

Date: 31st May, 2024

The Manager,
Listing Department,
National Stock Exchange of India Limited
Exchange Plaza, C-1,
Block G, Bandra – Kurla Complex,
Bandra (East), Mumbai – 400 051

The General Manager,
The Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

Symbol: SAREGAMA

Scrip Code: 532163

Subject: Q4FY24 Earnings Conference Call-Transcript

Dear Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations') as amended, please find enclosed the transcript of the Q4FY24 Results Conference Call held on Friday, 24th May, 2024 at 12.00 P.M. (IST) for the quarter and financial year ended on 31st March, 2024.

This information is available on the website of the Company www.saregama.com.

You are requested to kindly take the abovementioned on record.

Yours Faithfully,
For **SAREGAMA INDIA LIMITED**

Priyanka Motwani
Company Secretary and Compliance Officer
Encl: As above



“Saregama India Limited
Q4 FY '24 Earnings Conference Call”
May 24, 2024



MANAGEMENT: **MR. VIKRAM MEHRA – MANAGING DIRECTOR – SAREGAMA INDIA LIMITED**
MR. PANKAJ CHATURVEDI – CHIEF FINANCIAL OFFICER – SAREGAMA INDIA LIMITED
MR. SAKET SAH – GROUP HEAD, INVESTOR RELATIONS AND ESG REPORTING – SAREGAMA INDIA LIMITED
MR. PANKAJ KEDIA – VICE PRESIDENT, INVESTOR RELATIONS – SAREGAMA INDIA LIMITED

MODERATOR: **MR. PULKIT CHAWLA – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, welcome to the Q4 FY '24 Results Conference Call of Saregama India Limited, hosted by Emkay Global Financial Services. 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 presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Pulkit Chawla from Emkay Global Financial Services. Thank you, and over to you, sir.

Pulkit Chawla: Thank you, Manuja. Good afternoon, everyone, and welcome to the Q4 FY '24 earnings call for Saregama. From the management, we have with us today, Mr. Vikram Mehra, Managing Director; Mr. Pankaj Chaturvedi, CFO, Mr. Saket Sah, Group Head Investor Relations and ESG Reporting; and Mr. Pankaj Kedia, Vice President, Investor Relations. Without any further delay, I shall now hand over the call to the management for their opening remarks. Over to you, Vikram.

Vikram Mehra: Thanks, Pulkit. A very good afternoon to everybody. This quarter, Q4 saw an operating revenue of INR263 crores and a PBT of INR76 crores. This is a year-on-year growth of 29% in revenue and 30% in PBT. So overall, a good quarter that we are happy about. I always start my call by reiterating a rather simplistic business strategy we follow at Saregama. Why do we exist? What is our day-to-day work?

Our only agenda is to monetize what we own today and what we had procured yesterday in terms of IP. So, monetize today's IP and yesterday's IP better and better, and use the money we make from it to create IP for tomorrow. So not only does today's profitability get secured but the profitability and relevance of the company is secured for the next 15, 20, 30, 40 years.

IP creation is across audio and video including music films, series and digital content. We monetize our IP primarily through licensing deals done with the third-party platforms. This also includes monetization of artists who are creating this IP and it's done through brand endorsements and live events. Let me start with the first vertical, music. This includes both licensing as well as artist management. The OTT revenue this year and this quarter was adversely affected by the platforms' movement to subscription business (3 platforms went paid), . This meant that the minimum guarantees we were getting from them on the free side went away.

This de-growth was more than balanced by the revenue growth we have seen on YouTube, courtesy newer content, and the artist management vertical. With regards the artist management vertical, we have now started reporting it separately from this quarter in the spirit of transparency and it being a new business. This ensures you can get much more granularity on that part of the music business.

