouse.

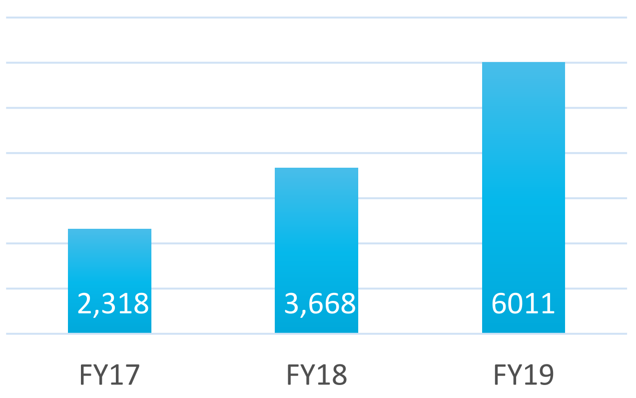
Consolidated Balance Sheet

Equity and Liabilities (INR Mn)	FY19	FY18	FY17
Shareholders Fund			
(a) Equity Share Capital	174	174	174
(b) Other Equity	4107	3,643	3,223
Net worth	**4281**	**3817**	**3397**
(c) Non Controlling Interest	26	23	25
Non Current Liabilities			
(a) Employee Benefit Obligations	28	24	22
(b) Deferred tax liabilities (Net)	581	479	444
Current Liabilities			
(a) Financial Liabilities			
(i)Borrowings	638	159	30
(ii)Trade Payables	564	404	384
(iii)Other Financial Liabilities	421	359	125
(b) Other Current Liabilities	183	149	91
(c) Provisions	357	361	263
(d) Employee Benefit Obligation	9	8	16
Total	**7,088**	**5783**	**4,797**

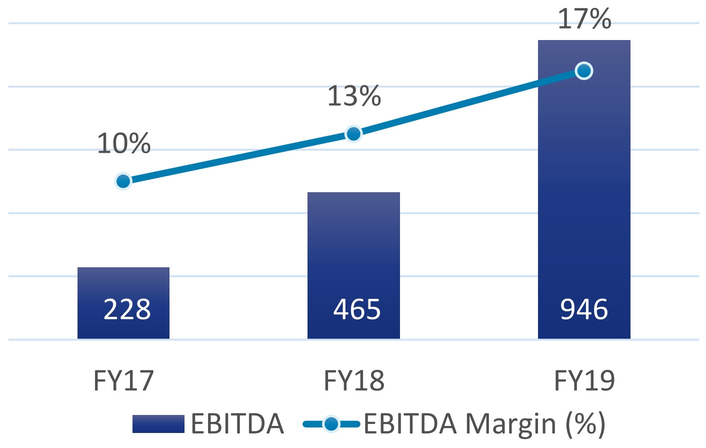
Assets (INR Mn)	FY19	FY18	FY17
Non Current Fixed Assets			
(a) Property, Plant and Equipment	2057	1884	1897
(b) Investment Properties	24	24	25
(c) Intangible assets	71	65	67
(d) Investments in subsidiaries and Joint Venture	-	-	-
(e) Financial Assets			
(i) Investments	1483	1510	1316
(ii)Loans	49	40	47
(iii)Other Financial Assets	-	-	-
(f) Other Non Current Assets	16	112	20
Current Assets			
(a) Inventories	963	493	103
(b) Financial Assets			
(i) Trade Receivables	1098	730	523
(ii) Cash and cash equivalents	50	92	190
(iii) Bank Balances other	18	16	1
(iv)Loans	2	2	27
(v)Other Financial Assets	0	0	-
(c) Current Tax Assets (Net)	349	423	419
(d) Other Current Assets	908	392	162
Total	**7,088**	**5783**	**4,797**

Financial Charts (Consolidated)

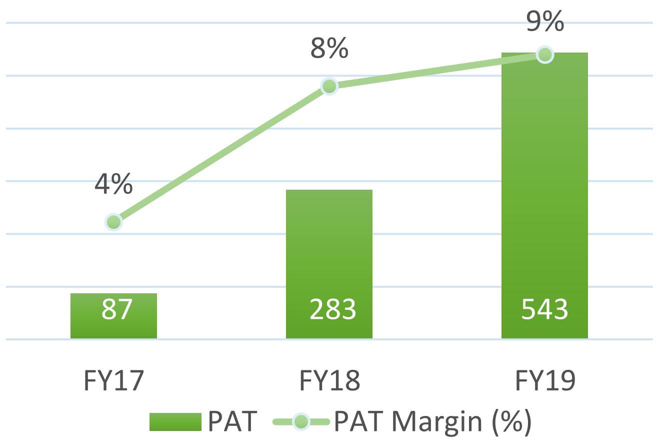
Total Revenue (INR Mn)



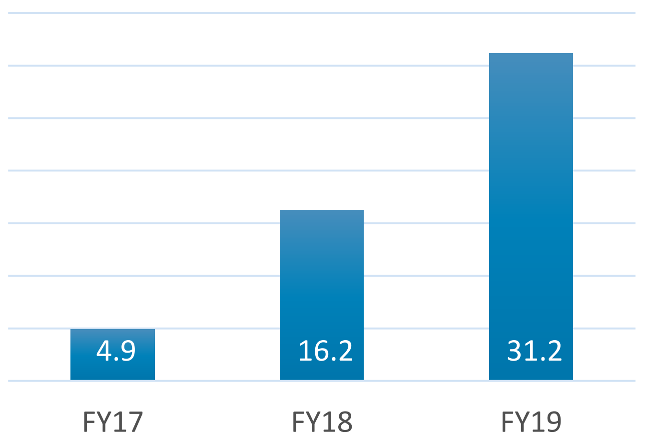
EBITDA and EBITDA Margin (%)



