

(Rs in Lakhs)

Statement of Unaudited Financial Results for the Quarter and Nine Months Ended 31 December 2017						
Sl. No.	Particulars	Quarter ended 31 December 2017 (Unaudited)	Quarter ended 30 September 2017 (Unaudited)	Quarter ended 31 December 2016 (Unaudited)	Nine Months ended 31 December 2017 (Unaudited)	Nine Months ended 31 December 2016 (Unaudited)
1	<b>Income</b>					
	(a) Revenue from operations	9,374	8,446	5,423	24,024	15,046
	(b) Other income	145	332	158	677	799
	<b>Total Income</b>	<b>9,519</b>	<b>8,778</b>	<b>5,581</b>	<b>24,701</b>	<b>15,845</b>
2	<b>Expenses</b>					
	(a) Contract manufacturing charges	4,063	2,296	146	6,714	319
	(b) Changes in Inventories of finished goods and work-in-progress { (increase) /decrease }	(1,987)	(749)	14	(2,714)	(92)
	(c) Cost of production of television serials and portal	1,694	1,471	1,478	4,063	4,197
	(d) Employee benefits expense	1,658	1,265	933	3,942	2,705
	(e) Finance costs	89	81	60	236	174
	(f) Depreciation and amortisation expense	96	97	106	286	378
	(g) Advertisement and sales promotion	981	829	910	2,412	1,841
	(h) Royalties	1,282	1,055	467	2,905	1,312
	(i) Provision for doubtful debts/advances	613	537	268	1,572	1,089
	(j) Other expenses	1,209	995	954	3,286	2,960
	<b>Total expenses</b>	<b>9,898</b>	<b>7,877</b>	<b>5,336</b>	<b>22,702</b>	<b>14,883</b>
3	<b>Profit before exceptional items and tax (1-2)</b>	<b>421</b>	<b>901</b>	<b>245</b>	<b>1,999</b>	<b>962</b>
4	<b>Exceptional items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
5	<b>Profit before tax (3-4)</b>	<b>421</b>	<b>901</b>	<b>245</b>	<b>1,999</b>	<b>962</b>
6	<b>Tax expense</b>					
	(a) Current tax	344	510	116	1,228	422
	(b) Deferred tax	(53)	(55)	5	(135)	38
	<b>Total tax expense</b>	<b>291</b>	<b>455</b>	<b>121</b>	<b>1,093</b>	<b>460</b>
7	<b>Profit for the period (5-6)</b>	<b>130</b>	<b>446</b>	<b>124</b>	<b>906</b>	<b>502</b>
8	<b>Other Comprehensive Income (net of tax)</b>					
	(a) Items that will not be reclassified to profit or loss	749	1,467	328	2,539	2,047
	(b) Income tax relating to items that will not be reclassified to profit or loss	(81)	(164)	(33)	(277)	(226)
	<b>Total Other Comprehensive Income (net of tax)</b>	<b>668</b>	<b>1,303</b>	<b>295</b>	<b>2,262</b>	<b>1,821</b>
9	<b>Total comprehensive income for the period (7+8)</b>	<b>798</b>	<b>1,749</b>	<b>419</b>	<b>3,168</b>	<b>2,323</b>
10	<b>Paid-up equity share capital (Face Value of Rs 10/- each)</b>	<b>1,741</b>	<b>1,741</b>	<b>1,740</b>	<b>1,741</b>	<b>1,740</b>
11	<b>Earnings per equity share (Face Value of Rs. 10/- each) (not annualised) :</b>					
	(a) Basic (Rs)	0.74	2.56	0.71	5.20	2.88
	(b) Diluted (Rs)	0.74	2.56	0.71	5.20	2.88

(Rs in Lakhs)

Segment wise Revenue, Results, Assets and Liabilities for the Quarter and Nine Months Ended 31 December 2017						
Sl. No.	Particulars	Quarter ended 31 December 2017 (Unaudited)	Quarter ended 30 September 2017 (Unaudited)	Quarter ended 31 December 2016 (Unaudited)	Nine Months ended 31 December 2017 (Unaudited)	Nine Months ended 31 December 2016 (Unaudited)
1	Segment Revenue					
	(a) Music	8,234	7,320	3,842	20,105	10,176
	(b) Television serials / films	1,140	1,126	1,581	3,919	4,870
	Total segment revenue	9,374	8,446	5,423	24,024	15,046
	Less: Inter segment revenue	-	-	-	-	-
	Total Revenue from operations	9,374	8,446	5,423	24,024	15,046
2	Segment Results					
	(a) Music	2,223	2,098	1,181	6,031	3,024
	(b) Television serials / films	27	(94)	59	35	472
	Total segment profit	2,250	2,004	1,240	6,066	3,496
	Less:					
	(a) Finance costs	89	81	60	236	174
	(b) Other unallocable expenditure (net of unallocable income)	1,740	1,022	935	3,831	2,360
	Total profit before tax	421	901	245	1,999	962
3	Segment Assets					
	(a) Music	31,851	27,391	12,357	31,851	12,357
	(b) Television serials / films	3,476	3,176	2,805	3,476	2,805
	(c) Unallocated	19,724	20,055	16,951	19,724	16,951
	Total Segment Assets	55,051	50,622	32,113	55,051	32,113
4	Segment Liabilities					
	(a) Music	9,840	8,101	6,790	9,840	6,790
	(b) Television serials / films	772	523	520	772	520
	(c) Unallocated	7,466	5,814	2,390	7,466	2,390
	Total Segment Liabilities	18,078	14,438	9,700	18,078	9,700



**NOTES:-**

- 1 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 31 December 2017.
- 2 The Company has adopted Indian Accounting Standards (Ind AS) from 1 April 2017. The figures for the quarter and nine months ended 31 December 2016 are also Ind AS compliant.
- 3 The format for unaudited quarterly results as prescribed in SEBI's Circular CIR/CFD/CMD/15/2015 dated 30 November 2015 has been modified to comply with requirements of SEBI's circular dated 5 July 2016, Ind AS and Schedule III (Division II) to the Companies Act, 2013, applicable to companies that are required to comply with Ind AS.
- 4 The 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.
- 5 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:

Sl. No.	Description	(Rs in Lakhs)	
		Quarter Ended 31 December 2016 (refer note 2 above)	Nine Months Ended 31 December 2016 (refer note 2 above)
	Profit after tax as reported under previous GAAP	110	401
	Effect of reclassification of remeasurement of employee benefit obligation to other comprehensive income	21	42
	Effect of recognition of ESOP at fair value	3	(1)
	Effect of unwinding of discount on financial assets	9	25
	Effect of discounting of financial liabilities/provision	50	146
	Effect of unwinding of discount on financial liabilities/provision	(52)	(154)
	Effect of fair valuation of Stock appreciation right	-	124
	Effect of amortisation of financial assets	(9)	(25)
	Tax effects on above adjustments	(8)	(56)
	Profit after tax as per Ind AS	124	502
	Other Comprehensive Income (net of tax)	295	1,921
	Total Comprehensive Income as reported under IND AS	419	2,223

- 6 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 January 2018. These results have been subjected to "limited review" by the Statutory Auditors of the Company.
- 7 The Statutory Auditors of the Company have issued an unqualified review report on the unaudited standalone financial results for the quarter and nine months ended 31 December 2017.
- 8 Figures for the quarter ended 31 December 2017, quarter ended 30 September 2017 and nine months ended 31 December 2017 includes charge relating to 200,000 Stock Appreciation Right (SAR) of Rs 775 Lakhs, Rs 237 Lakhs and Rs 1,110 Lakhs respectively. Further, figures for the quarter and nine months ended 31 December 2016 includes charge of Rs Nil relating to Stock Appreciation Right (SAR).
- 9 The figures of the previous periods have been regrouped/ reclassified, wherever necessary, to conform to the classification for the quarter and nine months ended 31 December 2017.

Kolkata,  
24 January 2018



*AG*  
G.B. Ansveer  
Director  
DIN-00087760

# B S R & Co. LLP

Chartered Accountants

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6th Floor, Tower 1, Plot No. 5  
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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 nine months ended 31 December 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 drawn to the fact that the figures for the corresponding quarter and nine months ended 31 December 2016 are based on the previously issued standalone financial results that were reviewed by the erstwhile auditors (vide their unmodified limited review report dated 25 January 2017), as adjusted for differences in the accounting principles adopted by the Company on transition to Indian Accounting Standards ('Ind AS'), which have been reviewed by us. These adjustments reconcile the net profit for the corresponding quarter and nine months ended 31 December 2016 under the previously applicable Generally Accepted Accounting Principles with the total comprehensive income as reported in this statement under Ind AS.

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.