This quarter saw the music release of Diljit Dosanjh's Chamkila, an album which has done extremely well for us. Not only has the album done well, but also gave fresh support and boost to the older Chamkila songs recorded in the '80s and '90s. The music of Ajay Devgn's Maidaan,

Article 370, was also released. The first song from Shankar and Ram Charan's Game Changer in Telugu and Mohanlal starrer Malaikottai Vaaliban in Malayalam also got released.

We also saw the first song of Saregama's Talent Maahi, getting released in this quarter. The song called "Sorry" has become a massive hit among girls in the 14 to 22 age group. In Bhojpuri, we released Superstar Pawan Singh's song called Arrah Ballia Chhapra, which trended for many, many weeks. And as always, in Gujarati and Bengali, our songs have done very well.

Our line-up for the next 12 months is all in place, wherein we have some of the biggest film music of the year. This includes three Dharma production films including one with Alia called Jigra. There are four Jio Studios films, including Stree 2 and Akshay Kumar's Sky Force. We have Surya's Tamil fantasy film Kanguva, Mammooty's Malayalam film Bazooka, Kannada Superstar Sudeep Kiccha's film and Gippy's Punjabi film Shinda Shinda.

The latest one - I'm happy to add - a deal we closed just a fortnight ago is a very widely anticipated movie called Kalki 2898 AD. which is a Prabhas, Deepika, Amitabh, and Kamal Haasan starrer. It's primarily a Telugu film yet multilingual and we have procured the music of that too.

This quarter, the charge-off on account of the new content has gone up to 37% year-on-year, something we are proud about. I'm very happy to share that for the first time our annual investment in new music content across Hindi, Telugu, Tamil, Malayalam, Kannada, Bhojpuri, Gujarati, Punjabi, Marathi, and Bengali language touched close to INR200 crores this year. This is an almost 80% jump over the money we spent on new music content in FY '23.

So, we mean it when we say that we are investing for tomorrow. We are investing very heavy in newer content. We are using technology, data analytics, predictive modelling extensively to choose what content we buy and it's bearing fruit. This is something I've been sharing and let me share it for one more time. We are in a transitional state currently, where our new content expenses are going to go up steeply resulting in incremental revenue just about managing the content charge-off. Over the period of next 18 to 24 months, this will stabilize.

After that, the content investment will go up only linearly, while the additional revenue that we have generated from the content we have procured over these last 36 months, will go up steeply. This means, the bottom line will grow much faster after another 18 to 24 months. With all this new content investment that we are doing, we maintain our payback period of five years. This is our internal benchmark and guidance we work with and happy to share we are doing better than that. And remember, after these five years are over, we have another -- 55 to 75 years left to keep on making money from that music. Though it's tempting to focus only on newer music, we understand our bread and butter comes from our catalogue music. There's a separate dedicated team whose only job is to maximize revenues from the older music that we own. This is by means of creating versions of those songs or finding opportunities to promote those songs on short formats like Instagram, YouTube Shorts or TikTok outside India. Basis our track record of the last few years, we are confident that the catalogue part of our music will continue growing at a minimum of 12% per annum. Further, over the next may be 18 to 24 months, we will have

the OTT platforms start turning paid all throughout. That means the entire industry turns pay, and the catalogue music growth after that may start going up anything between 16% to 18%.

Let me jump to the newer vertical under music called Artist Management, wherein artists are made popular through our music IP release. And then we monetize these artists by booking them for live events, weddings, and brand endorsements. And whatever money the artists make from this, we get a share of that. We currently have 123 artists under Pocket Aces' Clout and nine under Saregama Talent.

As the investment in new content goes up, these artists are going to become bigger and bigger. We're finding various opportunities to plug in these artists even in the film music that we are procuring. As we all know, the fastest vertical of advertising that's growing in the country is digital advertising. And in this world of digital, these influencers and talent start holding huge power and become a big beneficiary.

