

Statement of Unaudited Standalone Financial Results for the Quarter and Six Months Ended 30 September 2017						
SL. No.	Particulars	Quarter ended 30 September 2017 (Unaudited)	Quarter ended 30 June 2017 (Unaudited)	Quarter ended 30 September 2016 (Unaudited)	Six Months ended 30 September 2017 (Unaudited)	Six Months ended 30 September 2016 (Unaudited)
1	Income					
	(a) Revenue from operations	8,446	6,204	4,790	14,650	9,623
	(b) Other income	332	200	500	532	641
	Total Income	8,778	6,404	5,290	15,182	10,264
2	Expenses					
	(a) Contract manufacturing charges	2,296	355	66	2,651	173
	(b) Changes in inventories of finished goods and work-in-progress [(increase)/decrease]	(749)	22	7	(727)	(106)
	(c) Cost of production of television serials and portal	1,471	1,498	1,411	2,969	2,719
	(d) Employee benefits expense	1,265	1,019	888	2,284	1,772
	(e) Finance costs	81	66	55	147	114
	(f) Depreciation and amortisation expense	97	93	171	190	272
	(g) Advertisement and sales promotion	829	602	474	1,431	931
	(h) Royalties	1,055	568	425	1,623	845
	(i) Provision for doubtful debts/advances	537	422	324	959	821
	(j) Other expenses	995	1,082	1,108	2,077	2,006
	Total expenses	7,877	5,727	4,929	13,604	9,547
3	Profit before exceptional items and tax (1-2)	901	677	361	1,578	717
4	Exceptional items	-	-	-	-	-
5	Profit before tax (3-4)	901	677	361	1,578	717
6	Tax expense					
	(a) Current tax	510	374	128	884	306
	(b) Deferred tax	(55)	(27)	24	(82)	33
	Total tax expense	455	347	152	802	339
7	Profit for the period (5-6)	446	330	209	776	378
8	Other Comprehensive Income (net of tax)					
	(a) Items that will not be reclassified to profit or loss	1,467	323	164	1,790	1,719
	(b) Impact of tax relating to items that will not be reclassified to profit or loss	(164)	(32)	(16)	(196)	(193)
	Total Other Comprehensive Income (net of tax)	1,303	291	148	1,594	1,526
9	Total Comprehensive Income for the period (7+8)	1,749	621	357	2,370	1,904
10	Paid-up equity share capital (Face Value of Rs. 10/- each)	1,741	1,740	1,740	1,741	1,740
11	Earnings per equity share (Face Value of Rs. 10/- each) (not annualised) :					
	(a) Basic (Rs.)	2.56	1.90	1.20	4.46	2.17
	(b) Diluted (Rs.)	2.56	1.90	1.20	4.46	2.17

Segment wise Revenue, Results, Assets and Liabilities for the Quarter and Six Months Ended 30 September 2017						
SL. No.	Particulars	Quarter ended 30 September 2017 (Unaudited)	Quarter ended 30 June 2017 (Unaudited)	Quarter ended 30 September 2016 (Unaudited)	Six Months ended 30 September 2017 (Unaudited)	Six Months ended 30 September 2016 (Unaudited)
1	Segment Revenue					
	(a) Music	7,320	4,551	3,123	11,871	6,334
	(b) Television serials	1,126	1,653	1,667	2,779	3,289
	Total segment revenue	8,446	6,204	4,790	14,650	9,623
	Less: Inter segment revenue	-	-	-	-	-
	Total Revenue from Operations	8,446	6,204	4,790	14,650	9,623
2	Segment Results					
	(a) Music	2,098	1,710	664	3,808	1,843
	(b) Television serials	(94)	102	162	8	413
	Total segment profit	2,004	1,812	826	3,816	2,256
	Less:					
	(a) Finance costs	81	66	55	147	114
	(b) Other unallocable expenditure (net of unallocable income)	1,022	1,069	410	2,091	1,425
	Total profit before tax	901	677	361	1,578	717
3	Segment Assets					
	(a) Music	27,391	25,560	12,205	27,391	12,205
	(b) Television serials	3,176	3,269	2,574	3,176	2,574
	(c) Unallocated	20,055	18,812	16,441	20,055	16,441
	Total Segment Assets	50,622	47,641	31,220	50,622	31,220
4	Segment Liabilities					
	(a) Music	8,101	7,301	6,386	8,101	6,386
	(b) Television serials	523	337	577	523	577
	(c) Unallocated	5,814	5,209	2,262	5,814	2,262
	Total Segment Liabilities	14,438	12,847	9,225	14,438	9,225



(Rs in Lakhs)

Statement of Standalone Unaudited Assets and Liabilities as at 30 September 2017		
Sl. No.	Particulars	As at 30 September 2017 (Unaudited)
	ASSETS	
(1)	Non-current assets	
	(a) Property, plant and equipment	18,870
	(b) Investment properties	242
	(c) Intangible assets	631
	(d) Investment in subsidiary and joint venture	1,572
	(e) Financial assets	
	(i) Investments	12,599
	(ii) Loans	-
	(iii) Other financial assets	409
	(f) Other non-current assets	185
	Total non-current assets	34,508
(2)	Current assets	
	(a) Inventories	1,716
	(b) Financial assets	
	(i) Trade receivables	6,707
	(ii) Cash and cash equivalents	1,356
	(iii) Bank balances other than (ii) above	9
	(iv) Loans	294
	(v) Other financial assets	4
	(c) Other current assets	6,028
	Total current assets	16,114
	TOTAL ASSETS	50,622
	EQUITY AND LIABILITIES	
(1)	Equity	
	(a) Equity share capital	1,741
	(b) Other equity	34,443
	Total equity	36,184
(2)	Liabilities	
	Non-current liabilities	
	(a) Employee benefit obligations	237
	(b) Deferred tax liabilities (net)	4,374
	Total Non-current liabilities	4,611
(3)	Current liabilities	
	(a) Financial liabilities	
	(i) Trade payables	3,908
	(ii) Other financial liabilities	1,816
	(b) Other current liabilities	672
	(c) Provisions	3,219
	(d) Employee benefit obligations	212
	Total Current liabilities	9,827
	TOTAL EQUITY AND LIABILITIES	50,622

NOTES:-


- Out of the 53,38,628 equity shares of Rs. 10/- each for cash at a premium of Rs. 35/- (issue price - Rs. 45/-) pursuant to the Rights Issue in 2005, allotment of 5,290 equity shares (relating to cases under litigation / pending clearance from concerned authorities) were in abeyance till 30 September 2017.
- The Company has adopted Indian Accounting Standards (Ind AS) from 1 April 2017. The figures for the quarter and six months ended 30 September 2016 are also Ind AS compliant. They have not been subject to limited review or audit. However, the management has exercised necessary diligence to ensure that the financial results provide a true and fair view of the Company's affairs.
- The format for unaudited quarterly results as prescribed in SEBI's Circular CIR/CFD/CMD/15/2015 dated 30 November 2015 has been modified to comply with requirements of SEBI's circular dated 5 July 2016, Ind AS and Schedule III (Division II) to the Companies Act, 2013, applicable to companies that are required to comply with Ind AS.
- The statement does not include Ind AS compliant results for the previous year ended 31 March 2017 as the same is not mandatory as per SEBI's circular dated 5 July 2016.
- The reconciliation of profit reported in accordance with previous Generally Accepted Accounting Principles (GAAP) to profit reported in accordance with Ind AS is given below:

(Rs in Lakhs)

Sl. No.	Particulars	Quarter Ended 30 September 2016 (refer note 2 above)	Six Months Ended 30 September 2016 (refer note 2 above)
	Profit after tax as reported under previous GAAP	115	291
	Effect of reclassification of remeasurement of employee benefit obligation to other comprehensive income	12	21
	Effect of recognition of ESOP at fair value	(2)	(4)
	Effect of unwinding of discount on financial assets	8	16
	Effect of discounting of financial liabilities/provision	48	96
	Effect of unwinding of discount on financial liabilities/provision	(51)	(102)
	Effect of fair valuation of Stock appreciation right	124	124
	Effect of amortisation of financial assets	(8)	(16)
	Tax effects on above adjustments	(37)	(48)
	Profit after tax as per Ind AS	209	378
	Other Comprehensive Income (net of tax)	148	1,526
	Total Comprehensive Income as reported under IND AS	357	1,904

- The above unaudited standalone financial results have been reviewed by the Audit Committee and approved by the Board of Directors of the Company at their meeting held on 24 October 2017. These results have been subjected to "limited review" by the Statutory Auditors of the Company.
- The Statutory Auditors of the Company have issued an unqualified review report on the unaudited standalone financial results for the quarter and six months ended 30 September 2017.
- The figures of the previous periods have been regrouped/ reclassified, wherever necessary, to conform to the classification for the quarter and six months ended 30 September 2017.