B S R & Co. (a partnership firm with Registration No. BA61223) converted into B S R & Co. LLP (a Limited Liability Partnership with LLP Registration No. AAB-8181) with effect from October 14, 2013

Registered Office:  
5th Floor, Lodha Excelus  
Apollo Mills Compound  
N.M. Joshi Marg, Mahalakshmi  
Mumbai - 400 011



**Emphasis of Matter**

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 modified in respect of the above matters.



Place: Kolkata  
Date: 24 January 2018

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

  
**Jayanta Mukhopadhyay**  
*Partner*  
Membership No. Q55757

ANAND RATHI

Saregama India



## Q3 FY18 Result Conference Call

25 January 2018, at 11:00 am IST

Hosted by Anand Rathi Research

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### Participants

**Mr Vikram Mehra**

(Managing Director)

**Mr G B Ayeer**

(CFO & Director)

**Mr B L Chandak**

(Executive Director – RP Sanjiv Goenka Group)

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### Primary Access Numbers for Participants

**Mumbai Access:** 022 3960 0896

**Local Access:** 70456 71221

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

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Call Leader

**Ashish Poddar**

Office No: (022) 6626 6407

Mobile: 98201 55103



# Investors Update Q3 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](mailto:investors_relation@rpg.in)**



# 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 3<sup>rd</sup> 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



## Q3 17-18 Financial Performance

Rs. Lacs	Q3 17-18	Q3 16-17	% Growth YOY	Q1 17-18	Q2 17-18
<b><u>REVENUES</u></b>					
Music	8234	3842	114%	4551	7320
TV & Films	1140	1581	-28%	1653	1126
<b>Total</b>	<b>9374</b>	<b>5423</b>	<b>73%</b>	<b>6204</b>	<b>8446</b>
<b><u>EBIDTA w/o SAR provision</u></b>	<b>1381</b>	<b>411</b>	<b>236%</b>	<b>934</b>	<b>1315</b>
<b><u>PBT w/o SAR provision</u></b>	<b>1196</b>	<b>245</b>	<b>388%</b>	<b>775</b>	<b>1137</b>
<b><u>PBT post SAR provision</u></b>	<b>421</b>	<b>245</b>	<b>72%</b>	<b>677</b>	<b>901</b>
<b><u>PAT</u></b>	<b>130</b>	<b>124</b>	<b>5%</b>	<b>330</b>	<b>446</b>

SAR: Stock Appreciation Rights

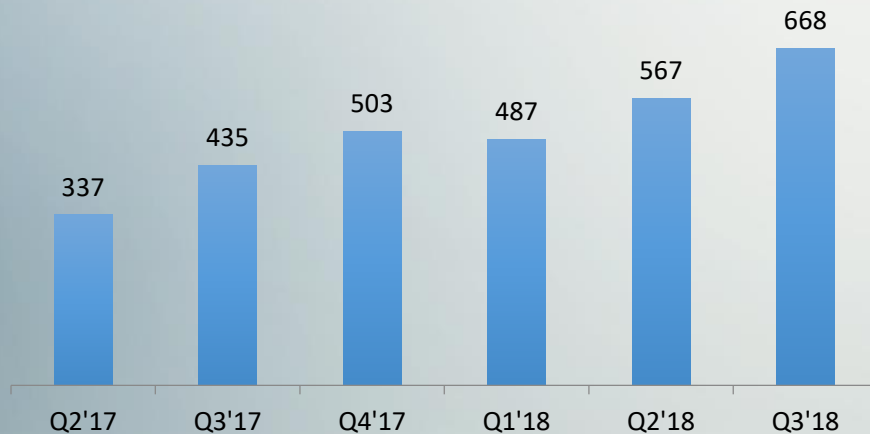
Standalone basis

### Highlights

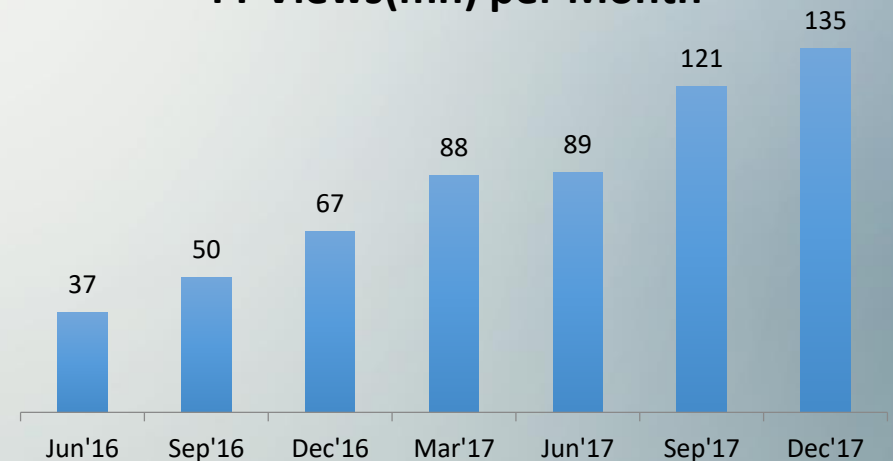
- Music Business grown by 114%
- 60% of music revenue came from B2C
- B2C Music: 132k units of Carvaan & its variants sold
- TV software business showing signs of recovery. 1<sup>st</sup> Yoodlee film released
- ED Inquiry on music industry for non payment of royalties; no adverse order or communication to Saregama

## Growth from 3rd party digital / TV platforms continues

**OTT Streams (mn) per Quarter**



**YT Views(mn) per Month**



- OTT income grew by 42%
- Licensing deal with Amazon Prime closed. Apple Music India to start streaming in Q4
- YT income also witnessed growth, while Telecom declined

- **132k** units sold of Carvaan & Mini in Q3'18
- Carvaan Tamil Mini – MS Subbalakshmi launched in December 17
- Carvaan launched in US. Price: \$159
- GST reduced from 28% to 18%. Price benefit passed on to customers. New price Rs 5990 / 6390 compared to earlier Rs 6490/ 6990 for Carvaan and Rs 2290 compared to Rs 2490 for Mini
- 4<sup>th</sup> manufacturer appointed. India based. Supply from May'18
- Advertising launched on Hindi & Tamil channels & Digital platforms
- “Demonstration on Demand” started in top 10 towns
- First order from 5 Star hotel for placement in rooms
- On track for a 2018 model launch during festival season

	Q3'17-18	Q2'17-18	Q1'17-18
Sale	132k	95k	14k
Billing Outlets	7126	4640	752
Gross Margin	20%	19%	17%





# Positive coverage continues

Brand Equity - Economic Times - Delhi/Wed, 04 Oct-17, Size - 801.35 sq.cm, Page - 1

On ▶▶ 2

## SINGIN' IN... MAGICBRICKS TAKES A MUSICAL



**SAREGAMA'S CARAVAN**  
A product not for millennials

**STOP, CHANGE**  
How Riddi & Zippo commuters' lives

## Gifting Guide

TECH corner

From portable phone chargers to vintage collection, here are some ideas for your loved ones.

- Wear headphones**
- Sound-based music**
- Fitness-first earbuds**
- Photo-style instant photos**
- Cellular watch**
- Smartwatch**

## Tech tasting

It's gift buying season, whether you're treating yourself or indulging others. While the latest smartphone is a cop out, Abhik Sen offers some more tech for thought

- MEISU CASE IPHONE**
- AMAZON KINDLE**
- APPLE TV 4K**
- FUJIFILM INSTANT SQUARE SQ10**

## The brand promise of nostalgia

Sharp targeting and smart marketing have made Carvaan a successful brand. But, will its retro appeal allow it to remain a lasting one?

**Warm and nostalgic**

W alk into your nearest Vignette store and you'll find a man in a white shirt, who will run along with you, possibly, walking in some memory associated with a Mohammed Rafi, Lata Mangeshkar, Kishore Kumar or Alka Yagnik song among the 5,000 it carries. Maybe one of Anurag Kashyap's favourite songs, of which Carvaan is a collection, strikes a chord. And if you don't buy it, chances are that you'll find it in your younger acquaintance or relative, topped with the features along with all that nostalgia will gift it.

These roughly are the premises on which Carvaan was launched in this financial year by India's oldest music company, the 122-year-old Saregama India. Its launch, Carvaan, has sold a whopping 10,000 units, amounting to about half of Saregama's revenue.

Saregama's upcoming campaign makes an emotional pitch for the portable digital music player, and focuses on its large library of old Hindi film and classical music recordings.

One lady in Kanpur said "I remember the radio would go on and I would be doing all the staff around the house." This was on *Vishal Bhattar*, as the player was random and you discovered songs," says Mehra. The need was the product was everything, says eventually.

With 4,600 consumer electronics outlets being reached currently, it will go up to 10,000 by the end of the year. While analysis and consultants have given the brand a thumbs up, some apprehensions remain. "As a novelty, how long will the appeal last?"