Thankfully, our vertical of Clout under Pocket Aces is a clear market leader and is perceived as a market leader in the entire influencer business. Not only this the quarter saw the release of the first song of our Talent Maahi of which we are very proud. Also on 1st April, we released a song called Useless Bhawra. This song is around one girl, which is from Saregama Talent. While the boy we are using is one of the influencers from Pockets Aces Clout called Arjun Deswal. Now this is a good example where Useless Bhawra is going to make money in its own because the song has been doing well. While both the talents are becoming popular.

Net-net, with our stated goal of acquiring 25% to 30% of all new music which is going to be released in India over the next few years, we are very confident that the music vertical(which is Licensing and Artist Management) should be able to double its revenue.

This vertical is today close to INR540 crores. And we are confident it should cross INR1,000 crores in next 3, 3.5 years. And all the new content we are talking about, that we need to cross INR1,000 crores, will be funded through our internal accruals and the QIP money.

Let me now shift to the video vertical, wherein we make films under the brand name Yoodlee(primary regional content) digital series under the brand name Dice, which (part of Pocket Aces)and a lot of D2C channels like Filtercopy, Nutshell on Instagram and YouTube. The explosion in the smartphone ownership and the relatively cheaper data are the biggest drivers of this vertical.

We believe advertising revenue, as I stated earlier, will keep shifting from the conventional worlds of television, radio and print to the digital form. And anybody who controls eyeballs on the digital part is going to make handsome money. We are still in the earlier stages of building these verticals.

As we go forward over the next four to five years, we are looking at this vertical to grow at a CAGR of 25%. Q4 saw releases of four of our films. 2 of our films, which are Anweshippin Kandethum (Malayalam) and Warning 2 (Punjabi) did very well, and we have made profits.

Our biggest film, Malaikottai Vaaliban, a Malayalam film starring Mohanlal, did not perform that well on the box office. But thankfully the adverse impact of the same was controlled because of our internal policy which warrants a minimum 70% cost of the film to be recovered through satellite and digital licensing even before the theatrical release.

We have always maintained the stand that we are bullish on video. Yet we are very strict about the financial policies, which allowed us to handle this less-than-expected box office performance from Malaikottai Vaaliban.

We had three more movies that were planned during the quarter, primarily Punjabi. We had to postpone the launch of these movies because that's the time when the farmer agitation was going on in Punjab. And after that, the IPL and the political rallies have started. One of those movies has already released in this quarter called Shinda Shinda No Papa and is currently running in theatres. And if you guys read about it, you'll realize it's a big hit on the theatre side.

The second movie, which was planned for Q4 is now going to get released in the month of June. Quarter four also saw the release of our digital series Crushed Season Four on Amazon Mini TV. Happy to share that FilterCopy, the biggest youth Instagram channel that we own, touched 1.2 billion views in FY'24. All this is great news because the advertising base is becoming bigger and bigger. We maintain a stand that video is an integral part of Saregama's IP building strategy.

Tomorrow's customer will switch between audio and video in a seamless fashion, and we need strong libraries across both audio and video to give us negotiation powers with the platforms of tomorrow. It also helps that being present on video gives us an edge in the music business. I'm happy to share that the ROI that we are managing from music, which comes from our own movies is far higher than the ROI we manage from the music we are procuring from third-party film producers. This is obvious because third-party film producers keep their own massive margins on top of it. While when we make the music, we are getting it literally on a cost basis. And it's for the same reason that every major competitor of ours has got a full-fledged films or video business vertical within their companies.

It will be a constant endeavour to explore various ways of growing the video business in an aggressive fashion, but with strictest financial discipline being in place. We have been talking about the video business now for seven years. You have seen there is no year in which you're going to see us going crazy on our numbers. We are happy to grow in a steady fashion and with utmost financial discipline. On the live events side, we have been back to the drawing board and relooked at the entire strategy this year.

You are going to be seeing a completely different approach we've taken in the year to come, which is FY '25. We have a few shows of Diljit Dosanjh planned during the year. Also, our Disco Dancer musical has now got an exhibit in Australia this year. We are also planning shows of some of the Pocket Aces' talent. In fact, one of them is called Viraj. With him, we have done many shows in Mumbai already and all of them actually went houseful. As stated earlier to all of you, we need one more year to prove the live events model, failing which we are committed to taking tough decisions on this vertical.