Kolkata
24 October 2017


G. B. Aayeer
Director
DIN-00087760



BSR & Co. LLP

Chartered Accountants

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

To
Board of Directors of
Saregama India Limited

We have reviewed the accompanying statement of unaudited standalone financial results ('the Statement') of Saregama India Limited ('the Company') for the quarter and six months ended 30 September 2017, attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on the statement based on our review.

Attention is also drawn to the fact that the figures for the corresponding quarter and six months ended 30 September 2016, including the reconciliation of profit under Indian Accounting Standards (Ind AS) of the corresponding quarter and six months with profit for the quarter and six months reported under previous GAAP, as reported in these financial results have been approved by the Company's Board of Directors but have not been subjected to review.

Attention is drawn to the fact that the figures for the corresponding quarter and six months ended 30 September 2016 are based on the previously issued standalone financial results that were reviewed by the erstwhile auditors (vide their unmodified limited review report dated 9 November 2016).

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*", issued by the Institute of Chartered Accountants of India. This standard required that we plan and perform the review to obtain moderate assurance as to whether financial statements are free of material misstatement. A review is limited primarily to inquiries of the Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited standalone financial results prepared in accordance with applicable accounting standards i.e. Ind AS prescribed under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular dated 5 July 2016 including the manner in which it is to be disclosed, or that it contains any material misstatement.



We draw your attention relating to:

- (a) remuneration paid/ payable for the financial year 2014-15 in excess of the limit set out in the Order dated 5 October 2016 received from the Central Government. The excess remuneration of Rs. 78.98 lakhs has been considered as recoverable from the Managing Director (held in trust for the Company). According to the management of the Company, the aforesaid Order would not be applicable for the financial year 2014-15 as the total remuneration was within the provisions of the Act, for which the Company has sought clarification from the Central Government and the response to which is awaited.
- (b) remuneration paid/ payable to the Managing Director of the Company for the financial year 2015-16 in excess of the limits specified in the Section 197 read with Schedule V of the Act. The Company has made an application and received an Order dated 5 October 2016 from the Central Government. The excess remuneration of Rs. 179.10 Lakhs has been considered as recoverable from the Managing Director (held in trust for the Company).
- (c) remuneration paid/ payable to Managing Director aggregating Rs. 332.88 Lakhs for the year ended 31 March 2017 in excess of the limits specified in the Order dated 5 October 2016 received from the Central Government. The Company has made an application to the Central Government seeking its clarification / approval on the application of the Notification dated 12 September 2016 issued by the Ministry of Corporate Affairs in place of the aforesaid Order and the response to which is awaited.

Our opinion is not qualified in respect of the above matters.



Place: Kolkata
Date: 24 October 2017

For **BSR & Co. LLP**
Chartered Accountants
Firm Registration Number: 101248W/W-100022


Jayanta Mukhopadhyay
Partner
Membership No. 055757

ANAND RATHI

Saregama India



Q2 FY18 Result Conference Call

25 October 2017, at 11:00 am IST

Hosted by Anand Rathi Research

Participants

Mr Vikram Mehra

(Managing Director)

Mr G B Ayeer

(CFO & Director)

Mr B L Chandak

(Executive Director – RP Sanjiv Goenka Group)

Primary Access Numbers for Participants

Mumbai Access: 022 3960 0896

Local Access: 3940 3977

(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

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<http://services.choruscall.in/diamondpass/registration?confirmationNumber=5307909>

For further information, please contact

Call Leaders

Girish Solanki

Office No: (022) 6626 6712

Mobile: 9323109635

SAREGAMA
CARVAAN mini



Investors Update

Q2 FY`17-18



Cautionary Statement

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

For enquiries mail us at investors_relation@rpg.in

Q2 17-18 Financial Performance

<i>Rs. Lacs</i>	<i>Q2 17-18</i>	<i>Q2 16-17</i>	<i>% Growth YOY</i>	<i>Q1 17-18</i>
<u>REVENUES</u>				
Music	7320	3123	134%	4551
TV Software	1126	1667	-32%	1653
Total	8446	4790	76%	6204
<u>EBIDTA</u>				
	1079	587	84%	836
<u>PBT</u>				
	901	361	150%	677
<u>PAT</u>				
	446	209	113%	330

Standalone basis

Highlights

- Music Business grown by 134%
- B2C Music: 95k units of Carvaan & its variants sold
- B2B Music: Revenues grew by 19%
- TV Software business adversely effected by fall in advertising market. Temporary revenue deferment and not a permanent revenue decline

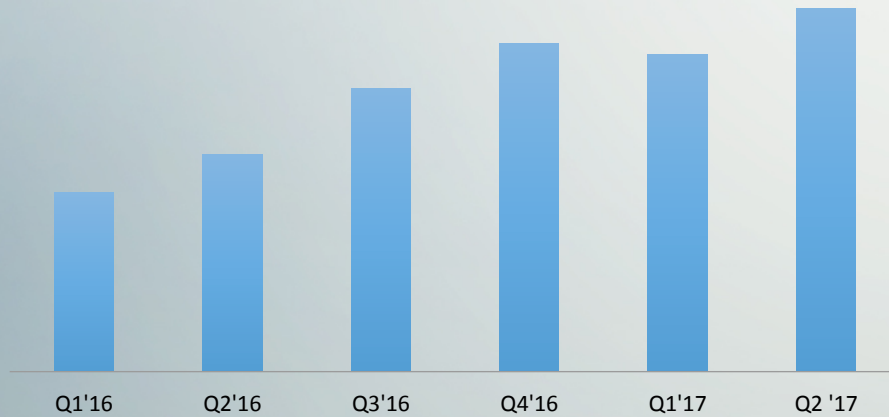
Strategic Direction

Remain a pure play content company capitalising on the data boom globally, with focus on:

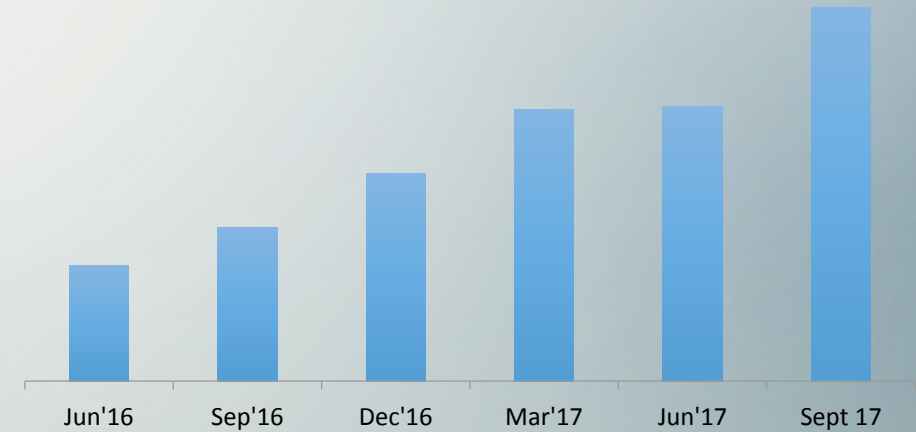
- Higher monetisation of existing IP
(1.2L owned songs & 3000 hours of Tamil serials)
 - through greater presence on all 3rd party digital and TV platforms
 - launch of Saregama branded physical products with embedded music
- Building of new IP
 - through new film music acquisition across Hindi, Tamil and Marathi languages
 - TV programs in Tamil language
 - Low budget thematic films targeted at youth with primary exploitation on digital platforms

Better Monetisation thru 3rd party digital / TV platforms

OTT streams in mn



YT views in mn / month



- B2B music income grew by 19%
- OTT income grew by 45% while Publishing income grew by 19%
- YT income also witnessed growth, while Telecom declined