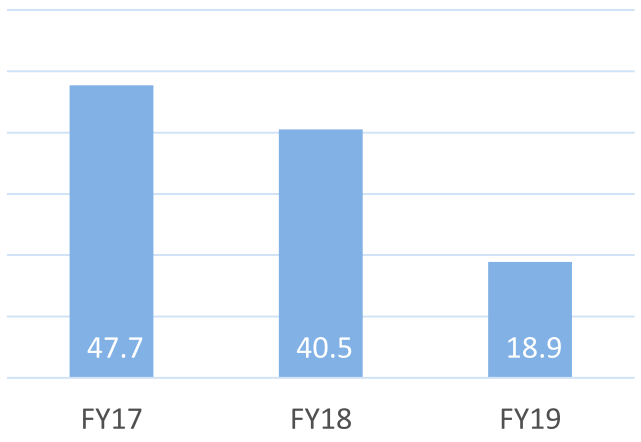
PAT and PAT Margin (%)



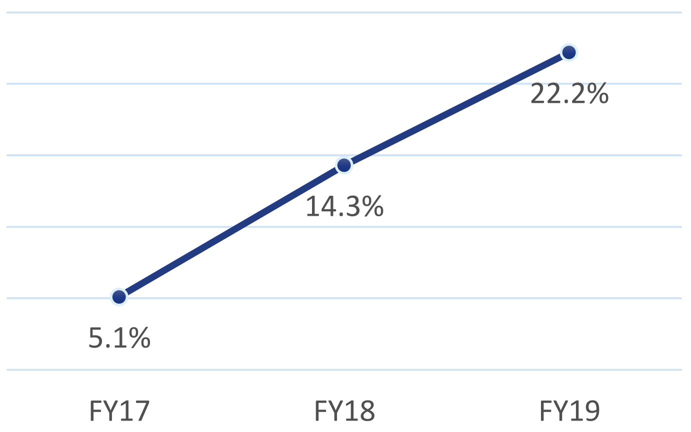
Diluted EPS (INR)



PE Ratio

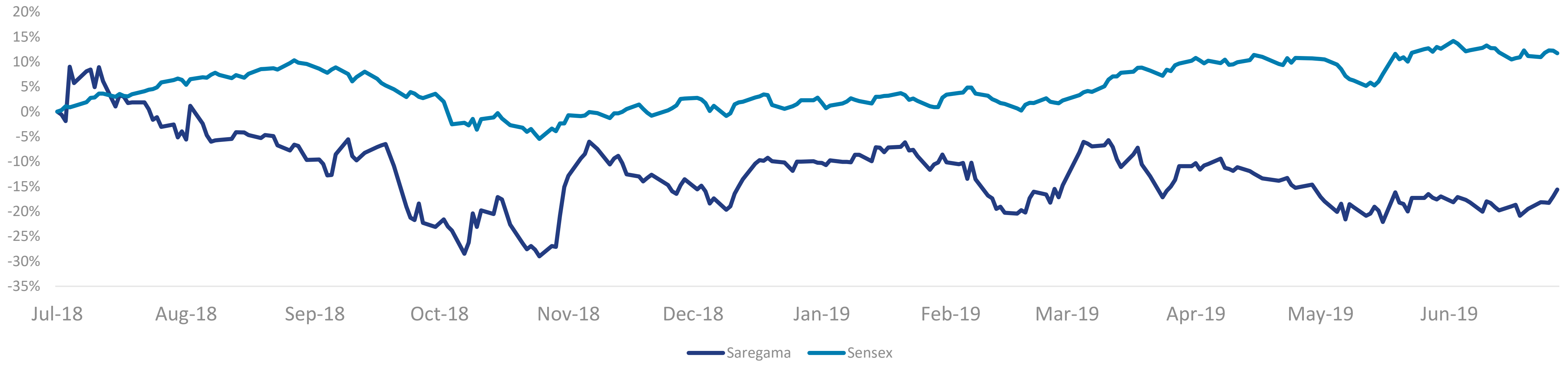


ROCE%*



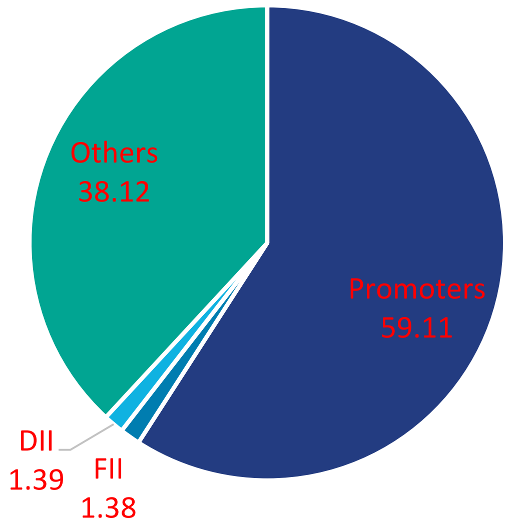
*Capital Employed = share capita. security premium & free reserves

Capital Market Data



Price Data (As of 30th June, 2019)	INR
Face Value	10
Market Price	576.0
52 Week H/L	755.0/461.5
Market Cap (INR Mn)	9,744
Equity Shares Outstanding (Mn)	174
1 Year Avg. Trading Volume ('000)	39.9

Shareholding Pattern as on 30th June, 2019



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THANK YOU

"Saregama India Limited
Q1 FY2020 Earnings Conference Call"

August 14, 2019

ANALYST: **MR. SHOBIT 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 Limited Q1 FY2020 Earnings Conference Call, hosted by Anand Rathi Shares and Stock Brokers Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shobit Singhal from Anand Rathi. Thank you and over to you Sir!

Shobit Singhal: Thank you Robert. Good morning to all of you. Welcome to the Q1 FY2020 earnings conference call of Saregama India Limited. From the management side, we have today Mr. Vikram Mehra, 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. I will say this financial year for us is a year where we people want to change the mould. If we want to take this company to the next scale, we decided some major radical things need to happen and especially on the Carvaan front and those changes have started happening from this quarter and I will tell you about those things in much more details as I take you through.