Last quarter, I spoke to you guys about a music learning app that will teach music fans, how to sing or play instruments using artificial intelligence. It also helps promotions of the newer songs that we are releasing. We did the soft launch of that in April, and we'll continue refining this app over the next two to three months before we start pushing it. We have rolled out a new retail strategy for Carvaan, wherein we will be retailing it only from e-commerce and modern trade stores.

Over the next few months, we will completely get out of individual shops, which are the implications on the entire manpower structure also we have within the company. The net result of that this year was a flattish revenue on Carvaan with a breakeven, as we get into FY '25, the revenues of Carvaan are going to see a decline, but we should be able to touch a single-digit mid-level profitability on Carvaan during the year.

If you look at FY '25, then the good news is that the adverse impact of the three audio OTT platforms turning pay is factored in. And the remaining part of that will fully get factored in the first quarter of the financial year '25. So, from Q2 onwards, we will be back to the old growth rates that we saw in the audio OTT space a year ago.

On YouTube, quarter one may see some pressure due to April, May being completely dominated either by advertising happening on IPL or a lot of political advertising going in because of which the other brands took a back seat. So, there was some impact. But we have reasons to believe that starting June, the YouTube revenues are going to be on track and with GDP growth looking as positive as it is, YouTube will also maintain a growth trajectory for the entire year.

Our new music release calendar is very strong, and that gives us the confidence that we will manage our numbers. We also expect Artist management vertical to go stronger from what it is today. Overall, at the company level, we expect revenue, excluding Carvaan to grow upwards of 30% in FY25.

Over the next three years, we will be investing over INR1,000 crores in new music content. This will contribute not only to the immediate growth, but also put the company on a long-term growth path. Overall, at the consolidated company level, we expect revenue, excluding Carvaan, to grow at a CAGR of 25% to 26% and PBT to double over the next three to four years. Both the music and video verticals are going to contribute to that. We maintain our annual adjusted EBITDA guidance of 32% to 33%.

If we look at the global data, OTT audio and video streaming grew by 34% in 2023 with India showing the highest volume growth in terms of streams. And this is when less than 200 million people today are streaming in India on OTT, and anything between [350 million to 400 million] people are on YouTube. There's still a huge headroom left for growth. Now the next step is to monetize this consumption.

It is happening on YouTube. It's bound to happen on the audio OTT platforms also. It has happened in every part of the world and it will happen here also. The price at which it will happen may be different from the price at which it is happening in the US, but it's going to happen. With the price increases that some of the streaming platforms have started making

globally we see a lot of benefit coming in going forward as we are available on a Spotify or Apple or Amazon or a Deezer at a global level-

With more than 238M digital footprint, cash reserve, professional managerial depth, and investments in technology. Saregama will be able to guarantee earnings not just for the next two to three years, but also for the next 20 to 30 years. Thank you, and we'll be happy to take questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Swapnil from JM Financials.

Swapnil: Congratulations on a good set of numbers. So, my first question is on the music licensing revenue side. You did mention that there was a significant improvement in YouTube side of revenues. I just wanted to get a sense if there was any impact of any overflows happening during the quarter that may have benefited as well? And if yes, would it be possible for you to quantify a few numbers?

Vikram Mehra: Actually, overall, the numbers are on a steady basis. There's no one-off that has happened during the year.

Swapnil: And the second question is with respect to your Q1 guidance that you mentioned like YouTube revenues can be reduced because of few one-offs which are there. Is it possible that, that can get set off with some incremental revenues from one of the large music OTT platforms, which was not available for a few quarters earlier? And so those revenues coming back starting given that I can see the names...