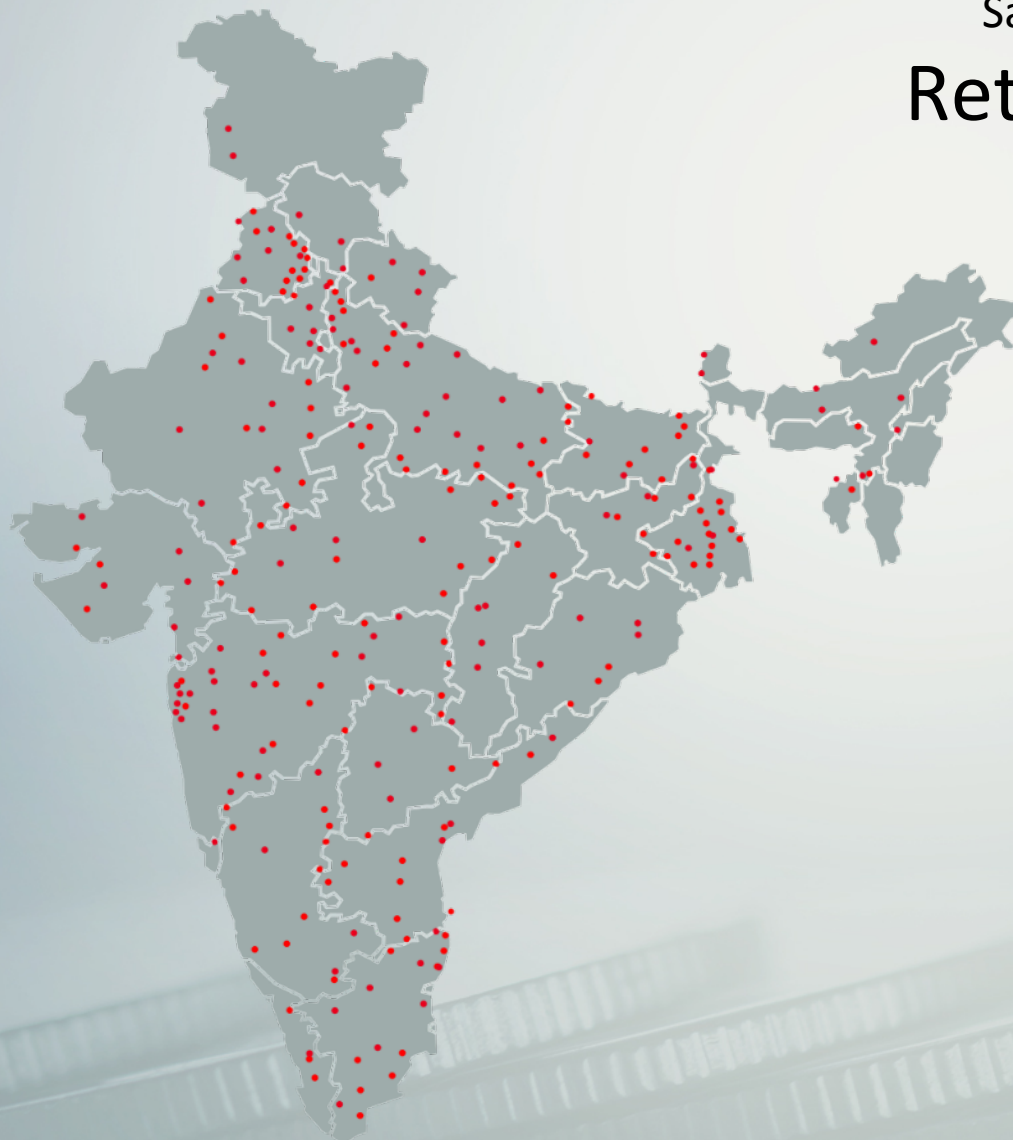
Saregama Retail Products

CARVAAN

- Carvaan : Portable digital audio player with in-built stereo speakers comes with **5000** greatest Hindi songs inside.
- Retailed thru **4640** retail outlets, e-commerce and electronic stores. Own sales force.
- Price increase taken **Rs 6490 / 6990**. Launch price was 5990
- Carvaan variant 'Mini' launched in Sep **Rs 2490**
- **95k** units sold of Carvaan & Mini in Q2'18



Saregama Carvaan Retail Network



4640 BILLING OUTLETs
250+ TOWNS

2 LACS + POPULATION TOWNS

Building IP New MUSIC

- 5 New films music acquired in the quarter. Audio and Music Video rights in perpetuity
- The strategy is to start slow, vet assumptions and start building up the slate over time



Building IP Tamil TV Serials

- High TRPs across all serials
- Banked inventory expected to be liquidated over next 2 quarters



Chandralekha

Daily Soap

Till 30th Sep

902 Episodes

Average TRP – 8



Valli

Daily Soap

Till 30th Sep

1456 Episodes

Average TRP – 5



Jo Jo Laali

Till 30th Sep

124 Episodes

Average TRP – 1

Building IP Films



- Data explosion resulting in growing demand for 'exclusive' content from all OTT players and TV channels
- Thematic films with tightly controlled budgets; targeted at 18-35 yrs segment; story and not the starcast being the hero
- Launched under sub-brand Yoodlee Films
- International audience also considered while selecting stories
- Risk hedging by keeping upfront talent cost low, and offering profit sharing
- Movies in all languages
- Promo www.youtube.com/Yoodleefilms
- 5 films ready. All shot in 18-21 days each
- First film theatrical release in Nov
- Launch of Brij Mohan Amar Rahein postponed to make Ajji the first release
- Ajji has received rave reviews from the leading foreign press
- Invited to the competitive sections of Busan, MAMI, Black Night festivals
- [Ajji : Hollywood Reporter Review](http://www.hollywoodreporter.com/review/ajji-film-review-busan-2017-1048999)
- www.hollywoodreporter.com/review/ajji-film-review-busan-2017-1048999

"ONE OF INDIA'S STRONGEST INDEPENDENTS THIS
YEAR"

THE HOLLYWOOD REPORTER

"MUST WATCH INDIE FILM OF THE YEAR"

SCREEN ANARCHY

"AJJI, IN A WAY, IS A FLESH AND BLOOD PRODUCT OF
REALISM FILMS"

FILM COMPANION

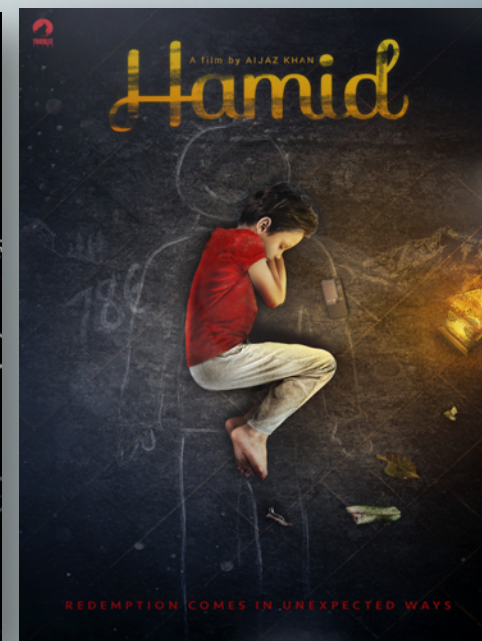
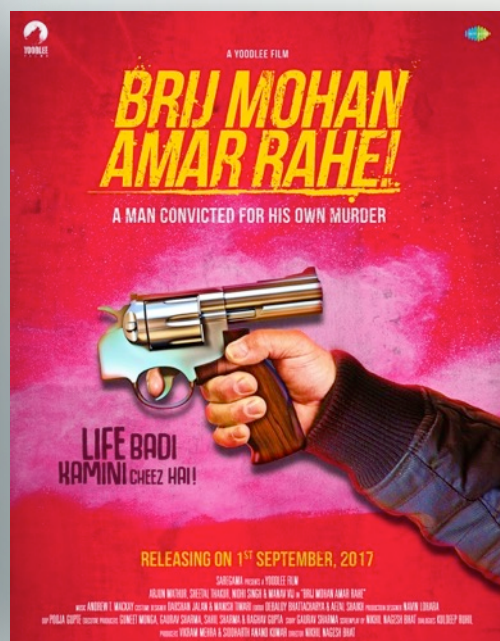
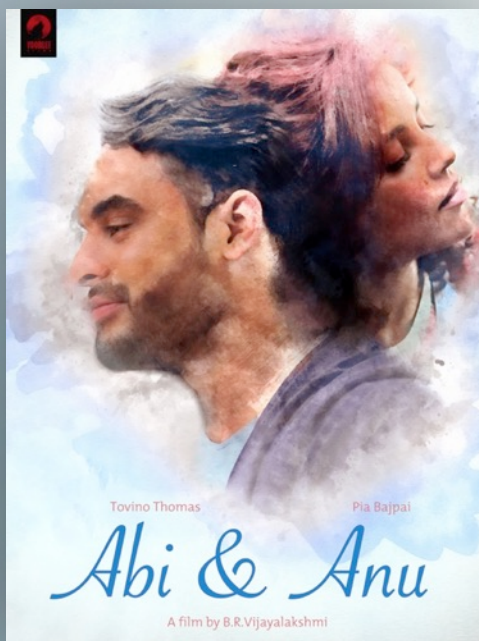
"DIRECT AND EFFECTIVE"