Our overall revenue grew on a year-on-year basis by 9% in this quarter. We have touched income from operations at 171 Crores in this quarter. The key part, the bedrock of our business, which is licensing income that grew by 16%. While I am saying 16%, we still maintain our stand that on a year-on-year basis, we will be able to grow this income by something 25% odd plus/minus 2. Let me try to explain 16 versus 25. Overall, in this business, seasonality plays a much bigger role and we see every time that festival contributes. First quarter is the quarter where licensing income does not increase to that high, but the big increases start happening from Q3 and Q4 onwards.

Also a big chunk of our income come from societies and that money get disbursed typically in third or the fourth quarter and our accounting policies on money that comes from societies is very clear, we recognize it only when we receive the income and on an accrual basis. The big contributor for our growth, the licensing income continues to be the new content that we are acquiring. We did acquire movies like Total Dhamaal and Ek Ladki Ko Dekha Aisa Laga and India's Most Wanted and some of the other acquisitions we are making 102 Not Out. Overall if you see from a 2017-2018, when we have done huge investment.

We spent around 5.5 Crores in financial year 2017-2018 and in 2018-2019 we have taken that money up to 32 Crores. This is a big step on the licensing side whereas the company will recognize the fact that we cannot continue making money only on the basis of the older content to make this company ready for 2025-2030-2040 we need to constantly now invest in new film music content so that 20-30 years down the line, this company still remains equally relevant. I am happy to see that we are moving in the right direction. Despite all those investments that we are making, we are showing a pretty healthy profitability growth on the licensing side.

Now let us talk more about the product on which large investments are happening, which is Carvaan. On Carvaan, we identified at the end of the last year, there are three big issues that we were facing. Carvaan as many of you guys will recollect had started as a product where there was some amount of doubts in the minds of lot of people whether it will be a long-term sustainable game or not, we have been able to prove for two years' quarter and quarter, there is a steady number that is coming for Carvaan and there is a large market sitting in out there.

Now, we have decided if that large market has to be tapped faster than the rate at which we are growing, three barriers need to be resolved immediately. One, Carvaan was becoming a completely top 10 town phenomenon only, majority of our sale actually was coming from only the top 10 towns, which was directly correlated to advertising, we were doing only digital based advertising, we were not going mainstream, we were using social media to promote, which helped a lot in terms of maintaining profitability, but was not allowing us to expand beyond these top 10 towns.

Second, Carvaan is becoming more of a Diwali and Christmas gifting phenomena and not going beyond that. We wanted to go back and break that part too, so that all around the year there should be reason given to people to go back and gift Carvaan to their loved ones. Third issue that we identified in the Carvaan that it was becoming a product only for the older people and we said something needs to be done to widen the appeal people in their 30s and 40s and 50s also. It should not just be a 50 plus product going at any particular time.

So keeping these three things in mind, we made some big moves here, one in this quarter onward as we had announced in the last quarter call itself, we have up'd the marketing investments needed to create awareness, which goes beyond the top 10 towns. This is to create the pull and to start building sales infrastructure. Please understand company like Saregama have no retail presence as such, we do not offices around, we do not have people out there, we were B2B Company.

In order to move it to the next level you need your sales people in various big districts of the country, we cannot go back and manage the volumes we are looking at with having only 1 person handling the entire state. So manpower investments have been happening, marketing investments have been happening in this quarter. The great news out of that which give me a lot of comfort that the contribution of the outside top 10 towns has gone up from 36% to 43%, which is very clearly telling us that if we make that upfront investment in creating awareness in the smaller towns, there is a large enough market ready to be tapped for Carvaan product.

The second big thing on the Carvaan side was a launch of two new products. The task of these products is to widen the appeal. Now, Carvaan Go was launched so that we can talk to a 40-year-old person, who does not have too much time to listen to Carvaan at his home, he wanted to carry his music along with him, hence this product has been put out, as with every other product of ours, we have done it with Carvaan, we did it with Mini, same thing we are doing it with Go. The first few months we take it slow so that we keep on getting feedback on the product, on Go, we have already got the feedback, we are making further modifications in the product.

We are very confident that Go will also have a large number as we get into the festival season, more importantly widening the base of Carvaan. When we launched this product called Carvaan 2.0, it is a very important product in the milestone of Carvaan range because it is suddenly widening the appeal of the product from older people who are listening to music to younger people who may be listening on their Carvaan now Wi-Fi based content, which can be updated on a daily basis connected to health, jobs, careers, astrology, story, so we are widening. Suddenly a 32-year-old also had no issues turning into Carvaan and listening to content of his or her choice. It also gives us an option to allow third party to stream their content on to Carvaan provided with a payable fee.

There are already brands that are talking to us and saying they want to take a station on the Carvaan 2.0, which means as the population of Carvaan 2.0 starts growing up, there may be an additional source of revenue that may start coming in. So Carvaan 2.0 does multiple things, product to platform. Additional sources of revenue may be hopeful in future and widens the appeal to every member of the family rather than being limited only to the older people listening to retro music.

On the Carvaan side, we are maintaining the gross margins at 25%. We had mentioned this earlier that increasing anything beyond this will be a difficult task. So the gross margins are fully maintained, there is no hit that we are taking out there. As far as the profitability of the company is concerned, this quarter there is not much pressure, it's a temporary phasing where the marketing investments have been done more upfront, this investment will help us as we get into the festival season.