Vikram Mehra: Swapnil, I'm not putting a negative projection on Q1. In the spirit of transparency, I just mentioned that on YouTube, April, May has been under some amount of pressure. I'm reasonably confident that, YouTube's (on its own), June recovery should be smart. There may be a lot more advertising that will start, moment the elections results get declared and IPL also gets over. So, the quarter should start looking better. Anyway, as I always maintain and I've been doing it for, I think, over seven years, please look at us on a 12-month basis. Please don't look at us on a quarter basis. And on a trailing month basis, we are giving the guidance that Saregama's consolidated revenue, excluding Carvaan is going to grow upwards of 30%.

Swapnil: Understood. And just a last question on your cost side. If I were to look at it from a Q-on-Q basis, some of your costs like A&P spends and other expenses, they have increased meaningfully. Any particular reason that you would like to call out why were these costs higher -- slightly higher?

Vikram Mehra: You are saying why had advertising increased?

Swapnil: Yes.

Vikram Mehra: I've told you right now, we have invested close to INR200 crores for newer content. That includes marketing money also. So, every time a new song comes out, it needs more marketing.

So, content investment is not just money that we are giving to the film producer, but also the marketing money that are going into it.

Swapnil: So will it be fair to say that your run rate of A&P was around INR17 crores to INR18 crores per quarter for a long period of time. Now it is INR27 crores. So, will it be fair to say that, that is the new run rate that one should work with?

Vikram Mehra: We need to look at a INR1,000 crores investment over the next three years. This includes some money that we will be paying to the film producer or the production budgets plus marketing money that will promote these songs.

Swapnil: Okay. And just the last one on the other expenses. Because other expenses, if I recall correctly, there used to be a meaningful impact because of Carvaan. And Carvaan, I think, has not done well in this quarter. So, any reason, still there is a decent delta Q-on-Q? .

Vikram Mehra: I am asking Pankaj here...

Pankaj Chaturvedi: Swapnil, on the other expenses, we had mentioned earlier also, we had one contingent liability, which is now settled. Yes, that was the charge taken in Q1. On an overall year-on-year basis, you will see some increase in other expenses. Otherwise, no major one-offs over there.

Moderator: The next question is from the line of Ankush Agrawal from Surge Capital.

Ankush Agrawal: Vikram, broadly I wanted to understand a bit about this artist management side of things. If like, we have qualified, what kind of revenue streams we are looking at over there? But qualitatively, how big of that business is currently in the overall music licensing side? Is it like it is less than 10%? If you can guide a bit on that? And three years down the line when you're saying the music licensing plus artist management would be double. And at that time, would it become a larger proportion than what it is currently? Or do you expect a steady state it would stay range bound?

Vikram Mehra: What you see in this quarter is not steady state, it is going to become bigger than that. Is it going to take over the licensing part of the business? No, it's not. At the end of the day, artist management is a by-product of the business of music licensing. Let me reiterate our philosophy, if we are releasing six songs in a particular language, we start wondering that why are we making the artist big and not getting a benefit out of it? Because as the song becomes a hit, it's not just a company that owns a song that makes more money, but the artist also become that much more popular. .

So hence, this part that if we can take a position on their artists, there's no additional investment I'm making on their artist. I was anyway doing the song with them. Only thing we are now making it pre-conditional to the artist that if you want to do a song with us, you will have to get into a long-term agreement with us. And then see if we can make money from this person basis weddings and brand management.