SCREEN DAILY



Yoodlee Films

1st Slate



Publication Biz - Open Magazine

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

Outlook - Music Business

Music B2B

- OTT & YouTube will continue double digit growth while Telecom will continue to decline
- Licensing arrangements with Amazon and Apple will result in additional revenues from Q4 onwards
- Acquisition of new music content will start helping publishing business to grow further
- Industry organization like PPL & IPRS will get strengthened, and will start contributing higher revenues by Q1 next year

Music B2C

- Sales of Carvaan and its variants will grow further in next few quarters
- ATL marketing activities to start by end of Q3 / early Q4
- Launch of Carvaan variants – Tamil Carvaan, USA/UK version of Carvaan in Q3
- Improvement in gross margins expected with volumes

Outlook - TV , Films & Publication Businesses

Television Business

- South TV – Banked inventory will start getting liquidated, offering higher margins
- Hindi TV – conscious call to get out of all non IP business

Films (Yoodlee)

- Release of 1st film in theatre in Q3
- SVoD / TV licensing deals will start from end Q3 / early Q4
- Focus on building catalogue

Publication Business

- Achieve break even through subscription and ad revenues

The background features a light blue gradient with faint, semi-transparent financial charts. On the left, there is a bar chart with numerous vertical bars of varying heights. Overlaid on this and extending towards the right are several line graphs with circular markers at data points. The lines are thin and light-colored. At the bottom of the image, there is a stack of several coins, shown at an angle, with their ridged edges visible. The overall aesthetic is clean, modern, and professional, typical of a corporate or financial presentation.

Thank You



**“Saregama India Limited Q2 FY2018
Earnings Conference Call”**

October 25, 2017



ANAND RATHI



**ANALYST: MR. GIRISH SOLANKI – ANAND RATHI SHARES &
STOCK BROKERS**

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



*Saregama India Limited
October 25, 2017*

Moderator: Ladies and gentlemen, good day and welcome to the Saregama India Limited Q2 FY2018 earnings conference call, hosted by Anand Rathi Shares and Stock Brokers. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. If you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Girish Solanki from Anand Rathi. Thank you and over to you Sir!

Girish Solanki: Thank you Aman. Good morning to all of you. Welcome to the Q2 FY2018 earnings conference call of Saregama India Limited. Today we have with us Mr. Vikram Mehra who is the Managing Director with G.B. Aayeer, who is the CFO and Director at Saregama, Mr. B. L. Chandak who is the Executive Director from RP-Sanjiv Goenka Group. I would like to handover the floor first to Mr. Vikram Mehra for his opening remarks. Over to you Sir!

Vikram Mehra: Good morning everyone. As Saregama as some of you may know right now is the erstwhile HMV India. We people own around 1.2 lakh songs IP. When I say IP ownership this is in perpetuity global rights across 23 different languages. Practically every song, which has been recorded in the history of India till late 1970s early 1980s chances are that it belongs to us and after that also a lot of big songs belong to us.

As a company, we primarily a content IP company, which has seen the data explosion happening in the country and more and more people using smart phones. We see going forward any company, which is investing heavily on content and content means not just music content means music content, TV content, films content that kind of company will have a huge advantage and we as Saregama wants to focus has being the leading content IP company across all the three verticals.

As I talked to you as I said 1.2 lakh songs are owned by us and around 3000 hours of Tamil content is owned by us as of this moment and we plan to go out there and keep on investing in more and more content in the days to come. What we clearly are not, we are not a platform, and we have no plans to go out there and launch any TV channels of ours or radio stations of ours or launch applications that compete with Gaana or a Netflix. We will remain a pure play content IP company only.

Over the last three years what we have done that every song that we people own has been fully digitized. There are lots of metadata sitting behind it. We are ensuring that our content is available across every OTT platform, by OTT I mean players like Gaana, Saavn,



Saregama India Limited
October 25, 2017

Hungama, Apple, Google, Amazon everywhere anybody who has a place for audio content we have ensured each of our song is available there. Every TV channel, every OTT platform, every radio station, you talk about it in India or abroad now Saregama's content is available.

We are also working very hard to ensure that retro music is becoming more and more popular with the younger crowd. So if you see more and more movies these days if I see the latest example also right now Golmaal, which has come in has got a song of ours from Maine Pyar Kiya. There is a new movie, which is coming in called Ittefaq of Karan Johar that has a song of ours right now from Namak Halaal. So we are ensuring more and more of a retro music keeps on giving back into the public domain. Often a question asked right now to us that will we continue remaining in the old content no, we from last year onwards have started the journey of investing in new content also.

So lot more music has been acquired both from Hindi films and Tamil music. Hindi films I can give you names like Indu Sarkar came recently right now, Babumoshai Bandoobaaaz came recently, Haseena Parkar came. The music was all belonging to Saregama. We have also acquired musical movies like Amitabh Bachchan's next movie 102 Not Out or Yamla Pagla Deewana 3 is coming in, the music of all that movies is with ours. Similarly we are also acquiring music of Tamil films.

We will continue doing a work with making TV serials for Sun TV. The good part about there is that Sun TV allows content producers to retain the IP of the serials that we are creating hence it falls in our strategy. We worked last year also making content for Hindi TV serials. We have decided to completely stop that part because the IP is not retained by us. Hindi TV channels do not allow content producer to retain in the IP hence we do not want to pursue that any longer.

We have also recently announced that we will be getting into the film production. Now all these films are primarily thematic films, which are practically zero on star cast will have very limited theatre release, the key part will be strong story led thematic cinema, where the big market for its will be sitting with these large content platforms like Netflix, Amazon, Jio, Hotstar, we are talking of Vuclip, ULOOS of the world are also talking many of these platforms are coming up, which need content, which is differentiated from the regular Bollywood content. Those are the kinds of films we will be doing. All the films having the budgets right now in the low single-digit Crores and we should be able to go back and make a recovery easily by licensing them to these platforms or cable and satellite channels.



Saregama India Limited
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What is happening with the number of devices going up and data explosion happening more and more apps are coming on board. For every app that comes on board even the big ones like Netflix or Amazon they all need exclusive content. Now it is very difficult to manage exclusive content of big filmy Bollywood people so they also want other kind of exclusive content and that is a content we are creating. All of films as a policy IP is 100% owned by us and we will only license it to outside people right now these films on a limited period basis we are not going to let go of IP.

Also to give you comfort each of these films are getting shot in the time span of 18 to 21 days and the maximum time that it will take from the time we people green light a film the film getting released out there and licensing happening will be six months so that the turnaround times are that much faster. To keep our cost structure very low right now on the films we are acting that all the star cast to come on board as practically zero prior cost and we end up doing up a profit sharing with them right now incase the movie get profitable. What this ensures is that our initial cost is low and if there is a skin in the game right now for all the artists, which is ensuring some very good writers and directors are coming across and wanting to work with us.

On the music side a big success story for us is has been Carvaan. Before we touch that a comfort I want to give all of you is that even on the B2B side, which is a primary business for Saregama, we license our music's to telecom companies for caller ring back tones to these OTT platforms like Gaana and Saavn we license our music, we make a money through YouTube and we license our music to be used by TV channels, by TV serials whenever we see right now song playing in the background, by radio stations, by public performances whenever is a party happening and you are playing a recorded music, you have to go and pay a license fee right now to a company like Saregama.

This part of the business, which was 100% of music till last year, has also shown a growth right now of close to 19% in this quarter. So we are seeing a healthy growth coming out of a conventional business, but the very big story for us has been Carvaan. That this product comes out lot of research that we people had done. They told us that the older age group, which is 35-40 plus, which is still a huge fan of Kishore, Rafi, Latha, Mohammad Rafi and we practically own all their music called Jagjit Singh. Those people want to have a more convenient way of listening to music where you do not want to play around apps too much, you turn on the music and music keeps on playing on the background. Based on that research only we people had come out with this product called Carvaan. It was launched late May this year and the numbers have started flowing right now. The real sales have started right now from the last quarter itself.



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Today we are retailing this product from 4600 retail outlets. These are electronic stores that you know of and modern retail. We have Croma on one side, Vijay Sales on the other side from Mumbai and many small TV and electronic outlets that are selling it. We are also now expanding ourselves into telecom, retail outlets and we are selling it from e-commerce through Amazon, Saregama.com and we plan to go back and extend that too.

The product is priced at Rs.6490 and Rs.6990 two different variants. On an average the impact of on our topline on a Carvaan is close Rs.4000. We have been talking in the past right now that our aim is to manage our gross margins of 17% to 18% on Carvaan. I am happy to share that we have been able to touch a gross margin on 19% on Carvaan in this quarter, which has just gone by.

We hope we have done in this quarter close to 95000 unit sales of Carvaan and just in the last week of September, we have launched a variant of Carvaan called Carvaan Mini, which is priced at Rs.2490. We expect that between both these in the next two quarters we should be able to do atleast a 200000 number of Carvaan and Carvaan Mini combined and we are hoping that we should be able to touch a gross margin in this quarter of up to 20%.