Television is the area we still have some concern going on. The ratings of our programs are doing very, very well, which is good news. We had launched a new program of Roja in Tamil, it has already been taken even in Telugu and Kannada language. Performance wise and rating wise it is doing very, very well. The advertising market is still very, very tight. We have not been able to sell all the inventory that we create, so still there is a pressure on the television business. Though it is a small part of the company. We are hopeful that festival season is in front of us and TV business will also start throwing money in the days to come. What I can assure you is that we are maintaining it, almost the status quo, which is going on in the television. Television is taking no more investments from our side.

On the film side, because there was a World Cup and IPL, it was a conscious call taken by us to not to do anything major on the film side in this quarter. The only film that went out in Netflix in this quarter, which was Hamid, incidentally Hamid also ended winning two National Awards this year. It is making the reputation of Saregama as a quality content player stronger and stronger, which will help us in future in our commercial negotiating power.

We also have some films getting ready for Hotstar. In the quarters to come you will be seeing us releasing films on Hotstar too.

Overall, on the business side, what I would like to maintain is that we are on the right track. There is a quarterly saving, which is happening despite marketing expenses on Carvaan. However, we will be seeing the results of our investments in the days to come. Licensing and films business are on a very solid ground.

There is another thing which I would like to add, there has been a lot of investors feedback, which had been coming over the Couple of years, saying that we need to move the stock appreciation rights to ESOP because of the simple reason that SAR has to be mark to market and it has to be taken on a quarterly basis in our books. We have planned to move all the stocks to ESOP over the period of next three years. That is all from my side.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of G Vijay from GS Investments. Please go ahead.

G Vijay: Good morning and I have raised this query earlier also, does Saregama has any plans of monetizing its land bank, shares, open magazine, which we are throwing the good money bad and nothing is coming out of it and it leaves a very poor impression about the corporate governance structure of the company, public shareholders have been taken for a ride and all this investments, which is not making any return is absolutely destroying the company value?

Vikram Mehra: Sir, all I can say, land is taking no investment, it is a very, very old land, which is laying out there with Saregama.

G Vijay: But evaluation was done for the land?

Vikram Mehra: That was done around 5 years' back

G Vijay: No, FY2019 by 12 Crores, what was the need for it?

Vikram Mehra: Sir, there were regulatory hurdles, we have to end the plan. We need to find a way to use that land. You will be hearing something in the days to come on the land side. As far as the shares of other group companies is concerned, they are there and we get a dividend income, there is no fresh investment going, that is the way the structuring of all group company. Open magazine has been there with Saregama from day one. At the time when Open Magazine was conceptualized, it was believed that it will make a lot of synergy because all the media companies were together at this juncture. Open loses are not going up and there will be management change to find ways to control the loses even more.

G Vijay: Sir, the type of movies for which we are getting the music rights does not provide much confidence to be honest, India's Most Wanted, Yamla Pagla, these movies come and go and somehow, I believe, I am not very sure about the profitability from these companies' music rights actually?

Vikram Mehra: If you see, last year numbers have been able to increase the revenue from licensing income to the extent we have, these movies played a very big role there. Please understand, I will give you example of some movie, Babumoshai Bandookbaaz, it is a Nawazuddin Siddiqui movie, general perception will be what will this movie do in terms of music, it is one of our most profitable movie that we acquired till now. Typically, what happens, music does not necessarily move in the same space how big a commercial hit the movie is. Sometimes music takes off in a very big fashion. If we have been able to increase our revenues to a great extent, it is actually these movies. There is no other magic we have on our hand, it is these movies that are coming, which are improving our negotiating power. Also for us these were the stepping stone, the movies that you are talking about were relatively cheaper movie, we have not done any buying for 10 years, if you are coming in the game of buying, we need to be very careful that we do not end up burning huge amount of cash without being fully confident how to monetize it, we did it with a smaller movie then came Ek Ladki Ko Dekha To Aisa Laga, which is the third biggest musical hit of the year, though commercially the movie has not done very, very well. Total Dhamaal is one of the fourth commercially and music wise big. There are bigger movie songs are doing pretty well, if you see Mungda song from Total Dhamaal already crossed 100 million number on You-Tube. They are doing pretty well for themselves and we will be taking even more high-profile movies in the days to come. We take 66% of the content cost and 100% of the marketing cost in the year of acquisition, so whatever numbers we are showing we have already taken for the content cost and then showing a profitability.

G Vijay: Sir, this is the first quarter where the consolidated results are coming, what has been the impact for and what is the impact for converting SAR in to ESOP on profitability and why it was done and even for such as poor performance in this quarter and can it be reversed please?

Vikram Mehra: Sir, when you are seeing such a poor performance, what one can do. We can't go back and spend any money upfront on marketing and let the numbers continue the way they are growing then there is no way Carvaan can get to the next level, we did around 900,000 units in the last year and would have maintained at that particular level only. It is a conscious call that we have taken. From a B2B company, trying to move into the B2C space and wants to make a big name which require upfront investments. We have not done it for the first two years for Carvaan, just to convince everybody and the entire investor community that Carvaan has potential, otherwise normally we should have done this upfront. We are doing it now to take it to the next level, so this is the process that we need to put in so that we can reap the dividends at a later juncture.

G Vijay: ESOP part and impact of consolidated results Sir?

Vikram Mehra: Vineet Garg, if you take that.

Vineet Garg: Yes, consolidated result if you ask me honestly it is only the Open Magazine loss, there is no too much of difference. Previously we used to consolidate that number once in a year, now we start consolidating every quarter. Open Magazine have a loss of around Rs.1 Crores a month, which we take a provision. So the only delta amount, the interest amount we used to pay for Open investments, we used to take the impact on the P&L which is only Rs.1.5 Crores. Hence, there is no too much of impact on the consolidation number side. Now, the second part on your SAR accounting treatment, so SAR to ESOP conversion is going to be a gradual process. We have not yet converted any SAR to ESOP, it is going to be converted in next 2 to 3 years' time. So in current P&L, there is no impact of ESOP and SAR in this quarter is negative Rs.26 lakhs, a very small impact.