- Ankush Agrawal:** Right. Got it. But directionally, would it be, let's say, 20%, 10% of overall pie, something like that...
- Vikram Mehra:** Let's give it a year. Again, as I repeat, the good part about this is as a by-product it does not take any major investments from our side. It's only the manpower which is sitting in there to manage these artists and that's it.
- Ankush Agrawal:** Yes. The reason I was asking this was that we know that music licensing is the most profitable part of the business, right? And here, say, events and weddings that we'll do with the artists, that might not generate the similar kind of long-term revenue or, say, the profitability that would be there. So just trying to understand that.
- Vikram Mehra:** The overall company, guidance, is 32% to 33% on an adjusted EBITDA basis. The only thing which is left after adjusted EBITDA is the charge-off we are taking on new music. There's nothing else left. Everything else is before that, that will give you an idea. So, if I'm saying 30% growth on the overall basis, that doesn't mean we are reducing our guidance on adjusted EBITDA. We can't afford to have a situation where an artist management vertical grows at a significant fashion but generates no margin for us because then I can't hold on to 32%, 33% adjusted EBITDA guidance.
- Moderator:** The next question is from the line of Lokesh Manik from Vallum Capital.
- Lokesh Manik:** Yes. Vikram, my first question was more of a clarification. So going by the content charge for the year and your accounting policy that you have explained over the years, just a back of envelope calculation suggests a deal value, new music deal value coming close to somewhere around INR150 crores. Would that be right, or you would still stick at -- or should we take INR200 crores, as mentioned by you for this year?
- Vikram Mehra:** A lot depends on which quarter, what has got released. Keep that in mind because -- even the first-year charge-off happens, uniformly over the full year. Marketing happens instantly, so phasing has a very important role here. But that's why we decided that we will share with you this time how much have we actually invested during the year.
- Lokesh Manik:** So, the INR200 crores, so that was -- so I should take INR200 crores because I was under the impression there might be some INR50 crores non-music addition content on some other verticals, from some other -- but that's not the case, right?
- Vikram Mehra:** That's not the case. Like I shared, INR200 crores, please, for everybody, I'm stating this. This INR200 crores is on music content that we have invested across multiple languages.
- Lokesh Manik:** Understood. Understood. Vikram, my second question was on Pocket Aces. So, this vertical, you are expecting a 25% CAGR going forward. This would be after taking in benefit of synergies of Saregama or prior to the acquisition, they were independently growing at this rate?
- Vikram Mehra:** The synergies of Saregama are going to be there. I think the bigger driver of synergies for Saregama is the cost management. Pockets Aces, when we acquired was a loss-making unit, marginal losses only. As we go forward, we have promised you that this year, FY '25, we will

ensure that it turns breakeven or a very small profit at Pocket Aces level. And that's primarily getting driven right now out of the synergies with Saregama. Lot of cost structure that those guys are having right now, we are removing them because they can just ride on our infrastructure expenses.

Lokesh Manik: Okay. So, the synergies are on the cost side, not on the top line. Top line, they were growing any which way 20%, 25%?

Vikram Mehra: Yes.

Moderator: The next question is from the line of Pulkit Chawla from Emkay Global Financial Service.

Pulkit Chawla: Congratulations on a good set of numbers. Vikram, you were obviously highlighting that you'll be able to ramp up the content acquisition as such. Now so would you be looking to ramp up the number of songs? Or are you looking to, let's say, ramp up more expensive song as such? Or would you probably get into more digital music wherein the past, you've highlighted that ROIs have been better?

Vikram Mehra: Yes, we will do a little bit of everything. When you buy music, you obviously take some punts on more expensive premium content coming from artists who are very well established. At the same time, we keep on investing in the newer artists. The risk-reward patterns are very, very different in both these situations. You are investing in the premium guys; the risk is relatively lower because they already have a large established fan base. But they come expensive, so the return profile is also on that way.

When you are working with absolutely fresh artists, the risks are massive. But if any of them clicks, the returns can also be massive. So obviously, it's a balance of the 2. It's a balance of film music and non-film music. It's a balance of Hindi, Tamil, Telugu, Malayalam on one side, and Gujarati, Bhojpuri, Haryanvi, Odia, Chhattisgarhi kind of languages on the other side.

Pulkit Chawla: Right. Fair enough. And my second question is, how does the performance of music typically vary -- if you're comparing, let's say, theatrical release compared to a direct OTT release? Where I'm coming from is just trying to understand if, let's say, Chamkila was a theatrical release, how would have music done differently as compared to when it's today released directly on Netflix?