Overall we see right now the music business doing reasonably well on the B2B side as well. The OTT part and the publishing businesses are expected to keep on growing right now at a steady rate. So the 19% growth that we people have seen in this quarter we expect that growth rate to continue. We do not see it coming down. It is not a flash in the pan. We believe Carvaan to grow bigger than what Carvaan did this quarter.

As I said this quarter was 95000. We are seeing bigger numbers coming in the days to come. Also Carvaan the potential market for Carvaan has been planned as SCC, ABC are one, anybody having at least one percent in the age group of 40 in their home, which are 25 million homes. Now nobody else can touch these 25 million homes. This is a captive market for Saregama only because only we own the music of Kishore and Rafi and Latha and Asha nobody else owns that music. Our competitors own relatively more new music but the new music is consumed more by the younger crowd, which wants to go on apps so we will continue being on the apps while we will continue making more and more money right now from the physical form factor which is Carvaan.

We launched Carvaan in US this month. The Tamil version of Carvaan comes in the month of December and we are also looking at Carvaan for Bengali, Marathi, Punjabi, Malayalam and Classical Music. We are already planning right now Carvaan for 2018 Diwali launch had some more variants of Carvaan coming in. We believe every home in this country



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eventually, which has about somebody at the age of 40, should have a Carvaan or a variant of Carvaan coming in their home.

On the topline numbers right now, the moment we come to the quarter numbers for us. We have seen a very healthy growth happening right now of this year on the topline side for us. The revenue for us for this quarter has been 84 Crores, which I compare with close to 48 Crore number that we posted in the same quarter last year it is a 76% growth that we people have gone and shown.

The same can be seen on the PBT side also where compared to are 3.6 Crores that we had shown a PBT Q2 last year the PBT for us this year has touched 9 Crores, which is around 150% growth and the PAT level also we are showing 113% growth right now in our numbers and as I mentioned we expect this trend to continue in the following two quarters also.

I will give it now to Mr. G.B. Aayeer who is our CFO to take you through more details of the number.

G.B. Aayeer:

In terms of our revenue breakup prior to our foray into retail, our revenue streams were from three resources. One is B2B, and in B2B we have telecom OTT, YouTube and publishing and then we had television and television had two, south TV and national TV. With our foray into retail, this is a third or fourth revenue stream and this revenue stream will be almost as we see it in the current year will be about 50% of whatever turnover we will post it from other streams.

In terms of our PBT as a percentage of revenue, we earn about margin of almost 14%, which we have improved by 0.15% and we expect that this improvement will continue in quarters to come and we will cover when we really talk on the question about the guidance, what we give.

As regards the traditional businesses of our company as you may be aware there are two businesses. One is music and other is sound while music business riding on the ground making success of Carvaan grew by 134% but television software actually faced a bit of a rough weather in the current quarter but as a management we see this as a temporary phenomenon. As you are aware that post demonetization the biggest hit, which came, was on the advertising and thereby on the television programming business. So television software business, which is predominantly a south television business like any other production also faced a bit of pressure on the profit and in this current year, there was



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absolutely no growth in television revenue but in quarters to come and with the festivals around we envisage that this trend gradually will get reversed.

As regards the difficult question on the capital employed, the capital employed, which was erstwhile was about 10%, which we already planning to improve it in the current year to almost 18%-19% and with Carvaan story going on this capital employed as a revenue as a percentage of margin on capital employed will get improved in the coming years and the same trend will get augmented.

We can take questions.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Pritesh Chedda from Lucky Investment Managers. Please go ahead.

Pritesh Chedda: Sir just picking up from your initial commentary and looking at your P&L numbers and the segmental numbers is it fair to assume that the incremental revenue that we have seen is largely a function of Carvaan and incremental PBT, which is flowing is a function of Carvaan and post gross margin there is hardly any selling or marketing cost that you are incurring hence your gross margin is basically a PBT margin in that business is that a fair assumption?

Vikram Mehra: As I mentioned earlier the B2B business right now has also grown by 19% in this quarter on a year-on-year basis so the conventional business of ours is also doing pretty well. This is for your first part of your question is there. On the Carvaan side, you are right in a sense that we are not doing any above the line advertising but we are doing lot of below the line marketing activities, which has already been factored in.

Pritesh Chedda: So when you give the gross margin at whatever 19% what it would be at the PBT level that 19%?

Vikram Mehra: At this juncture above the line marketing has not happening and hence it is not been factored in into this, so you can assume right now this is the all the way through. Costs will not be loaded on to it.

Pritesh Chedda: Just on the first question you replied there is 16% growth so I am just looking at your segmental where it would get captured because your music revenue is exactly up by that Rs.40 Crores – Rs.41 Crores, which is that 95000 pieces into the realization number?



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- G.B. Aayeer:** In the segmental revenue there are only two segments music and television serial so B2C, which is Carvaan, is part of music and B2B music also is part of music.
- Pritesh Chedda:** My second question is on the scale up side so this 95000 quarterly volume numbers that we are seeing today what is the scale up possible over the next three years so this year, next year and year after, is my first question and in that when will the selling expenses would start getting incurred and what would be the selling expenses?
- Vikram Mehra:** Selling expenses in terms of the margins, there are two kinds of selling expenses the marketing expense, which is above the line marketing and then there is all the below the line marketing work and the dealer distributor margins. Today dealer distributor margins are going at 25% as the volumes are scaling up we see that number coming down and we are already getting up feeler that it will come down. You will see an increase in above the line expenses but as the above the line expenses are going up right now we see a large increase in the sale of Carvaan numbers also. What are we looking at right now? As I said right now we see 25 million of potential customer base with nobody but us who can go out there and tap into this market. Now it is up to us right now how much of the market will we be able to tap and this is assuming affordability criteria shown in, I am not going to all across the country, I am going only to the slightly better of part of the country, which ease into our music. That is anybody's guess how much of that 25 million can we go out there and tap into? Good part we remember is there is nobody else can tap into it. Saregama had not given the rights of its music to be embedded it into physical products to anybody. So this market sits only with us.
- Pritesh Chedda:** So on that question of selling expense of music is it fair to assume that the PBT margin that you make today at about 18%-19% is the margin, which can sustain because as the volume scale up you bring down your dealer margins that can be used for above the line, right?
- Vikram Mehra:** Yes you are right, see it is a sustainable number right now we are looking at the way right now is going back and sustain it.
- Pritesh Chedda:** Right, and is the million odd this volume possible out and out two years down the line so basically you are running at a 100000 per quarter can it be a 2.5 lakh per quarter or 3 lakh per quarter six-seven quarters from now?
- Vikram Mehra:** If you are asking me is it possible? Very much. Are we gunning for it? Very much. We will be in a better position to give you a direction in this right now may be after a quarter or so but we do see those number as a feasible number.



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- Pritesh Chedda:** Any challenges to that in terms of sourcing or anything?
- Vikram Mehra:** At this juncture, we are just ramping up our supply chain so we started with a single vendor. We already have three vendors. The assembly happens in China as of now and we are also very aggressively looking at finding, and building up suppliers and assemblers in India now.
- Pritesh Chedda:** Thank you and all the best to you Sir.
- Moderator:** Thank you. The next question is from the line of Sam Patel from AUM Advisors. Please go ahead.
- Sam Patel:** My questions have been answered. Thank you.
- Moderator:** Thank you. We have the next question from the line of Neeta Khilnani from Batlivala and Karani Securities. Please go ahead.
- Neeta Khilnani:** Just wanted to understand how has been the response to the Mini variant and are you seeing some sort of cannibalization or you have different markets for both these products and on a followup to that question is that in the initial commentary I believe did you say that you were targeting about two lakh of Carvaan in the next quarter and if yes, what could be the split, I mean what approximately do you think will be split between the Mini variant and the original Carvaan?
- Vikram Mehra:** What I have said right now earlier is that the guidance that minimum two lakh will be done over the next six months. That is a minimum number we people are going back and stating hopefully the real numbers may be better. No Carvaan Mini as we plan that way has been designed that way to minimize cannibalization. There is a big difference in the price points of two products. One is Rs.6490 and the other is Rs.2490. The Rs.2490 has been designed more of a Bluetooth a very good looking Bluetooth speaker which has got 251 of our biggest songs selected on the basis of data analytics, which have been thrown in more targeted at people who are little younger or people who travel a lot and hence they want something, which can move along with them. While Carvaan has been designed with 5000 of the biggest songs and all the additional features like “Amin Sayani Saab Ki Pachas Saal Ki Geet Mala”, “Fifty years of Glorious Songs of Mr. Amin Sayani” or an FM Radio much more loaded feature product, which is designed for family consumption less for an individual consumption something that he sits at home and does not travel along with you. The retail outlets that we are looking for both of them are a bit different. The Carvaan get



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sold right now more from the electronic and durable outlet while Carvaan Mini is going to be sold more out of the telecom outlets.