G Vijay: So, we have to be very, very cautious on the corporate governance part unfortunately I had raised the query earlier. Kolkata based companies unfortunately do not enjoy a great reputation and somehow we have to doubly cautious in today's time….

Vineet Garg: I would rest assure that corporate governance going to be at the top most level, we will not go into compromise on this front at any point in time under any circumstances, whatever we do we are going to follow the prescribed rules and regulations, there is zero tolerance on the corporate governance side.

G Vijay: Few fees, which are there like legal consultancy, traveling expense, advertising, sale promotion, printing communication, etc., appear to be on the higher side. Reevaluation of land again does not leave a good impression

Vineet Garg: Valuation was there in 2015 a time of Ind-As because it was a requirement of the time. After that reevaluation has not been done and we have no plan to do reevaluation. Land is the asset, which is lying, whenever we decided to take any action we will come back and share with you the complete detail around it. Investment side, I think, Vikram already explained, last year we have to do a small investment on that, it is not a very investment and it is a year back, there is no further investment we are doing in that property at all.

G Vijay: Thanks a lot.

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

Dhwanil Desai: Hi Vikram and team, I have three questions. First one is related to the investment that we intent to make in terms of ad spend, distribution network on Carvaan, so I think how do you look in terms of, when you decide to make X amount of investment, how do you look at it in terms of payback because the only challenge that we see is this is a onetime sale and the replacement demand for that is going to come after few years or maybe never. So once you make the sale, the transaction is done and then the demand is kind of catered to, so when we make this kind of a larger investment, how do we think in terms of payback periods and do we actually do any such investment or it is more of a high level view that we need to make investment to take it to the next level?

Vikram Mehra: Let me answer this question first. On Carvaan part, it will be a 25% gross margin product this year and from the next year it will be low single digit net margin product. Carvaan on its own on a full year basis should be in black and not in red. It is just a phasing issue, because April, May and June being the cricket season. However, we will get the dividend of this entire investments as we get into the festival season. The other point you raised is Carvaan being a one-time sale. I agree with you fundamentally. But there are two things out here. One, around 23% odd of Mini and Carvaan Go sale has actually being done to existing Carvaan customer, so we are seeing a higher propensity to the guy who has bought the first product to buy the second or the third or the fourth product also, he may buy for himself, or he may end up buying it and gifting it to somebody since you are already that bigger fan for that particular product. So in top 10 towns, a re-sale or a second sale also happening. Carvaan 2.0, as that product starts picking up, there is a possibility. If the numbers are shaping up decently for Carvaan 2.0, there is a potential for advertising revenue, subscription revenue, carriage fee revenue, which means in future you can have an ongoing monetization happening of the customer who has bought your Carvaan upfront, it is not a one time sales story. That is where the transition of Carvaan is happening from product to platform.

Dhwanil Desai: That is helpful. My second question is Vikram, if I remember correctly, we were thinking about spending around 180 to 200 Crores in the next three years for new music acquisition, so most or all of this will be internally funded and there would not be any debt in the balance sheet. Now, in the revised scheme of spending money on Carvaan advertisement, the margins, contribution or the cash flow from that is going to go down. Does anything change on the music acquisition strategy for us?

Vikram Mehra: No, at this moment, we maintain that we will be doing the investment of 180 to 200 Crores on new music acquisition over the period of next three years and we are in a position to internally fund it. Please understand on Carvaan, the moment we get on a full year basis, the marketing investment are upfront, the dividend that is coming at the later part of the year, Carvaan will not be sucking in cash.

Dhwanil Desai: Right, but it would not be generating much cash?

Vikram Mehra: Licensing revenue itself generate enough amount of cash for us to do the investment upfront on the music side and when we people are doing the music deals; we are clear that we structure the deals the way that the cash outflow does not happen in a single go.

Dhwanil Desai: Got it and last question is on the film and television, I think on the television we have been kind of waiting for things to change for us for almost couple of years now, and inventory is getting banked, so that is a good part, but I think do you see any light at the end of the tunnel on the television side and on the film side, I also feel that with the kind of deals that we are doing which is the output deal, we probably marginally losing money too, probably we will be making money, so if you can comment on that?

Vikram Mehra: On the TV side, I will not run away with the facts, yes, it has been disappointing and hence the conscious call was taken from our side that no more investment needs to happen on the television business, we are completely out of the Hindi television business. On South television, we are just ensuring that the loses do not go up, we need to liquidate it, honestly July has been a decent month and I am hopeful that the festival season spends take up and we will be able to liquidate this inventory. All I can say, let us wait for the Q2 and Q3, we will be in a better position to know where we are moving on television, we are making no more investments on the TV content creations side. If anything we will do, we will do on the digital side where the money is more assured rather than the vagaries of television advertising.

On the film side, it is literally no profit- no loss at this junction. The structure in which we are going, we have been able to slowly build a reputation. Please understand we were known as a music label company. For us to get into physical product like Carvaan or a digital films business they are newer areas. On the digital side, there are lot of people in making films and a platform look at them seriously. It has taken one and half years of good quality films to build the reputation. We will be going forward in the next couple of years. Will the money be massive? No, because we do not make big budget films, we are very, very clear, our films are going to be the relatively smaller budget films, and the margins that you are talking on the film business will be anything between 20% to 30%.

Moderator: Thank you very much. The next question is from the line of Manav Vijay from Essel Finance. Please go ahead.

Manav Vijay: Thank you very much. Sir, first of all, I think the move that you have taken on the Carvaan, I think it is a very bold move, so I wanted to understand that when you say that you want to spend extra amount of money and want to build a base, if you really build this product really big, what amount of money are we talking, let us say for this year, are we taking 50 Crores kind of a money to spend to build a team of marketing and for advertisement, because now I can see adds coming on national TV as well?