## 5 STRATEGIES TO LEARN FROM SAREGAMA'S CARVAAN

**NOSTALGIA COULD BE THE RIGHT CHORD TO STRIKE!**  
Aparajita Misra

## box from the yesteryear

ian's design and music collection are a last, but its features are contemporary

the downloaded by would anyone box of pre-loaded size or type. cut to practically even. Then why this of ones? from the land logical and details of the old similar to I didn't even I overheard my vintage the music box to shy grey-haired, gaged. fun human the volume, there are you switched on listened to the stions, to music, o Binaca eches himn the countdown a broadcast on 94, and then as of All India 94. It was hosted y among the any where in the

world. His older brother, Hamid, hosted the *Boomerama* Quiz Contest on radio. Therefore, it wouldn't be off target to suggest that this product is essentially aimed at an older generation of music lovers, those who grew up listening to the Saregama, and whose entertainment options were the radio and the playground.

**Old world**  
Saregama Carvaan smartly marries an old world to a modern radio with the vintage devices of the present time such as USB port, Bluetooth pairing, and 360 station find in one that presents various popularised musical at a glance. Some a technologically challenged individual might start panicking upon reading this description. For sure, I did, which is why I didn't open the package for a whole week until my growing children, lightly exasperated, pushed me to open the package. The accompanying pamphlet explains the world of Carvaan simply and clearly and, with the appropriate context and

any standard. The p has Saregama's superb. Of it, passing will expectation

**Geetmalika**  
The p has Saregama's superb. Of it, passing will expectation

one message, mandating the listener station find in one that presents various popularised musical at a glance. Some a technologically challenged individual might start panicking upon reading this description. For sure, I did, which is why I didn't open the package for a whole week until my growing children, lightly exasperated, pushed me to open the package. The accompanying pamphlet explains the world of Carvaan simply and clearly and, with the appropriate context and

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## CAMPAIGN LOGIC

### Nostalgic tunes

In a digital brand film, Saregama's new audio player has turned on the nostalgia value of old Hindi film classics to woo an older audience set

**BRAND:** Saregama  
**BUDGET:** ₹10 crore (estimated)  
**AGENCY:** The Womb

**REVIEW SHARMA**

S aregama remains the best known name when it comes to switching on old classics from Hindi cinema as well as a selection of regional music. India's oldest music label and content company has now come up with a brand film for its new radio-like product Saregama Carvaan that turns on the nostalgia value with a sentimental tale of a man and wife. In the five-minute-long digital film, the woman is first shown singing a lullaby to their son. The choice of her song, the evergreen *Ek Jina* (Jin from the first trailer *Ek Jina* Karan. That becomes a motif through the narrative, as she sings it to her husband and different points, including when their son comes for boarding school and on her deathbed as a middle-aged woman. The ad ends with the song playing the Saregama Carvaan, the portable digital audio player that is a treasure trove of thousands of such classics. The viewer is seen sleeping listening to the same song in the final frames.

Vikram Mehra, MD, Saregama India, says the company had researched early in 2015 on the music consumption patterns across age groups. There was unanimity among the older age group that they find it very difficult to consume music of their choice in an easy accessible way. These are people who have grown up on old Hindi songs, but unfortunately with the death of cassette and CDs are unable to listen to these songs in the way they would want, especially given that they are not a digitally savvy as the younger generation to download apps, search for songs etc., he explains.

"Carvaan is our attempt to give the 'lean-back' uncomplicated user 700+ Vignette (Saregama's listening experience to this

## இனிய பயணத்து

இனிய இசை தான், பயணத்து அடிப்படையில், பயணத்தின் செல்லக்கூடிய, 'சரிகம கேரவான்' இது பரிசளிக்கவும் ஏற்றது. எப்.எ. ஒலிபரப்பை, இதில் கேட்கலாம். ப.பன் டிரைவ் போன்றவற்றை இ.தொடர்ந்து இசையை கேட்க முடிபதிவேற்றப்பட்டிருப்பது கூடுதல் சேவை அளிக்கிறது. எலக்ட்ரிக் புள.டை, 1.5 கிலோ மீட்டும்.

## MOVE-AWAY FROM B2B FOCUS PAYS OFF

### Saregama Connects with Consumers, Hits the Right Notes

**ET ANALYSIS**

Co's portable digital radio product that has pre-loaded 5,000 songs draws good response

**Rajesh.Naidu@timesgroup.com**

**Music to Ears**  
Saregama India Revenue Segmentwise % of total revenues

License Fees	Income from TV Serials
63	31

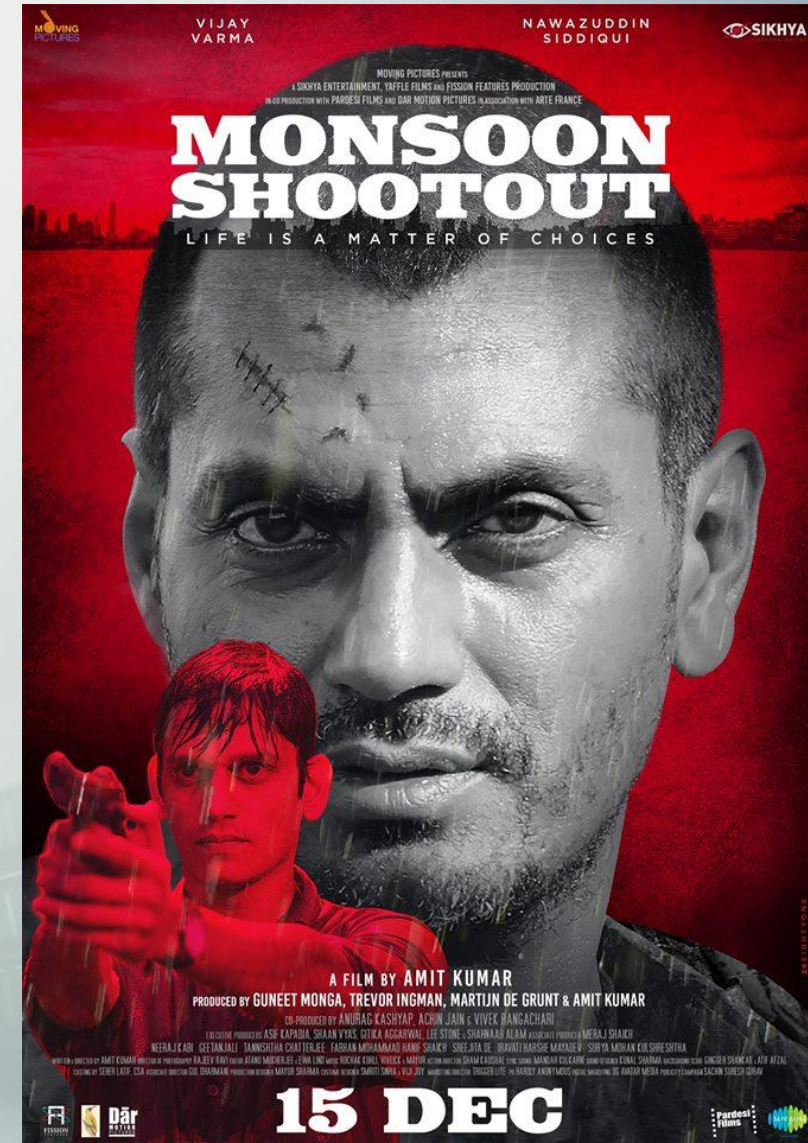
**Product sales** 3 **Advertising** 3

**Source: Company Reports, KPMG Securities**  
revenues: ₹218 cr



# Building IP New MUSIC

- Music of “Monsoon Shootout” acquired in the quarter.
- Audio and Music Video rights in perpetuity
- “Pal” from Arijit Singh proved to be a chartbuster