Neeta Khilnani: Okay and Sir I mean I know it is very initial days but do you have a rough estimate in mind about the mix in these two lakh numbers between both these variants?

Vikram Mehra: On a percentage margin basis right now the numbers are similar between Carvaan and Carvaan Mini and in absolute numbers Carvaan gives much better margins. Our focus is that much more on Carvaan than Mini. All our marketing activities are going to be targeted only towards Carvaan and Mini we believe right now is going to move along with that.

Neeta Khilnani: Sir on your retail outlet what is your plan of expansion? I can see you have a fairly wide presence across India already so are you sort of what is your plan of expansion there or are we looking at higher churns on these outlets?

Vikram Mehra: See we are looking. See we had around couple of months back July end our number was 2600 and we had said by Diwali we are going to touch 5000 the numbers which I have shared with you guys are as of September 30, 2017. As I talked to you right now we have crossed 5000-mark. When I say retail outlets we have a retail outlets atleast one Carvaan has been build. It is not about stocking. It is actually about billing to the end customer. We people are gunning by the end of the year this number should cross 10000 retail outlets.

Neeta Khilnani: Sir last question there is a big jump in royalty expenses on a Q-on-Q basis whereas your traditional TV business has grown by just about 19% so what is a reason for the jump?

G.B. Aayeer: Jump is in line with the jump in the revenue. Carvaan has 5000 songs that 5000 songs belong to a repeater only company pays royalty to the producer. Saregama has come from where songs used to be acquired based on the royalty sharing and that royalty sharing happens appreciation every month to all the producers and artists. So Carvaan coming in into the revenue obviously royalty get accrued to producer on account of sale of Carvaan as well.

Neeta Khilnani: Thank you Sir.

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

Abhay Jain: Sir as an investor I have four questions, I would very glad if I get a perfect answers. The first one is I have been tracking the Yoodlee Films very closely three movies have been



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announced the first one being Brij Mohan, second is Abhi and Anu, third one is Ajji, which is making some good reviews now. First question from that is are the expenses taken care in the current quarter balance sheet of all these three movies produced?

Vikram Mehra: We will go back and book the expenses as we release the films, which will be happening this quarter from this quarter onwards.

Abhay Jain: Brij Mohan and Abhi and Anu were stated to be released three or four times and the release get postponed. What was the reason and what is to be expected going ahead?

Vikram Mehra: I think little misinformation out here. We were planning to go back and release these both these films in the month of September. The released has got only pushed only once. The way because Ajji, as the film right now ended up getting some rave reviewed and entry in some very prestigious international festivals, we took a strategic call when a music label is getting into the films business for a people to take a little more seriously less to make Ajji as a first film because of the international recognition the benefit Yoodlee Films will get out of it is far higher than if you go for the little more massive movies like Brij Mohan Amar Rahe and Abhi and Anu, hence the call was taken, let Ajji become the first movie. Unfortunately when you are sending a film to the International Film Festival you have to promise them that the world premiere is going to happen out there, you cannot release your film in the theatre before that. The Ajji had Busan and at MAMI and at going to be sitting at Black Knight, which is one of the prestigious European festival in the month of November hence Ajji gets released in November now, the rest of the films start falling immediately after that.

Abhay Jain: May I know the cost of the three movies and how in a very simple layman terms you are going to capitalise on it?

Vikram Mehra: Majority of the money is going to be coming right now from the licensing that will be happening to that digital platform/cable and satellite channels. Typically the way these deals happen is that the digital guys you end up doing either 18 or 36 month exclusive licensing and the cable and satellite can be anything between five and ten years of licensing. That is how the money is going to get recovered. We do not plan to release these films in a very big fashion in the theatre. It will be limited theatre release six to ten towns primary purpose there being that at least recover the cost of advertising there and ensure that an enough critical reviews written on the film so that the valuation for digital guys and TV guys goes up.



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- Abhay Jain:** Wonderful. And as you mentioned earlier the IP will always be written by you?
- Vikram Mehra:** Yes.
- Abhay Jain:** My Yoodlee doubt is over. Now second doubt is you have two big assets with you, which can be monetized. One is the huge holding in CSC, which is improving a lot now and second one in the last quarter balance sheet you have re-capitalized or revalued the land holdings in Kolkata, will it be lying as it is or it is going to be used for the more purposeful avenue or we as shareholders will be rewarded with that something may I know what is happening there?
- G.B. Aayeer:** Let me take a simpler one first. One is the revaluation of land in last quarter. This is as per Accounting Standard 102, which was compulsory for all the company, and we opted for it and that is how that revaluation happened. As regards the usage of that land currently a different options are getting explored as you can see is that with lot of our new initiatives Saregama itself is a growing company so in our game of the plan and strategies for next two to three years we are seeing what play we will have of these land so currently this asset does not add anything in terms of a cost but in terms of its exploitation in future the options are getting worked out. This was one. As regards the CC shareholding this is a group cost shareholding, which is there in our company as well. So this is not for sale. This is to strengthen the balance sheet of the company, which will lie with the company forever.
- Abhay Jain:** Okay I got the second call now the third question is a lot of discussion has been focused only on Carvaan now. If I am assuming only on the negative side, I am very positive on your activities and Mr. Rajiv Mehra has done a lot of excellent jobs, very appreciable, well light on negative side Carvaan being an elder aged and is 25 million families are targeted eventually this product will find an end day that is no family will buy two or three Carvaan, it makes no sense so what are the other scaling activities apart from this or any launch like Carvaan any innovative product or any innovative activity or any innovative venture other than Yoodlee Films, you are taking care off or under research? Second how will the TV game or the TV rights and TV the way you said Sun TV is cooperating well and you are retaining the IPs of south, Southern India is going good. How are you going to scale up and what is the visibility in terms of percentile or content wise or revenue wise in coming four to five quarters in TV revenues?
- Vikram Mehra:** Let me answer the second question first. We are out of Southern India. Anything, which is on Hindi content since IP is not allowed to be retained by the content producers, Saregama is taken a conscious call we will no longer be playing that game. The only thing we are



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going to be producing is TV content where IP can be retained by us Sun TVs current business model allow us to retain the IP. We at any particular time have three to four serials running on Sun TV, it is profitable business, we are allowed to retain the IP, do we see that business scaling up in a very fashion in the immediate short run? No. It will remain very profitable but we do not see that business scaling up too much. The real scaling up of the business is going to be happening either on the music side or it is going to be happening right now on the films business, but nobody stop films that a year down the line along with the films we also end up making digital series for the same Amazon's and Netflix's of the world it is there on the card, some juncture we may like to go back into it. On your first question you are right. We cannot go back and keep this company for next twenty years dependent only on the old music catalogue, so what we are doing today is find innovative ways to monetize an existing music catalogue, allow that to generate enough cash so that we start creating IP for future. How is the IP getting created? On the video side gets created by Yoodlee and on the audio side we are going as I mentioned earlier and has started acquiring new film music both on the Hindi and the Tamil side. So that we are ready that twenty years down the line also this company is equally relevant.

Abhay Jain: This question came with a very logical thing that the family, which is what Carvaan will not be buying it, again right, that is the reason I asked this?

Vikram Mehra: Yes, I think the fair enough point. I am with you completely. Anyways they may come up time 20 or 30 years down the line people may not remember some of the singers. We need to be completely relevant to that crowd hence the entire investment, which is going on the Yoodlee Films where we create a only production house of its kind globally was trying a model that we people are trying to do and seem to be getting very good reaction from the market.

Abhay Jain: I saw Ajji, it is hats off to you and you did a very good strategy by taking it as the first movie for the first impression, highly appreciate that and I have a really positive review on it I got your point. Now the next question is are you tied up with Reliance Jio?

Vikram Mehra: Yes, our music is available on Reliance Jio. The entire Saregama catalogue is available on Reliance Jio and we get paid handsomely for that.

Abhay Jain: Can I know the figure as an investor?

Vikram Mehra: Sorry can you?