Vikram Mehra: Yes, let me put it this way. We are committing to you, 25% gross margin and low single digit net margins. This is because we have spent money in the first quarter and will be spending money in the second quarter also. We will see which way the results start coming in, we are monitoring the results very closely. Somebody else has asked me this question, do we have a clear correlation, yes! Every time spending is done, we dig those spends on the basis of TRP of the TV channels, which state how much investment is going in and are we getting sales number with a lag of three months or are we getting proportion amount of number results back. We monitor and then take a call, but overall basis, I am assuring you a positive net margin. It is easy to save marketing expenses. Carvaan, which is a 900,000 units can never become bigger and bigger than this. We may be sitting on something very big and can give us a better opportunity. We want to establish this product. Remember it is a new category, when the brand is getting built, you need big investments, out intention is building a category itself. People have never heard of something of this sort, so it will require both in terms of manpower and marketing some upfront investments, but overall basis it will be still be net margin positive.

Manav Vijay: Vikram, a couple of questions, so last year on an average Carvaan realization was around Rs.3200 per unit, now this year since you have launched a smaller version of the Carvaan Go, I believe for us Carvaan 2.0 is concern where you will have better realizations, so let us say what kind of realization dip should we build in for FY2020 if you can share any number?

Vikram Mehra: See, there will be a downward trend out here, because the Go, which has hopefully become a bigger and bigger. Go is Rs. 4000 product and not a Rs. 6000 product like Mini, which is moving faster in the smaller towns. In another quarter we will be able to give a little more precise number on this. What we internally maintain is that whichever product we are selling, minimum 25% gross margin have to be there and the pricing will be done based on that. We do not take the percentage wise of cut anywhere, but since the average check value starts coming down there will be an impact. Is the impact huge right now? No, we will know when the volume start getting up in a bigger fashion with the festival season that is the time we will start understanding the impact better.

Manav Vijay: Sure, let us say since you want to spend in this portion to actually build on the Carvaan product, is there a thought process to sell the land that you have or the investment that you are holding, let us say more than one-time thing because whatever investments in land that you are generating relatively lower amount of return and the product that you are trying to build there is a high probability that you might build up a better yielding product?

Vikram Mehra: I do not see a situation where we are selling the land, we are trying to find ways in which this land can be put in better use, it is prime property next to Kolkata airport. As far as the funding of Carvaan is concerned, we are clear that whether it is Carvaan funding or licensing revenue funding the new music content, everything is being done using our own cash flows. We are not picking up debt from anywhere else. We are confident that where we people sit apart from short-term working capital issues on a long-term basis, we should be able to fund all our investments ourselves.

Manav Vijay: Thank you.

Moderator: Thank you. We take the next question from the line of Ashwin Reddy from Samatva Investment. Please go ahead.

Ashwin Reddy: Thank you for the opportunity. Couple of questions from my side. Firstly, can you talk about what is being the single biggest change in your thought process on Carvaan in the last six months?

Vikram Mehra: Actually, I think over a year now. As a management team, we believe in the potential of Carvaan being much bigger than I think what we have been credited, we are looking at a 25 million to 30 million potential market for Carvaan where we literally can say as a monopoly, but people need to know about Carvaan, we wanted first everybody to have the confidence that Carvaan has the potential to become big before we start spending money. We use 2018-2019 as a way to say that we make smaller investments in only the bigger towns, which can you manage through digital advertising much more easily. Carvaan move from 380000 units to 900000 units right a period of one year. In the last call we have said this year you will see an up in the marketing spends in a substantial basis with a commitment at the end of the year it will still be low single digit net margin, it will not get into loses. We want to build awareness for this product outside the top 10 towns. All the research feedback coming back to us tell that people have never heard of Carvaan, the moment we start getting into a Jodhpur or Ajmer or a Kanpur, it is an unknown product for them. The only way it can happen that we get into mainstream television advertising because still that is the only medium that reaches the audience. We believe this will be happening, let the festival season come then the number will be relatively large, which will justify the investments that have been made.

Ashwin Reddy: Sure, understood. Sir, point taken and we appreciate the fact that you have chosen to think long-term over short-term, but what I also appreciate is in line with gearing with this bold thinking that you have, if you can cut the losses at Open Magazine and improve the capital allocation that will give much more comfort to the investors. Because I understand you are building a platform and not just a product, but at the same time it does not make sense for us to see on one hand you are taking such initiatives and building a long-term product, but on the other hand, the money you spent, it is not going anywhere as such, so some thoughts would be helpful and when can we get clarity on the Open Magazine?

Vikram Mehra: I heard your points completely, we will come back to you once if there is a clarity, it is happening tomorrow, Open going out? No. What I can tell you that the Open losses have been maintained at this level for the last two to three years and if anything they should be going down rather than going up in future.

Ashwin Reddy: Sir, if we talk about low single digit net margin for Carvaan, the kind of profits that we make in Carvaan, it would probably be equal to the kind of cash outflow on this magazine right, that is what it is, I cannot understand, why we kind of cut the losses at Open Magazine. Because whatever money you are making is for working capital, so I cannot figure out here on one hand you are trying out such big things and on the other hand, how we can have the losses?

Vikram Mehra: I heard you, come back to the Carvaan part, I am again maintaining what I said in the last call and the call before that, 2019-2020 and 2020-2021 are going to be the years where you will be seeing low single digits, our understanding of the brand curve is that by the time we are in 2021, the market spends are going to become disproportionately much lower and you will start looking at very high single digits profitability for Carvaan, so this year and the next are going to be low single digits.

Ashwin Reddy: Alright. Thank you and good luck.

Moderator: Thank you. The next question is from the line of Ritwik Rai an Individual Investor. Please go ahead.