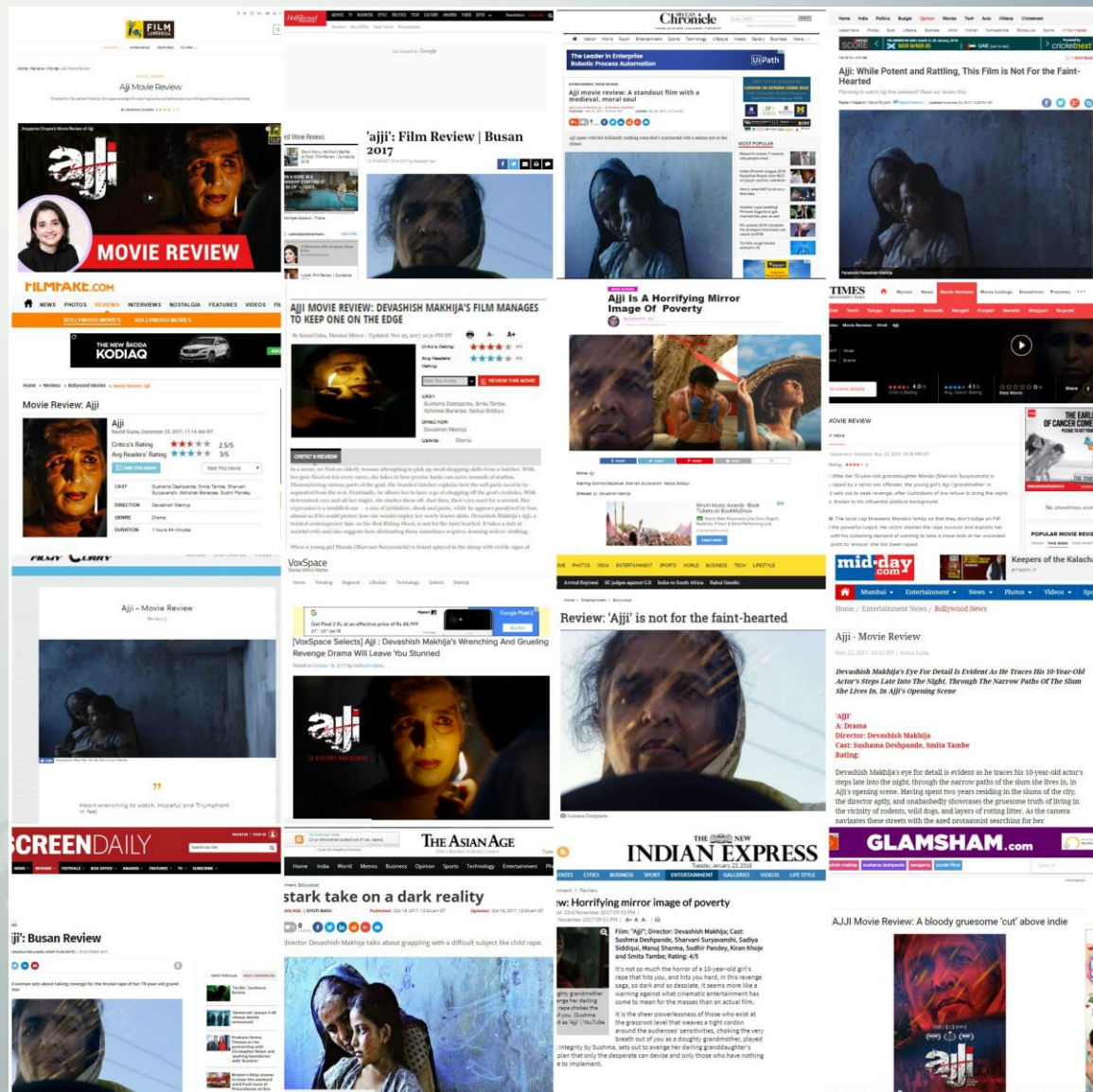
# Building IP Films



- 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](http://www.youtube.com/Yoodleefilms)

- 8 films ready. All shot in 18-21 days each
- First film "Ajji" release in Nov 17
- Digital rights licensing for Ajji completed
- "Brij Mohan Amar Rahein" being released straight on a digital platform
- Revenue from both movies being recognised in Q4
- Cost of both movies being charged off in FY17-18











# 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 Q2 next year

## Music B2C

- Sales of Carvaan and its variants will grow further in next few quarters
- Larger scale ATL marketing activities from Q4 onwards
- Launch of Carvaan variants – Bengali Carvaan, Canada / UK / Middle East versions of Carvaan in Q4
- Improvement in gross margins expected with volumes

# Outlook - TV , Films & Publication Businesses

## Television Business

- South TV – Banked inventory will start getting contributing to Profits from Q1, FY 18-19
- Hindi TV – conscious call to get out of all non IP business

## Films ( Yoodlee )

- Release of two films in theatre in Q4
- Future movies to be focused more towards U & U/A movies
- Focus on building catalogue
- Cost of movies to be fully charged off in the year of release

## Publication Business

- Achieve break even through subscription and ad revenues



Thank  
You





**“Saregama India Limited Q3 FY2018  
Earnings Conference Call”**

**January 25, 2018**



**ANAND RATHI**



**ANALYST: MR. ASHISH PODDAR – 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*  
*January 25, 2018*

**Moderator:** Ladies and gentlemen, good day and welcome to the Saregama India Limited Q3 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. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Poddar from Anand Rathi. Thank you and over to you Sir!

**Ashish Poddar:** Thank you Janis. Good morning to all of you. Welcome to the Q3 FY2018 earnings conference call of Saregama India Limited. From the management side, we have today Mr. Vikram Mehra who is the Managing Director, Mr. G.B. Aayeer, who is the CFO and Director at Saregama, Mr. Chandak who is the Executive Director. Now I would like to handover the floor first to Mr. Vikram Mehra for his opening remarks and then we can proceed for Q&A. Thank you Sir!

**Vikram Mehra:** Good morning everyone. We have seen a healthy growth continuing in our B2B business. B2B comprises of streaming applications, licensing of content to streaming platforms, monetization through YouTube, licensing content to various television channels and telecom. Like the trend has been continuing right now streaming platforms are going from place-to-place and we are also seeing a corresponding increase in the number of streams connected to the content that is owned by Saregama, which I have also listed as part of the presentation, so we are seeing a quite of steady increase happening out there, which gives us an overall confidence right now that the earlier projection of anything between 15% and 20% year-on-year growth on the B2B side should continue. I do not see any change in our outlook there. Good thing as was committed last time that the Amazon Music deal has happened. On Apple Music our content is available all across the world. On India the platform the content is getting uploaded and we will start seeing right now a greater swing coming from these platforms also from Q4 onwards.

Overall on the B2B side things are steady. It will be right for me to also place on record right now this concerns that happened suddenly in November last year, when some of the music labels were asked questions by the enforcement directorate on the royalty sharing. All I can tell you right now is that we have been fully cooperating and at this juncture we do not see any adverse impact financially coming across on to us.

We are helping them out so are the other music labels and so are all the potential users such a bigger enquiry that was happening. Saregama is fully compliant by all the royalty



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arrangements that we people have and we are one of the rarest companies out there in this country that still face and honors all the royalty agreements we people had done, even in 1960s, 1970s, and 1980s. So we are fully compliant out there.

Coming to the part II which is the Carvaan story there were doubts getting raised last time when we said 95000 units of Carvaan and its variants whether it is a one quarter story, I think we have been able to show this quarter the number has grown up to 1,32,000 units so we are seeing a steady increase that is happening. The good part is it is happening because of the infrastructure improvement that we are bringing in. The number of retailers that we have in the country right now that are selling Carvaan is growing steadily and more and more we are seeing that retailers on their own are coming across to us and wanting to go back and stock this product.

The other good part, which has happened is we have been able to improve the gross margins further, we were 19% when we reported last quarter this quarter we have touched 20% number on the gross margin side. So a lot of initiatives have been carried out right now to ensure that our volumes starts building up, we start building right now more efficiencies and hence improve our gross margin position.

This quarter also saw launching in Tamil in the month of December, which has given us some extra impetus. This quarter will see proper numbers coming out there from Tamil. We also launched it around November in the US market where we are priced it at \$159 and retailing primarily only from Amazon at this moment. With time we will look at the Indian stores also going out and retailing this product, and that will start happening as the advertisement starts happening out there we will see interest growing up in US too.

In India the other part, which happened, is that we did start advertising in this quarter. The Q2 was zero advertising and we were doing it only in the initial launch phase now to grow it up we understand that if we want to scale these numbers up even further we are obviously not very happy with only 132000 we want to go further up there will be more and more marketing that will be needed atleast in the initial phase so that the awareness for Carvaan starts reaching deeper and deeper inside the country.

That is as far the Carvaan story is. We people as part of a film project ended up releasing a first movie Ajji. The whole objective of Ajji always was that we wanted people to start taking Saregama seriously as a movie business. Almost every major publication globally has gone back and written very, very good things about the film Ajji, which helps a lot right now when we are trying to market our movies outside India. A positive story coming from



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the leading publication helps a lot. Even in India every major publication, every newspaper which writes about on digital platform has given us a rating of 3.5 or 4 out of 5, which is rare for any of the movies. So the whole objective was to make a statement we did release 'Ajji' in theater for primarily to get the critics reviews only. We were clear right now all that is going to help us in our digital deal for 'Ajji' and the second movie, which was 'Brij Mohan Amar Rahe'. The deals have happened right now. We will be going out there and it is only some paper work that needs to get done, we will be going out there and factoring both of them in this quarter.

Whenever I met many of you people there was a constant advice that was coming from the entire analyst community that in the movie business it will be prudent for Saregama to start writing off the movie or taking the full cost in the year in which the movie is released. Our earlier plan was that we will take only 66% cost will be charged off in the year of release, we have heard you people and we are now going to be charging off that entire cost of the movie in the year the movie gets released. Movie release definition means first round of monetization, whether it is digital monetisation TV monetisation theater monetization, if we start monetizing it is going to get charged off in the year in which the movie has been taken.