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- Abhay Jain:** Can we know the revenue stream from Reliance Jio as an investor?
- Vikram Mehra:** See at the end of this confidential information because all of are whether we or our competitors we are all go out to OTT platforms and have one and one deals going on. This information apart from my company nobody knows. I cannot put that in public domain.
- Abhay Jain:** All the questions are answered. I will close up with one last question. Any revenue and EPS guidance possible for the next two, three, four, five, six quarters or few years?
- Vikram Mehra:** Having mentioned earlier right now is we people have given our topline on the first six months of 150 Crores. I see a realistic possibility right now this number touching atleast 350 Crores for the year. We people from this quarter onwards if you see a PBT it has gone upwards of 10% and I expect that trend to continue.
- Abhay Jain:** Any action from antipiracy will help in the long run?
- Vikram Mehra:** The antipiracy is ongoing part right now. Every time you keep on working on it the moment you take your foot off and gain the problem starts so we look at it from two ways the bigger work on antipiracy work goes from our side on Yoodlee Films and it will go out there on the new music we are acquiring. On the older music one realizes that it is a difficult Carvaan success tells you rather than fighting on piracy, we will spend some amount of money the bigger part is come out of products that are that much more convenient and affordable that people would not even think off going out there looking for pirated music. Other part I will give you comfort is the problem of piracy actually is coming down for people like us. Earlier the biggest piracy is used to happen from these browsers the moment you go to Internet and any search engine that is how you used to consume music. More and more people today have started reduced their focus on browser and do things through apps. Good part about apps is that if any app is violating a content we are always within our rights to write to Google or to Apple and ensure that app is pulled down which means more and more people right now are listening to a legitimate music than the illegal music compared to ten years back.
- Abhay Jain:** Understood. Being from Tamil Nadu, I have just a suggestion, people here we are eagerly waiting a very good version of Carvaan in Tamil and there is massive craze for Tamil music also and this audience can be addressed in Tamil Nadu, Ceylon, Singapore, Dubai and many other places where Tamil music and Tamil film industry is very worldly proud of.



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- Vikram Mehra:** Carvaan Tamil gets launched in the month of December. Carvaan Mini, which is MS Ammas Carvaan Mini, which has got only MS Amma music that entire stuff MS Amma has ever sang right now Carvaan Mini with the MS Amma gets launched in November.
- Abhay Jain:** Thanks a lot and absolutely satisfied with your replies.
- Moderator:** Thank you. The next question is from the line of Aman Bhuj from Astute Investment Management. Please go ahead.
- Aman Bhuj:** Good morning Sir I have two questions. One on the royalty side; so for old songs like Rafi and all those so if you are earning a revenue of one Crore roughly how much royalty do we end up paying?
- G.B. Aayeer:** See the percentage of royalty differs because these are by the contracts, which have been entered with the producers in earlier years but on an average the percentage is about 20%-21%.
- Aman Bhuj:** Okay and similar royalty arrangements we are coming in for the newer songs, which you are acquiring or is it at a much lower rates?
- G.B. Aayeer:** See new acquisition happens on a different structure so one structure is that you give a minimum guarantee and after this minimum guarantee gets recouped then you start sharing the royalty and typically royalty rates here are about 30%-35% and other structure is that the producer is really not interested in future royalty so he comes and strikes a deal for outright sale. So currently this type of structures are available for new movies.
- Aman Bhuj:** On the royalty side so average realization for us for Carvaan is around Rs.4000 so how much is the royalty cost in that?
- Vikram Mehra:** I think of the back we can tell you right now is that our gross margin only comes down to 19% when we are calculating the gross margin we have taken care of the cost of production, warehousing, logistics, basic customs duty and the royalty cost and all the sales cost.
- Aman Bhuj:** So the bulk cost is royalty or the other cost is more than the royalty cost in this?
- Vikram Mehra:** Production is the biggest cost. There is lots of hardware. Carvaan is a hardware product so in the case of Carvaan it is the physical cost of manufacturing Carvaan, which is the highest



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but at the moment we talk about the digital exploitation of our music then the royalty cost becomes a biggest cost.

Aman Bhuj:

Thanks for that. The second question is on the path which you set for our future, so basically we are acquiring new music so I mean the competitive dynamics especially given the other players are becoming aggressive and do we overtime plan to acquire big movies music like spend 1500 Crores also for music rights acquisition?

Vikram Mehra:

Sir I think it is a fair enough question right now. It is a competitors market. What we people have done over the last couple of years is ensured that all our systems and relationships are in place so that the moment music is acquired we are in a position to start exploiting it immediately and not have a position where we have acquire music and then we are thinking how to make money out of it. With that comfort in place is only in this year we said okay, let us start acquiring music but initially we are clear we are going to be acquiring relatively smaller films with great music rather than acquire these very, very big expensive movies. We have a set of assumptions how recoveries are going to be made. We are waiting those assumptions against these smaller films. You will see us in the next month or a couple of quarters also continuing with this approach only starts slow, vet your assumptions before we start thinking we acquiring big films in future.

Aman Bhuj:

Okay and is there any cap like Rs.20 Crores, Rs.25 Crores as of now you have put on this new music acquisition beyond that you do not want to go or is it totally dependent on the content quality on how does it?

Vikram Mehra:

It is dependent on the content quality, but in our own minds right now the kind of number you are throwing at that is a range we also had in mind that we should be keeping in that level and reality may end up being lower than that unless something dramatically nice comes up. So we are very clear it is not that we have not taken war chest for ourselves and sell as going and spend this money, nothing of that showed we think we should not exceed this number and take music only if the music is making sense and we are not paying just for the high power who the star in the film is.

Aman Bhuj:

Okay Sir. The last question is on the 2-lakh number, which you said in the start of the concall make six months. So given the last three months which we had performed very well in spite of all the external factors 95000, so is not 2 lakh number are very conservative numbers especially you have also launched the new Mini version?



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Vikram Mehra: It is a conservative number we volunteering right now there are other some people who think right now there are one quarter we have been able to manage, we will be managed in the next quarters following that also or not. I have reasons to believe we should exceed this thing 200000 number what I have told you right now is the minimum we will be able to go back and do and internally we are aiming for higher numbers.

Moderator: Thank you Mr. Bhuj. We request you to join the question queue for any followup. We have the next question is from the line of Ritwik Rai from Kotak Securities. Please go ahead.

Ritwik Rai: Thank you for this opportunity. Congratulation for a great set of numbers. Sir I had a couple of questions. Firstly you can follow this in your presentation when talking about TV serials you said that PAT inventory expected to be liquidated in the next two quarters. What is that doing there?

Vikram Mehra: The way deals with Sun TV function is that every time we make a TV serial and episode we get x number of seconds off for advertising inventory that we are allowed to go back and sell and that is how we make our money. Now the way, Saregama arrangements with Sun TV functions right now if we are not able to sell that inventory that inventory gets banded and we can sell it in future, so suppose in a particular episode and getting x seconds of inventory, I am not able to sell it right now for various reasons and demonetisation was the primary reason that is what going on and then GST followed. The Sun has allowed us right now, there is this episode has been able to sell only 0.5x then in the next episode coming in future and I may sell 1.5x also. So this inventory is not inventory which is fungible and gone we know we will be in a position right now to go back and sell this so in the later episodes suppose the inventory which I have been given as x I will sell 1.5x because 0.5 of the previous quarters also is sitting with me. Am I clear?

Ritwik Rai: Yes. As of now Sir how many minutes do you get per half an hour of the serial?

Vikram Mehra: I cannot put this in public domain because as a producer this is what we negotiate with Sun not all the producers get the same stuff. It moves from producer to producer right now and for my different programs also different rates are going on. Program, which is very popular, we end up negotiating right now higher amount of secondage. Since you raised this issue, a comfort, I want to give you the top program of ours has crossed 1300 episodes and second program across 700 episodes, so we are on a reasonably strong wicket there.

Ritwik Rai: It is nice to know. I wanted to ask you also about the other languages that you are planning to launch Caravan in is the library and other languages as strong as what you have in Hindi?