Ritwik Rai: Good morning Sir. Sir, what I wanted to ask you is that it is all very well that you are thinking of expanding Carvaan to such a great degree or whatever, but what I was wondering is, is there really a chance that it may not have that market right because I have seen first hand about the degree of popularity of the product in relatively small towns, it is known pretty well, even with whatever initiatives you have done so far and so on.

Moderator: We seem to have lost the line for Ritwik. We will move to the next question. The next question is from the line of Savi Jain from 2 point 2 Capital. Please go ahead.

Savi Jain: Vikram, so you mentioned that you will have low single digit margins on Carvaan, so what is the kind of margin you will have on the licensing business on a free tax basis?

Vikram Mehra: The licensing income margin after charging for the new content we are acquiring are very, very high double-digit number. The profitability of the company even in 2018-2019 is primarily coming from licensing, Carvaan is in the initial stages, we do not build factory, we do not have capital expenses, there the only investment that we are marking to build the brand, with the marketing or manpower, there is no other expense that we have right now. In that sense we are building a product without having any capex, which is sitting in there, it was a single digit margin last year also, it will continue this year, the profitability comes from the licensing revenue at this juncture and we will continue doing even in this financial year. It is the income which is going steady and our projection on that source of income is 25% at which that income will continue growing.

Savi Jain: Right, so that PBT before SAR margin guidance that you have given that does not hold through anymore?

Vikram Mehra: It does, we are still on an annual basis seeing that we are holding on to that.

Savi Jain: Okay, because this quarter was pretty much?

Vikram Mehra: Again, if you have been following Saregama over sometime remember Q1 is always the weakest, quarter one does not have festivals, the music, the big movie releases, which are connected to revenue now the music that we are acquiring are also all happens more closer to the Diwali time, the collections that we do from public performance is all happen in Christmas, Diwali, New Year's time, Q1 is always for our industry the weakest on top of that, our physical product gone out there in the upfront marketing investment in this quarter rather than waiting and doing everything in the Diwali quarter, then we would not be able reap the benefits.

Savi Jain: So, this increase in royalty that was also because of the…?

Vikram Mehra: New content acquisition.

Savi Jain: Right, so it that run rate going to be maintained for the year?

Vikram Mehra: It will go up, so we will be investing in new content what you are seeing in royalty the content we already acquired. The licensing revenue is not growing on its own, the industry is not growing in this rate, industry grows 10% to 12% on an annual basis and in this quarter they would have also grown 6% to 7% if we are going faster than the industry is because we are combining the power of our catalogue content with the newer music that we are acquiring and hence we are able to grow at double the rate.

Savi Jain: Right, so this quarter your volumes for Carvaan used significantly, but I am assuming that if you would have been much lower because if I back calculate the revenue do not seem to have grown so much?

Vikram Mehra: Yes, there is a change of mix which led to majority of the issues which will not be seen in Q2 and Q3

Savi Jain: Thank you for the clarification.

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

Jaydeep Merchant: Vikram, just wanted to understand if you can give more detail on this advertising and marketing spend that you do, you mentioned previously that lot of it is television advertising, but what is Saregama person doing in store and you putting one guy in a big store in a small town or what is the nature of the expense vis-à-vis percentage of the revenue, which is very high?

Vikram Mehra: Manpower you are talking about, so there are three spends that you are talking about, two which have gone up in this quarter onwards, which is television advertising just putting your 30 second add in mainstream television channels and you will be seeing much more of Carvaan advertising coming in now, so that has gone up and which is the increase that you are seeing on a year-on-year basis on ad and sales promotion around 7 Crores in this quarter, the second part we are doing, 25000 retailers across the country, we started realizing keeping this very thin manpower of own payroll people having one person for the entire state or two people for the state of Madhya Pradesh were making actually no sense, hence we were nowhere close to any of the larger companies, but from our side we have gone up and increased the manpower much more so that almost every major district of this country should have at least one person of ours who can keep on guiding the retailer on a daily basis about what to stock and how to sell, so these are the two areas in which big investments have gone up. In many of the stores we are also putting up demonstrator. The third level expense starts going up more during the festival season where lot of people walk into the store to buy a new television and that is the time if you have your own man sitting in the store he can reach these customers

Jaydeep Merchant: Is that because it is a little complicated now, the newer version?

Vikram Mehra: It is a newer concept, even the older product, you and I have been living for two years on this product, to a new person and unlike what other gentlemen was saying, there is massive quantitative study have been done, which is telling us that the moment we are going outside the top 10 towns, either people have never heard of or they think yes some thing has come, but do know what it is, you are not talking to a 25 year old tech savvy guy, you are talking to a older smaller town guy. People want to touch and feel, the moment they listen to an R. D. Burman song or Kishore Kumar voice, that is the time excitement starts catching up and they are able to do it. Understand in this quarter, Q1 if you follow all the electronic companies is going to tell you footfalls are fallen in the store. There are not that many number of walk-ins that are happening to the stores to buy electronics. So, to create a pull, advertising in this quarter will help in Diwali and I think that is what has helped us to maintain our volumes.

Jaydeep Merchant: Related question to this, what is the mix breakup between online and offline sale?

Vikram Mehra: Majority offline.

Jaydeep Merchant: Lastly what is the previous person asked you that the money is well spent on trying to drive this business rather than to putting it down the tube in the Open Magazine, so I am a paid subscriber of the Open Magazine and I do not see any reason why there should be an Open Magazine, so if you are putting 1 Crore a month in Open Magazine I think money is wasted, so please take that suggestion for the time now.

Vikram Mehra: Sure.

Jaydeep Merchant: Thank you.

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

Aakash Chatuvedi: Vikram Sir, I have a couple of questions, how is this new music rights acquisition accounted for and which line item is its appearance?