The television business of ours it remains at the level of Q2 only. The good part is that the inventory still sitting out there with us as and when the advertising position keeps on improving further we should be able to go back and liquidate it. It remains profitable but it is lower than what the last year performance was. We are still not pessimistic on that right now whether it will be Q4 or Q1 of next year, we should be able to recover the lower profits or the loss profits that we have in Q2 and Q3 because the inventory is still with us, our advertising inventory is not fungible inventory. That is, by and large, ladies and gentlemen statement from my side. Thank you.

**Moderator:**

Thank you. Ladies and gentlemen we will now begin with the question answer session. We take the first question from the line of Abneesh Roy from Edelweiss. Please go ahead.

**Abneesh Roy:**

Thanks for the opportunity. My first question is from Carvaan so, Sir after the advertising have you seen a significant pickup in terms of growth that is one. Second of course on supply side are things are on track post the advertising you see a significant pickup so are those issues resolved? Third do you see competition coming in, in similar product I understand you have the IP rights but is there a product which have similar things you just attach in terms of the songs etc., because the songs can be downloaded from Internet so I





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was just asking because it is looking like a good innovation, do you see a risk of competition also from a medium term to longer term perspective?

**Vikram Mehra:**

Let me try to answer it. The sale in the Q2 was 95,000 which has gone up to 1,32,000 which tells you that on a QoQ basis we have seen over 35% jump in the numbers in spite of November being a really bad month for the entire durable industry, which typically happens right now on a post Diwali basis and we are not broken advertising in a full-fledged fashion very limited advertising is broken and it is giving us results. As awareness is well created right now, the good thing about Carvaan is that we do not need to work too hard to convince people to buy it, it is about telling people that the product like Carvaan is in the market and advertising is doing that job so we see yes advertising is helping us out. On the supply side till Q2 we had a serious amount of constraint. The good part right now is that all three manufacturers of ours right now in China are working in full stream. We have also gone out there and appointed Indian manufacturer who should be now giving stocks by the first quarter of next financial year. So on the supply side, we are geared up to go back and scale much higher numbers going forward, so that will not be a constraint any longer. Coming to the point three as the competition is concerned it is typical for me to predict what will be the impact of competition does something but the basic premise of Carvaan is not music. Music is available whether on the digital format or the pirated format. Carvaan sells nostalgia. Carvaan sells convenience of accessing music. Even if I go out there and try to say that every Bluetooth speakers very easy to go back and manage, again theoretically speaking download of all those 5000 songs, which are available out here through some format or other I still cannot have the convenience of turning the knob to Kishore Kumar and listening the Kishore Kumar non-stop right now without any break coming in so I have my doubts right now that any alternate products can come in and hit here, but yes, can somebody launch a Carvaan equivalent right now in some other form and shape with the newer music, I cannot rule out the possibility but the good thing for us is that the primary buyers for this nostalgia are people who are 35-40 plus and that crowd is more into the kind of music that we people own. Clearly we also understand that to keep on remain making Carvaan attractive we need to keep on innovating so already work is in final stages for the 2018 version of Carvaan, which will be hitting around the festival season, which is August-September where you will be seeing many more enhancements coming in to make the Carvaan even more attractive to the customer. Thank you.

**Abneesh Roy:**

Sir just on the last point I have a follow up questions. You mentioned that there could be competition in terms of offering newer songs. I had a question on that are you looking Carvaan also tying up with the new songs, the IP rights of those companies and offering



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customer the option of hearing even new songs, because Carvaan is a product and it should not be tied up only with Saregama?

**Vikram Mehra:** I beg to defer right now. It is finally about music out here so Carvaan is a technology so at the company level we are very clear that our content IP company and we will find every possible way physical digital, direct to customer through aggregator or other B2B deals to ensure our content reaches anybody who is into any form of retro music in India. So music is a very important for us. Do we rule out the possibility of partnership at some junctures? I will not rule out anything right now. It will be foolish on our part to rule out anything. We are hoping to partnerships with local guys. If somebody wants to piggybank on the platform of Carvaan at terms that make sense to both to them and us why should I rule it out?

**Abneesh Roy:** Sir this Indian supplier can it lead to lower prices also so more volumes is that something which is possible or you are not looking at that?

**Vikram Mehra:** See customer part right now is anyway not, I think it is wrong the moment you start attaching your MRP to what your cost is, customer will pay what customer will pay and the focus from our side is to keep on improving our margins, the margins have seen a decent Q-o-Q basis we are improving our margins and we are bullish in improving them further in the Q4.

**Abneesh Roy:** That is all from me. Thank you.

**Moderator:** We take the next question from the line of Manish Poddar from Renaissance Investment. Please go ahead.

**Manish Poddar:** Sir would you be able to tell us what the repeat purchase let us say for Carvaan right now?

**Vikram Mehra:** So when you say repeat purchases the data that we people have is that the same user who buys one Carvaan typically our understanding is on an average is picking up 2.4 more Carvaan but it is not for replacing the existing Carvaan for gifting to other members in the family. So the word of mouth part of Carvaan is an extremely strong phenomenon at this juncture.

**Manish Poddar:** No what I am trying to understand let say from a dealer point of view, I understand this is a you sell on outright basis on cash basis so if you look at the number of dealers versus the number of Carvaan, which is sold till Q-o-Q this number comes around 18-odd so the



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customer who is going to buy for Rs.100000 a dealer let say for that matter so could you probably speak about how the repeat it is for the dealers point of view?

**Vikram Mehra:**

So this 7100-7200-odd dealers who have retailed, the billing dealer number that we have shared right now the people have retailed at least one Carvaan. Over 70% of these dealers have already done a second buy coming out there from Saregama side and remaining 30% have also not done because they might have been appointed in the last 30 to 45 days. So the biggest story of Q3 is not marketing pushing 132000 numbers it is not Tamil version pushing 132000 numbers it is a dealer interest going up further in a company called Saregama because customer is coming out there and saying what is this product and we have heard about this. So from the dealers side we are getting a very, very positive reaction, a many of the big guys right now whether the Cromas or a Reliance or Vijay Sales or Vivek fair deals the big multibrand outlets now been were not present in many of them in Q2, by the end of Q3 we are present practically in every major one, whether the Kohinoor or a Fair Deal every major city multi-brand outlets right now Carvaan is present. Walk into any Croma store you will know it for yourself

**Manish Poddar:**

So if I have to just infer this question so let us say any of this top three dealers how much would be their contribution in this small number which Carvaan is sold?

**Vikram Mehra:**

That is getting into too much detail. I cannot share that much detail right now, I mean it is a business so for us there are multi-brand outlets that are there which are electronic multibrand electronic more stores are multibrand only, is that a big guys who have changed, which is called a modern retail there then there are standalone television and electronic outlets that are selling it, there are telecom outlets that are selling it, there are gifting outlets that are selling it, there are car accessory outlets that are going back and selling it. We are also looking at a smaller numbers in some more innovative ways, Amazon is selling it from this quarter onwards Flipkart is also selling it Saregama.com is selling it, Ebay is selling it, PayTM is selling it. So we are clear right now is that every way in which if we can get our product to our customer we are going to go back and do it?

**Manish Poddar:**

Is there any other way, let us say other than the repeat purchase, you can monetize the product after the purchase of the product?

**Vikram Mehra:**

So we are at this juncture, no. The whole selling proposition of Carvaan is only that you buy once and after that you have no data cost, no subscription cost, and nothing, and that is what is attractive to the customer. What we are looking at right now is what other products can be brought in, which are going to be serving the similar need of the customer to listen to



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his favorite music but may be in a different form factor. Suppose, I give you a Carvaan that you can take along with you and not something that sits at home. So those are the kinds of products we are looking at right now, so that if you are a big Kishore fan, there is something lying at home and there is something you can carry with you, maybe in your car or some other factor.

- Manish Poddar:** There is an app being launched as of now, if I understand?
- Vikram Mehra:** We are not launching apps that as we do not have any plans to launch our Hindi music app. Going in that is not the plan for sure.
- Manish Poddar:** Launch had happened with Carvaan, so you had added through Bluetooth or some other mechanism and you can channel your song according to your preference also.
- Vikram Mehra:** Perfect that is the direction we are moving in. There is work going on right now on an app which will be coming in maybe one premium version of the Carvaan which will allow you to make your own list, allow you to select your own song, but the play out will still happen out of Carvaan only. So it becomes a companion app rather than a standalone app. So companion apps may come to find more ways to give convenience to a Carvaan customer and may be in future look at ways to monetize that convenience. But standalone- getting into the platform business of launching an application, which competes with an Amazon or a Gaana or a Saavn, we have no plans.
- Manish Poddar:** These deals which you have with Amazon. What is the nature of let us say the payments, which are at a minimum guarantee, or how does it work?
- Vikram Mehra:** There are various kinds of deals that keep on happening. We have deals with nine of these guys Gaana, Saavn, Hungama, Amazon, Google, Apple, Wynk, Idea so there is a long list. The deals that happen right now typically have a variable fee that is being paid across to us with typically a minimum guarantee.
- Manish Poddar:** Okay great. Thank you.
- Moderator:** Thank you. We take a next question from the line of Pritesh Chedda from Lucky Investment. Please go ahead.
- Pritesh Chedda:** I have two questions; one, if you could tell the realizations for the Carvaan volume that we did in the last quarter?