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- Vikram Mehra:** Yes in fact, it should be told may be in some of the languages we are even stronger in Hindi. We are the biggest owner of the classical music in this country both Carnatic side and Hindustani side. We have the biggest Rabindra Sangeet library sitting with us. We have the biggest Nazrul Geet library sitting with us. We have the biggest old Tamil music library sitting out there with us. We are some of the biggest Punjabi old music sitting out there with us. Remember even Gramophone India earlier and then HMV, we were literally a monopoly out there in the country for a very, very, very long time, so all the music is owned by us.
- Ritwik Rai:** Sir excuse my ignorance, in Bengali and all is there movie music or is there some other because those industries have not been I suppose they have started emerging only somewhat lately I mean Tamil is huge of Tamil in South Indian?
- Vikram Mehra:** There is still music also, but Bengali the biggest strength is Rabindra Sangeet and Nazrul Geet.
- Ritwik Rai:** Okay, got it and Sir last thing in terms of your movie business, do you have any kind of objective any kind of targets in mind in terms of turnover because to imagine the scale up of that is somewhat challenging for me, and you are investing obviously quite a bit of energy on this, so what is your kind of how do you imagine it evolving over the next three to five years kind of thing?
- Vikram Mehra:** We believe right now that over three to five years, more and more people, the basic consumer insights on which we are working out here is till 10 years back all of us used to watch movies and TV programmes together in front of the television more often than with the family. As the single screens are emerging many of us now end up watching less content with the families, more content is watched as an individual and that is becoming that is a trend we are really seeing right now the developed countries in the larger towns of India already this trend is coming in more and more of us end up seeing lot of content right now on our tablets or mobile phones. We are tapping into that consumer segment. We have no intentions to make these big blockbuster movies right now that is not the space we are in. We will make movies that you will like to go back in consume on an individual basis. As more and more people end up getting these smart phones in consuming content there will be demand for content, which is more intelligent content not necessarily big star base content that is the segment we want to go back and tap in and we are very, very clear. We will go back into this under the budget that we people have in our mind, we are not going to make big movie and my business model the way we have looked at is not about out of 12 movies and anyhow one movie should become big, our model is every movie on the minimum should recover at least 75% of the cost, majority of the movie should go back and recover



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the cost and make some kind of profits for us. The good thing about the movie business is the long term revenue impact that keeps and coming in. It is not three years, it is not five years, it is not 10 years as some of the other listed companies, we are going to go back and see they are making money of the movies that we produced some 20 and 30 years back also that is the advantage of this stream. With a clear focus that IP in perpetuity will always stays 100% with Saregama, we believe 10 or 20 years down the line this will have a huge advantage for us.

Moderator: Thank you. The next question is from the line of Tushar Bohra from Reliance Capital. Please go ahead.

Tushar Bohra: Thanks for the opportunity. Couple of questions; first on Carvaan, are we looking at the overseas diaspora as well what is the kind of potential in terms of number of people we can target and also what is the potential for the other languages product for Carvaan?

Vikram Mehra: I did mention we are launching in US this month. Next month we people launch in UK. In the beginning the launch is going to be limited to delivery through Amazon and depending on the success out there we already are retailing another product of ours called Music Cards from the retail network, so we may also look at retail network there, but yes you are right we are very, very keenly looking at this community outside India, which will always more married to Indian movies and Indian music then may be we people living in India. On the languages part, we launch the Tamil version in the month of December, Bengali we are in the final stages or sometime early next year, we should be able to launch that, we are working on Marathi version, we have given a Punjabi version, we are working on Malayalam version, we are working at classical music version, also to the Carvaan is there at Rs.6490 and low Mini at Rs.2490, we are also looking at products along the lines of Carvaan, but little different price points to so that we can go and tap into the market, which is Carvaan plus and Carvaan minus two without cannibalizing each other sale.

Tushar Bohra: Understood, I am just saying that when we estimate 25 million as the target potential for Carvaan, I believe that would be only for the first version, the first product?

Vikram Mehra: It is an estimate. This estimate is an extremely conservative estimate that is working on right now, because it puts lot of filters, but this includes all languages, does not include only Hindi. At the moment, I relax this criteria, I put myself right now as more of middle class and upper middle class. I am not even assuming Carvaan will not touch lower class, but the moment I end up having versions coming at Rs.2490 that price point in the days to come suddenly the SECC fee come in the role play in a big very fashion and then the number start



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ballooning. The good part always remember is that music is always very, very popular and lower you are going on strata of the society or older age group you go, these are the people who are not being most tech-savvy people, you give them a product they are allows him to consume of their era in the most convenient fashion they are ready to go back and invest in it.

Tushar Bohra: Fair enough Sir. In terms of the Yoodlee Film division, you mention that November is the first movie after than at what frequency do you expect launches to happen?

Vikram Mehra: Our plan is right now to launch a movie every month. The intention right now is that we can play huge volume to our advantage to reduce the post production cost and we already have been able to go back and prove that model, also what volume is helping us to do is to get a very big distributor like PVR Pictures to start partnering with us. Typical the problem with these smaller films, by smaller films Lipstick Under My Burkha, Lunch Box kind of films right now, Masaan that came, or Titli that came, relatively smaller films that is a kind of we are making. The problem is the films that they do not get enough number of screens because big distributors do not want to work with them. They are using volume to advantage to get, to work with one of the leading distributors right now who has come as a partner at financial terms that are pretty fair right now to both the parties.

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

Jaideep Merchant: Thanks for taking my call Vikram and congratulations for good numbers. Just three, four questions some are around bookkeeping. Can you explain if Aayeer can explain accounting for the movies that is the first question? The second question is when is the tax rate normalize? The third question is write-offs that we are doing are you still all for the advances given to open magazine? These are the three bookkeeping questions, which I had and the other question, which I had for Vikram was you explain that new revenue scheme will be coming in because we have settled some disputes with the writers. Can you throw some more light on the quantum of that or whether it will be one time or there will be regular, this is the annuity sort of thing?

G.B. Aayeer: Let me just first take bookkeeping questions as regards the charging of investments on each film project the accounting policy, which we will have is 67% of the project cost will get charged in the year of its release, subsequent three years, 11% each year will get charged off. As a regards the film and earlier I explained that as regards the IP, which is owned by us the exploitation period is for a very longer period and more particularly digital OTT



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space. So this is about the film. As regards the tax rate, our tax rate is Arithmetically higher but if you take a span of four, five years, then it will be equal to whatever is the tax rate, which is there in the books. When we advance to open on a conservative basis, we provide for it. Provision obviously is added back when you calculate that as liability so in that particular year as arithmetically as a percentage becomes higher than the effective rate. But over the period three, four years obviously call is taken and then we convert this provision into the write-off and that write-off obviously is available as a tax rate.

Jaideep Merchant: How much of is there in the data if I look at number of the debtor of Rs.67 Crores? Debtor or is it lying in the other current assets?

G.B. Aayeer: I think for all practical purpose net of provision is zero. Because we are following a conservative policy of providing and watch out for film business, in a manner of speaking what has got created is a valuable business, but we are conservative in terms of our accounting, so hope these three bookkeeping questions has been replied.

Jaideep Merchant: One addition to that Sir, so now when are we going to be more conservative and stop spending money on open, I am sorry this question might have been asked a few dozen times in the past, but I would like to get your thoughts on that because it is not going to turnaround Sir?

G.B. Aayeer: The timetable currently we do not have so I cannot give you date, but what we can convey to you is different options are getting explored so that, which is really available, available is not lost, and so you stand by which Saregama does not want to lose. Currently timetable is not there but some options are getting explored. As regards the IPR I will request Vikram to answer.

Vikram Mehra: There are two societies right now that we have in the country, which collect money. The first society is called PPL, these are the people whom we assign a right, so that every time there is a public event happening where recorded music is being played as an end customer you have to take a license from PPL. We have given rights to PPL right now for that and PPL pays us money. PPL was to a great extent has been in a place where a lot of mess was created. They are getting a new management team in place out there. Saregama is the board member on PPL and we have reasons to believe that in the days to come we will be able to increase the revenue out their substantially. If PPL revenue goes up proportionately our share of revenue also goes up. Second as a society called IPRS. This is Government of India right now 2012 and comments with Copyright Act under which there is another right, which gets created every time a song gets played. Today nobody is charging for that right. We are



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all charged for the right number one, which is around 85% of the value. The second right we do not charge right now. Now we have reasons to believe that with IPRS now fully getting formed, the Javed Akhtar at the helm of IPRS, IPRS will get more functional that revenue stream which was not there for anybody today will start getting created without cannibalizing our existing revenue streams as additional and whatever money gets into IPRS by law of land 50% is going to come back to language like us. These are additional revenue streams. They are annuity. It is not one time gain. Once they start getting effected right now year-after-year this number should go up. Is it something, which is going to happen in the next two quarters? No. We see this happening right now more from the next financial year onwards.

Jaideep Merchant: A lot of estimates of how much these kind of revenues could contribute Sir?

Vikram Mehra: This can become quite substantial. Right now it will be just blue stargazing because the moment we see the internationally the numbers are very, very big. Since we are nowhere close to those numbers right now I think it is too early for me to give you just number. It is not going to make sense but internationally these are big numbers.

Jaideep Merchant: Thank you very much Vikram and all the best Sir.

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

Vikram Mehra: Thank you from all of us right now. This quarter has been pretty decent. All I want to give the comfort that it is not a flash in the pan. All the processes and system we have built in place right now for our existing products and the products to come will ensure that quarter-on-quarter right now, the situation is going to become better and better and this is not going to remain right now as our flagship quarter. I am very, very sure third and fourth quarter will beat this handsomely. Thanks a lot. Thank you.

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