Vikram Mehra: The content cost will be sitting as a part of royalty and the market cost will be sitting as part of advertising and sales from us, but typically what happens when we acquire a movie say for Rs.100, Rs.75 is what we pay for content and Rs.25 the commitment that we have to make to the film producer that will spend on marketing. Whatever we spend on marketing we take a 100% charge of in the year in which the movie released and whatever we are spending on content we take 66% charge of in the first 12 months and then remaining over the next three years.

Aakash Chatuvedi: Alright, and can you confirm your PBT margin guidance?

Vikram Mehra: We maintain a number of 13%.

Aakash Chatuvedi: Thank you Sir.

Moderator: Thank you. The next question is from the line of Avni Shah from Karvy Capital. Please go ahead.

Avni Shah: Sir, I just wanted to confirm you are saying that this advisement cost is the upfront cost, is that only for this quarter the excess advertisement cost or is it something that you are going see every quarter?

Vikram Mehra: You will see this year, next year there will be higher marketing spend on Carvaan, that on a net basis you will be seeing Carvaan still be showing profit.

Avni Shah: That is a low single digit that you are talking about?

Vikram Mehra: Low single digit profitability on Carvaan very high double-digit profitability on licensing.

Avni Shah: What will be the total advertising cost for the year, what are you expecting?

Vikram Mehra: I am not able to specify number like that, I will maintain overall 25% gross margin, so the number is clear 1.2 million Carvaan units is our guidance, 25% gross margins, low single digit net margins.

Avni Shah: Thank you.

Moderator: Thank you. The next question is from the line of Arjun Khanna from Kotak MF. Please go ahead.

Arjun Khanna: Sir, thank you for taking my question. Just in terms of domestic production we talked earlier of shifting some of the production onshore, how is that actually going ahead?

Vikram Mehra: No, we have three of our partners in China and one in India, we have not seen any saving coming out of shifting it to India because majority of the component are still being imported by that guy from China, we did it out there in India to help us manage the vagaries of consumer demand a little better because logistics time reduces a lot if there is somebody out here. The guy who is sitting in India is far better to manage the ups and downs. Suppose, a particular colour is selling a lot, we get to know this in short notice from the Indian guy. Are we looking at more people out here? Yes. We are looking more in India, but as production capacity overall we people have a capacity to do. On an annual basis, we produce double the size of what we are projecting as a sales number, the assembly line can produce up to 2.5 million units per year.

Arjun Khanna: Sure, secondly in terms of profitability while you maintain for the year low single digit, does it mean in certain quarters you may actually be in the red?

Vikram Mehra: If you have this conversation it is because this quarter has been a larger volume money spent on marketing and according to me you have already seen the tough quarter. Purchases start happening more towards the Dashara, Diwali, Christmas and New Year, we should not do advertising spends, but we took a call that in the long run it make sense to do the advertising expenses upfront to create awareness and then to reap the benefits at the later time.

Arjun Khanna: Sure, and my final question, just if you could talk about this product how it is doing outside of India, we had pulled back our efforts as you articulated in the last conference call, but has there been any re-think out there and how would?

Vikram Mehra: What we have done is reduced the marketing expenses happening in International market. when I am talking about US, UK and Canada, we have brought the pricing, which is almost at par with the India pricing, which means we no longer have the flexibility to spend some substantial amount of media cost there, it has been retailed primarily to the e-commerce platforms in those country. Only in UAE, we have appointed a distributor. We will be going through the conventional retail route. Number are not that huge on the international side, it is in the Indian airports which are selling far higher to people going abroad than people buying it there.

Arjun Khanna: Sure, perfect. Thank you.

Moderator: Thank you. We will take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Vikram Mehra: Thank you guys. Thanks for your patience. I know there is lot of repetition looking at that the numbers have suddenly fallen, please I want to remind everybody that it is a thought-out decision of what we are doing, we want to take this company to the next level. On the licensing side, things are going very solid and we maintain that we will be able to increase the licensing income by 25% plus/minus 2 by the end of the year. We will continue our endeavor to keep on acquiring new film music and the game is going to be up slowly and steadily into larger and larger films. On overall basis, licensing income will continue giving us very high double-digit margin numbers. On the Carvaan side, we maintain all the three guidance as 1.2 million units, 25% gross margin, low single digit net margin, Carvaan will not get into a loss, we are all fully aware of that part, but to take this to the next level, these investments were needed and hence we did and we will continue doing this in Q2 and Q3 also. You should be seeing a newer product of another variant of Carvaan called Carvaan Karaoke coming in, the key selling story of Carvaan Karaoke will be that karaoke has to be used connected to a television set, our karaoke will be able to give the lyrics on the Carvaan set itself so that it becomes a portable unit and you can carry it with you wherever you are going. You can sit in your balcony and do karaoke, we provide the mikes so you can take it with you to a picnic or wherever you want to go. So this is going to be the big one. We focus on expanding Carvaan distribution and building awareness for the Carvaan as product category outside top 10 towns, you will be seeing in smaller towns much more work happening from our side and our effort is to widen the appeal of Carvaan not just limit it to a retro-music targeted at old people, but to have other varied content also coming in so that it starts making sense to every member of the family, which also helps me to grow Carvaan 2.0, which helps us to have an ongoing revenue stream potential from the customer, there will be effort happening on that side. On the films business, our deal with the Hotstar is done, films are ready, the sales will start happening. So, 5 to 6 films revenue will start coming in over the next three quarters. On the television side, we are clearly looking at Q2 and Q3. My commitment is that loses are not going to go up, our investments are not going to go up, if anything there will be it is going to be good news rather than any bad news. Overall basis, management is very confident, we understand economy is in a bit of difficult position, but we believe that the festival season will be a decent festival season, all the building blocks are need to be put in place and we will be able to reap rich dividend over the next three quarters. On Carvaan side while licensing with the new music income will continue showing a very, very strong growth trend. Thanks a lot.

Moderator: Thank you very much. On behalf of Anand Rathi Share and Stock Brokers Limited that concludes the conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.