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- Vikram Mehra:** 132000.
- Pritesh Chedda:** That is the volume realization and revenue numbers?
- Vikram Mehra:** See what I can tell you 132000 is the total number that we people have for Carvaan and its variant which is Carvaan Mini and the pricing of those are there. The rough impact of a Carvaan on a topline is close to Rs.4000 and of the Mini is close to Rs.1500 and the gross margins that we people were looking in this quarter on a composite fashion is 20%.
- Pritesh Chedda:** So last quarter you had an average realization of 4.5%, is that a lower number this quarter because Mini is there in the mix?
- Vikram Mehra:** So GST is anyway outside right now, so you will have a little more variations happening, last quarter when we have launched, if you were on the call, I had said we had only five days of Mini sale in it. This time is we had quarter coming in sale in here so obviously the percentage of Mini compared to last quarter has gone up.
- Pritesh Chedda:** My second question is you are referring initially in your comments on the B2B and the B2C side of the music sale x Carvaan trying to build in growth now if I just strip off the Carvaan profitability Carvaan business which flowed in this year you guys were at about 6 to 10 Crores of profit number, now what kind of revenue growth do you see x Carvaan in your business x Carvaan x films is what my question is for you?
- Vikram Mehra:** See if I remove the retail business completely, if I remove the films business that is at least two businesses, which are B2B music and television content that we create for Sun TV right the projection on the B2B business right now, in music annual growth is anything between 15% and 20%. There the growth is coming from the streaming platforms in a bigger fashion while telecom is declining at a faster rate. So that is where we are right on the B2B side.
- Pritesh Chedda:** So the blended growth will still be 15% to 20% or the blended growth will be lower because the telecom side is contracting?
- Vikram Mehra:** Blended growth will be between 15% and 20%, at this juncture the growth in streaming business the growth on the YouTube side and the publishing side is much more than compensating for the decline in telecom. Also remember some of the non-core businesses that we people were in we have got out of it from this quarter onwards, we were in this business of WAP. WAP is a technology that allow you to put content on feature phones we see that business right now more and more declining and taken a conscious call out of it.



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- Pritesh Chedda:** You were telling something on the television content?
- Vikram Mehra:** On the television content right now is a number which I do not expect to change that dramatically out there. We work with a favorite partner which is Sun TV and we had any particular time at 3 to 4 our programs that are running at Sun TV so our growth is completely linked to the growth in the advertising industry as such.
- Pritesh Chedda:** Okay. Will your corresponding when you have 15% to 20% growth in the music at Carvaan on the cost line would you generate any leverage or your cost line would also move in because large part of your cost we have seen is zero?
- Vikram Mehra:** On the B2B business?
- Pritesh Chedda:** Yes, music.
- Vikram Mehra:** On the music business right now, no. Music business we should be going out there and seeing an improvement that will start happening as far as margins are concerned and you need to be clear right now is that I will keep the investment that is needed for new music acquisition out. If we keep it out the fresh music investment that we need to do right now in Saregama as a company in that case if I just look at the cost of managing our existing catalogue and monetizing through that that you keep on seeing improvement in margins. We are already seeing that. But the reality of life is as a company we have taken a call and we have shared this, strategically we believe while we keep on monetizing our existing catalogues far better than what we were doing earlier, we need to keep on investing in new content so that the company is strategically placed ten years, fifteen years down the line.
- Pritesh Chedda:** A new content also passes through the P&L?
- Vikram Mehra:** Yes it also passes through the P&L.
- Pritesh Chedda:** Okay. Thank you Sir.
- Moderator:** Thank you. We take the next question from the line of Ritwik Rai from Kotak Securities. Please go ahead.
- Ritwik Rai:** Good morning Sir and thank you for this opportunity. Sir I wanted to ask you first about the expenses and the employee expenses. Now I was under the impression that for projections we could work with the relatively low growth in employee expenses; however, this quarter



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have you seen significant amount of growth and particularly coming from stock appreciation rights, so could you give us some idea on the extent to which this factor can emerge in the coming quarters and some kind of a guidance if you can about the personal expenses?

**Vikram Mehra:**

See on the employee cost side right now there is no increase and I am keeping the stock appreciation rights outside for a moment right now, so the employee cost, which at one juncture was floating around upwards of 20% of the topline is now fast declining more-it is anything between 13% and 14% right now, which is the efficiency that is being driven in finally. The costs were higher last year because we were building for the Carvaan platform and as Carvaan revenue numbers have started coming in, obviously the employee cost as a percentage is declining and that is why we expect in the days to come overall the margins to keep on improving for the company. Stock appreciation rights right now honestly is bit out of control from our hands also that is why the rights are we can keep on debating that why stock appreciation rights and why ESOPs the fact of license that is a way they have been for last three years. In this quarter so happened that the share price has increased little more proportion to any quarter right now in the last three years and hence you are seeing this impact. We believe this is not something, which is going to continue in this quarter it is looking big, but the basics of the business are pretty strong right now. They keep on growing in and this kind of an impact of stock appreciation right is not going to happen every quarter.

**Ritwik Rai:**

Sir but I mean what kind of an appreciation can we expect on a like on a regular basis?

**G.B. Aayeer:**

This is GB here. I am CFO of the company. You see you must be aware that stock appreciation rights need to be accounted into financial results following Ind-AS and in Ind-AS really market price is not taken what is taken is a fair value and there is a chance behind it we have to take an actual certificate and all. Here what it achieves is that the impact of stock appreciation right over the period is evened out. Only thing is that Ind-AS got introduced for all practical purposes during the current year and that is how and this stock appreciation right which were issued were three years prior so the impact in terms of its fair value was more in the current year and due to the movement as Vikram explained in the current quarter but what we expect Ind-AS will enable the financial result to even the impact in the quarters to come. Now what will be the appreciation and what will be the impact at this juncture, we cannot really pinpoint but what I would like to say is that if suppose in one quarter, the share rate grows up by 100% does not mean that the provision also grows by 100%. So that is how the science behind Ind-AS, I hope I have clarified. So in the quarters to come you will see that the impact really gets evened out.



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- Ritwik Rai:** I will take this over with you at some later point, just like to understand the cost of movies being charged off in this quarter Sir the second movie was not released the Brij Mohan movie not released right?
- Vikram Mehra:** Not charged off yet, but all will be happening in this quarter.
- Ritwik Rai:** In the coming quarter so in this quarter there is not too much impact of these movies?
- Vikram Mehra:** In Q3 there is no major impact. The key part right now is that this is recommendation that were made by you people that please charge off the movie in the year of release rather than not on your books. We have taken it on.
- Ritwik Rai:** Yes, I agree with that Sir. I appreciate it, so I just wanted to understand that would be coming in the Q4?
- Vikram Mehra:** Yes that will be coming in the Q4 and the Q4 we will be also releasing two other movies of ours as I have been stated in the presentation and we will be charging those movies off also in the fourth quarter and so the revenue is going to be written in the Q4.
- Ritwik Rai:** Sir just one last thing if I remember right and please correct me if I am wrong that the last quarter you had said that in the second half of FY2018 the bagged inventory of this one will start getting liquidated of the TV business so why has that got postponed?
- Vikram Mehra:** In Q2 we said we were hoping in Q3, if you check out the advertising market, has not been that hot in Q3 also, then what has happened in Q3 our position has not worsened, whatever inventory we created in Q3 are sold off completely but we could not take advantage, we were not able to sell the inventory that was lying with us from Q1 and Q2. I hope some will get in Q4 and I am more bullish on Q1 next year. Remember that is a difference in the inventory when we advertising compared to anybody else in our case it is not fungible that the inventory is sitting out there with us, if not in this quarter next quarter it will get sold out. We do not want to do any of the panic selling right now the way the rates are going to plummet.
- Ritwik Rai:** I have a couple of more questions I will get back in the queue.
- Moderator:** Thank you. We take the next question from the line of Abhay Jain from Legens. Please go ahead.





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**Abhay Jain:** A very good morning Sir. My first question, I am a user of Amazon Echo and all most all the songs available in your library of like 17000 songs available on Amazon Echo, it just needs a voice command from my side to listen to those songs. Is not it a competition by itself to Carvaan first question? Second are we charging enough from Amazon Echo for a good long term revenue at the sacrifice of such a good availability of music, reason being Amazon Echo is priced between 3000 and 10000 and apart from playing these music it plays whole universe of music, does a lot of voice commands, acts like a personal assistance and what not? Any answer on this.

**Vikram Mehra:** Sure. I will ask you more basic question right now. Why are people buying Carvaan when Gaana and Saavn can give everything right now that Carvaan gives. See what I have been stating this again and again we are not betting on a technology, if I have to protect only Carvaan we would have said we should not allow our content to be there as part of Amazon, we do not want to take any of those moves. We are saying our content is going to be available in every form factor that somebody can go back and use it, you are comfortable doing with Amazon Echo it will be interesting to see if a 70-year-old gentlemen living in a Kanpur or a Jabalpur, will be comfortable going to a speaker and say, if that is through, please ring the bell, so chances are they will not, they will be more comfortable right now in things that they have grown up with for that segment people in the relatively smaller towns and not the most tech savvy Carvaan is there for that 18-year-old keeps right now the very big fashion Gaana, Saavn, Amazon everything is there for the more tech savvy people like you and me Amazon Echo is also going back and supporting. So we are saying we are IP owners. Our role is only very simple monetize your IP through every form factor in the world and we will keep on putting a music everywhere.

**Abhay Jain:** Sorry for a minor contradiction I gifted Carvaan to my mom within seven to ten days of its launch. She has minor difficulties using that as compared to Amazon Echo because she just mention the song she has to play for Amazon Echo it is easier in Amazon Echo.

**Vikram Mehra:** We take your inputs right now. Hopefully Carvaan should also start doing something that Amazon Echo is doing there.

**Abhay Jain:** Wonderful point No.1, second coming back to your own point monetizing every part of your IP or the way you can the next question here is you said the few movies which has been launched the first one is being Ajji and last concall I asked why Brij Mohan was postponed and the third movie is also postponed. I come to know that next releases are Kuchh Bheege Alfaaz and Abhi & Anu, may I know not in the numerical form but what is the period you expect to monetize or breakeven each movie? As you said that you have



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already entered into digital agreement with a few modes it might be Hotstar or Amazon, can it be revealed point No.1, No.2 how much time do you expect these movies to be break even in the financial angle, third are we maintaining the protocol of three to five Crores budget?

**Vikram Mehra:** The last one is the easiest question I can go back and answer you, yes, that is the hard call that is there right now. We do not take any project which exceeds this number of more of four to five Crores, all the movies have been done completed under that budget so that is one. Unfortunately I cannot disclose at this juncture, which platform the movies on the date, because that is the agreement that we have with the partner. Partner is going to make the announcement at right time and we are bound by their agreement so unfortunately I would love to tell you which one it is but unfortunately we cannot. Remember this whether it is a new music or new films what we are doing right now is building the long tail IP right now for the company. This is not a business where TVs like we were doing earlier TV serials, we used to make it at X Rupees, and try to sell it at X-plus 5% ex-plus 10% and we could not sell it right now we are incurring losses. So we are not in services business any longer. We are saying we will make content, which we believe may have a shelf life going on for us not just for one year, two year, three year, five years, ten years, twenty years and that is the reason we people are retaining 100% IP of each of our movies.

**Abhay Jain:** It is a very value added warehouse, which is going to give you a rent lifelong?

**Vikram Mehra:** Yes. So if you are seeing TV channels, people are running movies right now on a Star Gold or Zee Cinema which was 1970s and 1980s movies they still do well right now they still are going out there and monetizing. We people are in the old avatar of Saregama we had movies around ten years back movies like God Mother movie, like Chain Kulii Ki Main Kulii we are still monetizing those movie and that is a great part and same thing applies to music. If it is a song of Meher or it is the song of Naya Daur it is still getting monetized so that is an entire endeavor of this IP business that we people are outsourcing.

**Abhay Jain:** A very precise question related to the same question, only the existing movies have been signed with the channel partner or also the forthcoming movies on an undisclosed basis?

**Vikram Mehra:** At this juncture, we have not done output deal yet; we have just gone out there. At this juncture since we are relatively new in the game the strategic thinking we had that if we do an output deal we may not get the best valuation, we need to build as a formidable studio so to give you an example right now before the release of Ajji people were not even taking that seriously. The valuations were running in lakhs and not exceeding that after the release of



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the Ajji people are taking us more seriously and that is what we are trying to do. See we are not an established guy like some other movie studios with the third and the fourth and the fifth movies we believe we will be in a formidable position to start getting the right valuation for ourselves.

**Abhay Jain:** So Yoodlee is an evolving brand?

**Vikram Mehra:** Yoodlee is an evolving brand, you are absolutely right.

**Abhay Jain:** Third question, what is the calculation of the market in case of Tamil Carvaan from your R&D side?

**Vikram Mehra:** You are saying market sizing?

**Abhay Jain:** Yes what is your expected market size, since you are specifically launch a Tamil Carvaan you would have expect some good market right?

**Vikram Mehra:** I will not give you the exact sizing. This is a competitive information, overall Carvaan for us the way we have designed right now is if people in SEC, A, B, upper C1, which is upper part of C, and R1 which is rural cut premium segment having atleast one person in the age group of 40 year or above in their home is a segment sizing, which is between 23 and 25 million, now these are Hindi speaking people also, Tamil speaking also, Bengali also which is getting launched in February and March, Marathi also which is getting launched in August-September, Malayalam also I am sure people are working on and Punjabi also since we are sitting on such a formidable library we will ensure that we will have Carvaan in as many languages are possible, the variable cost for us to do this is not that high. A Carvaan is getting produced which I need to change the software.

**Abhay Jain:** Got it. Question No.4 and probably the last question before I conclude, is your R&D working actively on more products like Carvaan?

**Vikram Mehra:** Yes, Sir absolutely so the Carvaan itself the 2018 version is in prototype stage is ready. We will be launching it in August-September. Carvaan 2019, which is going to be far more advanced right now, is ready on paper so the prototyping work has started right now. Mini were launched Carvaan Mini is next version is coming in couple of months. We are launching FM on that part of this. Two other products which I cannot disclose at this juncture are being worked on and it is in advanced stages, all working on the philosophy if



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people want to listen to their favorite retro music inside home, outside home just listen or sing along with listen, how do we go back and fulfill those needs.

**Abhay Jain:** So probably are those two products non-Carvaan products, some new kind of imagine which we were not imagining now?

**Vikram Mehra:** Yes, it is very different right now all under the Carvaan branding only but. Carvaan branding is common and the music is common. After a few concalls we shift our question and goalpost to some other product like that. I mean now you are asking too much about Carvaan so after the few quarters we shift our goalpost to some other products.

**Abhay Jain:** Now to conclude last request Sir very interesting con call is going on for last two quarters highly appreciate 10 out of 10 on the way you are answering, please put this minutes on the BSE website or NSE website so that we can get it anytime.

**Vikram Mehra:** Definitely, they are on exchange they are also on the Saregama.com website.

**Abhay Jain:** Exactly the way we have questioned and the way you have answered in a precise way so that no data point is missed, it is going to be very good for us to ride this journey. Thanks a lot again.

**G.B. Aayeer:** Abhay one small supplement, see whatever gets played on Echo we get compensated for that also so it gets monetized.

**Abhay Jain:** I listen to Echo, my mom listen to Carvaan so we are in the same house it is very interesting let us see. Thank you Sir.

**Moderator:** Thank you. We take the next question from the line of Suraj Nair from Moat Portfolio Manager. Please go ahead.

**Suraj Nair:** First of all congrats on this stellar number and I would like to disclose that I had gifted a Carvaan to my uncle who has turned 80 last week. My question is basically it is being said that data is the new oil and content has become precious considering such a huge humongous opportunity does our company contemplate any inorganic growth? We had several listed companies in Indian market, which have got a library of movie content. Why do not people like us for a larger business cause and create a business institution with huge barrier of entry. Second do we intend to come up with something like a headphone with a





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pre-loaded music or car stereo with a pre-loaded music something like Ipods, if any of my suggestion is good use to this company?

**Vikram Mehra:** The second one though for your suggestion you have given these are all I can say right now in this competitive market I cannot tell specifically but what you are suggesting are things that we people are exploring. These are all part of the consideration shared. Every time when we launch products and this is something we believe very strongly is that you need to give things to people that they are most comfortable with, as a company if you start thinking we know better than customer and that is arrogance. So Carvaan was also born on the path only, we went to the customer and they told us see all this fancy application that you have right now in the market we cannot use it, please give it to the way we want it, just because you have got technology do not impose technology on us, that was the birth of Carvaan and the products that we are talking about are also the same thing. Now the headphone idea that you are talking about is more about when I am outside my home and walking out while I listen to the music, little work going on in that direction also Sir.

**Suraj Nair:** That is all. Thank you.

**Moderator:** Thank you. We take the next question from the line of Sandeep Agarwal from Naredi Investment. Please go ahead.

**Sandeep Agarwal:** Sir my question is regarding current tax slab Sir in nine months our tax slab is approx. 54.67% so what will be the tax in next one to two years?

**G. B. Aayeer:** You see, currently the provision for taxation the spread between two current taxation and deferred taxation is bit on the higher side, the only reason for that is that certain provisions, which have been made in the accounts in line with the accounting policy so one accounting policy is that if our debtors are of certain age then the company on its own provide for this and as and when the money gets recovered obviously this provision gets reversed. So due to operation of this accounting policy certain provision have been made in the accounts which gets as you will appreciate added back when you quantify the provision for taxation but which we expect that this provision for taxation will come down drastically in Q4 because certain other MAT credits will be available to the company.

**Sandeep Agarwal:** Okay. Sir what is it in percentage term?

**G. B. Aayeer:** It all depends on what kind of provisioning we have but in percentage term it will be anything between 35% and 40%.



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- Sandeep Agarwal:** Okay. Sir any comment on provision for doubtful debt Sir approx. 6.13 Crores?
- G.B. Aayeer:** That is what I explained it is not doubtful debt. It is a terminology which has been used in scheduled VI of Company's Act so we have to use it but it is a provision which a company makes it as far as its accounting policy depending on the age of the receivable in the accounts but does not mean that it is a bad debt.
- Sandeep Agarwal:** Okay. Sir my next question is regarding the sale of Carvaan product Sir any number of units you sold in January?
- Vikram Mehra:** No let us not get into that, obviously there is numbers in January. As part of my concluding part right now I will give you a little idea right now so what are we expecting for Q4.
- Sandeep Agarwal:** Okay. Sir my next question is regarding expenses side. Sir our expense is related to employee cost advertisement royalty and other expenses hence compared to September quarter the expenses have increased by 10 Crores so in percentage term it is 3%-3.9% of turnover?
- G.B. Aayeer:** So royalty is in proportion with the sale what we makes since there is an additional sale, which you can see in growth of topline. Obviously royalty accrual is more. In terms of advertisement the lion's share is on the radio campaigns, which we have launched by company for the Carvaan and which is bearing the fruit so this advertising expenses is for retail Carvaan business and third on the employee expenses as a scheme of stock appreciation rights obviously in last three to six months there is a good uptick in the stock price of the company, which really need to provide for a stock appreciation rights but these provision, which has been made is as per the Ind-AS provision so where market price is not taken where the fair value is taken so while the impact is more in one quarter under the fair value mechanism under the Ind-AS it tends to get evened out in quarters to come.
- Sandeep Agarwal:** That is all from me.
- Moderator:** Thank you. We take the next question from the line of Jaideep Merchant from Janak Securities. Please go ahead.
- Jaideep Merchant:** Thank you for taking my call Sir. Sir my question was I have two accounting questions for Mr. Aayeer. One was on the follow up question on the stock appreciation rights so if it means what I understand this is a sort of mark-to-market provisioning, so when actually your stock appreciation right is actually encashed for example let us say you do decide to



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encash it in that case of course there will be no hit on the P&L, have I understood correctly Sir?

**G.B. Aayeer:** Yes, you are right.

**Jaideep Merchant:** Okay, so this is, Sir basically I am asking has Vikram Mehra encashed any stock appreciation or it is just a mark-to-market gain?

**G.B. Aayeer:** Mark-to-market he has not encashed anything.

**Jaideep Merchant:** That is very nice good to hear Sir. Second is the provision for doubtful debts now you are running at almost 16 Crores I mean we have been asking this quite a few times Sir but why does I mean if almost 7% to 8% of the sales now okay, so when do we actually, since the tax rate is high obviously some of you not a deduction, which means it is not an actual expense you said you just mentioned that it is a provision as per the accounting policy, so how much is actually bad debt and how much is, has it been eating most of the profitability?

**G.B. Aayeer:** You have analyzed our stock very closely. You are aware that this provision is predominantly on account of the advances what we use it for a publication business, obviously as we have shared in past better restructuring options are being explored that restructuring options are one of the objective is to ensure that the tax tag what is available to us is not lost, this gets added back and provision for taxation for the current quarters are more. This is not a loss benefit so as and when the restructuring scheme really gets implemented that tax bracket will be available to the company.

**Jaideep Merchant:** Okay because you have mentioned in the publication page 13 on your presentation there is no unprovided drag on the financial results, now by unprovided drag you mean that there is no unwritten expenses or what is it actually mean the fourth point?

**G.B. Aayeer:** Advances we have given out of extremely conservative basis. We have created a provision so there is no further provision, which is required.

**Jaideep Merchant:** See we are doing extremely well in whatever initiative we have taken, Vikram you are doing extremely well in a last quarter. Things are really moving now but as a shareholder I want to see the bottomline the stock appreciation rights I understand it is been there so that is something which you cannot do anything about because it is how the contracts were written, but when does the shareholder actually see money because we are doing well but



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yet on EBITDA going up yes but when do we see money feel, P&L, as a PAT so much so much PAT, that is the number that is not coming in Saregama?

**Vikram Mehra:** Soon very soon. Carvaan is on track right now even much bigger 2018-2019 and you will be seeing right now. You are seeing improvement happening compared to what were there last year, every quarter had the stock appreciation thing not come in right now you would have seen impact this quarter itself.

**Jaideep Merchant:** No Sir the stock appreciation is I mean it is fine, it is a appreciation right, I am not talking about the stock appreciation right but the write off now assuming 6 -7 Crores so almost it will be between 20 and 25 Crores for the full year okay so that is almost Rs.15 to Rs.16, so my sense is that at PAT level when do we make money Sir?

**Vikram Mehra:** The stand remains the same right now. There will be two things that you are talking about on the business side. One we will keep SRA separate right now is open and as I said right now the intention is very clear everybody understands that something needs to be done and something will be done. It is not that our losses are going to go any further up. I think the management out there will find very hard to try to make it as efficient as possible. That number will remain according to me remain like a stagnant number right now at least for this year and hopefully there will be solution coming in there fast. Every other part of the business, which is a core business that we are in right now, is turning more and more efficient.

**Jaideep Merchant:** Thank you. I hope that I will hear something soon about this. Something positive.

**Moderator:** Thank you. We take the next question from the line of Abhay Jain from Legens. Please go ahead.

**Abhay Jain:** Just a repeat of the last query. Kindly update the transcripts of this con call on the BSE. Thanks a lot. Nothing else.

**Vikram Mehra:** We will do that and we will put it right now in Saregama.com also.

**Abhay Jain:** Thank you very much.

**Moderator:** Thank you. That seems to be the last question for today. I now hand the floor back to the management for their closing comments.





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**Vikram Mehra:**

The journey of these entire two big initiatives that we have carried out right now to monetize content through the retail side where Carvaan is the most known thing that we have and to start building this company for the next generation ten years down the line the journey has started. You have seen two quarters right now, which are showing some amount of merit, and I like to believe this story is going to continue in much bigger fashion. So let us talk about what are we expect in Q4. Our hope right now is that between Carvaan and Carvaan Mini we should be able to clock in this quarter atleast 150000 units. We did 95000 we did 132000 this time a minimum number of 150000 we looked at. On the gross margin side our Q2 were 19%, it went to 20%. We are aiming for a 22% gross margin in the current quarter, which is Q4. As for next year projections are concerned right now we are looking at something around this range of between Carvaan and all its variants combined something around the range of between 700000 and 800000 units more which means 750000 units that we people can go back for Carvaan and its variants and our endeavor will be to start turning the gross margin for next year closer to 25%. Remember we are today at 20%. We are expecting that we should be somewhere inching towards 25% for the next financial year. B2B business continues at the rate at that it is going. Am I expecting anything miracle? Is there something happening out there? No. At this juncture we just want to go back and maintain our growth rates and we will constantly keep on investing in newer content both in terms of music and in terms of new films. When we are looking at things obviously our endeavor right now is to make it profitable immediately but we need to all understand IP is not something that should be looked at right now in a 12 months horizon. It is difficult thing otherwise we will end up taking decisions which I think is going to hurt the business in the long run so we are very clear. We will be prudent about what kind of movies do we make. We are not going to exceed our budgets that we are looking at right now and create IP which we believe will have a real long term impact and while doing that not take an eye off the fact that if possible we do on a profitable immediately. I am quite bullish on both these movies that are coming out right now, Abhi & Anu, which is a Tamil and Malayalam, bilingual getting released in March and Kuchh Bheege Alfaaz, which is one of the first romantic film, which is coming in the month of February, all of you people are monitoring this movies please keep in mind theater is not a primary source of revenue as per Yoodlee films are concerned. It is digital and cable and satellite. Things that you do not read newspapers those are the primary source of revenue we are looking for Yoodlee Films. Theatre is more likely to get the initial publicity and critics review so that we can pitch it correctly to the digital or the cable and satellite buyer. I am quite hopeful in Q4 right now hopefully when we are able to talk three months from now the results will continue being right now on the same upswing. Thank you guys.



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**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.