Vikram Mehra: Let me put it this way. Any film which is going direct to digital, the cost at which we acquired the music is also dramatically lower. In fact, in most of our contracts, we have the stipulation that if a movie at the end moment decides not to go to theatrical (theatrical definition is, how many minimum theatres in which movie should get released), and go directly to OTT, there is a reduction we are going to get on the pricing. We are protecting and covering ourselves through that. At the same time, we are realizing that -- it's not that a movie which is going directly to digital, the music does not do well at all. Chamkila is a good enough example. Now it's a theoretical thing for me to answer to you that had it gone to theatre, had it done far better? I suspect it would have. But then the cost at which I would have got the music also would have been that much higher.

- Moderator:** The next question is from the line of Ankit Babel from Subhkam Ventures.
- Ankit Babel:** Two questions from my side. First is, you guided for a 30% plus kind of a revenue growth, excluding Carvaan. I just wanted to confirm, is it fair to assume a 30% plus growth in your pure music licensing revenue also in FY '25?
- Vikram Mehra:** In that range, yes.
- Ankit Babel:** Because you had guided for doubling your revenue in next three years, right, so which translates to 24%, 25% CAGR. So -- and in first year, you are doing the 30% plus so what's...
- Vikram Mehra:** In first year, , the content investments are also going up in a step-up function. As we go forward beyond two years, then they will start growing in a linear fashion, this is because we don't have any intent to acquire more than 25% to 30% of all the newer content that's coming in as of now. And hence, the nature on a 3-year basis, we are talking of the growth pattern that you're talking about here. But immediate year, there is a 30% growth, excluding Carvaan.
- Ankit Babel:** Okay. That's great. So how much content investment you mentioned you'll be doing in FY '25, including marketing and everything?
- Vikram Mehra:** Next three years, INR1,000 crores .
- Ankit Babel:** Next three years, INR1,000 crores. Okay. Okay. And sir, what is the breakup? Can you please provide the breakup of your intangible assets of INR513 crores, which you have mentioned in the balance sheet? Last year, it was just INR114 crores. There is an increase of INR400 crores. I understand a part of it would be because of Pocket Aces. But can you just give me the incremental breakup, the breakup of the incremental number of INR400 crores?
- Pankaj Chaturvedi:** Yes, broadly, I will tell you, goodwill is in excess of INR300 crores. This has come on account of the acquisition of Pocket Aces. Since it's a committed acquisition, we need to value the entire acquisition and accordingly account for in the balance sheet. There is also a corresponding liability under financial liability, you will see an increase, which is for the balance 48% stake acquisition. So primarily, that is the reason for the spike. Otherwise, the increase in intangible is only on account of the songs that we acquire.
- Ankit Babel:** So incremental INR400 crores, out of that INR300 crores is goodwill and INR100 crores is the songs?
- Pankaj Chaturvedi:** It's the music assets, yes.
- Moderator:** The next question is from the line of Aashish Urganlawar from Invest Q.
- Aashish Urganlawar:** Yes. your comments are pretty helpful in terms of understanding where the business is going, and it's pretty commendable the way you guys are investing in content. Just a clarification, you said that EBITDA margins, you are comfortable, I mean, looking at maybe 31%, 32%. Below that, what remains is the depreciation item, which given the step-up in investment would also

increase by step. Is it possible to give some clarity on how much it would increase? I suppose we amortize a lot in the first year out of whatever is spent. So just a bit of a clarification would help us.

Vikram Mehra: Our guidance there is that our profitability at the PBT level is going to double in the next 3 to 3.5 years.

Aashish Urganlawar: Yes. On an annualized basis, is it possible? I mean INR300 crores, we are investing, I think, 36% you amortized in the first year, split into marketing.

Vikram Mehra: I think we are very open and transparent about the amount of data we are sharing. I'll hold on to our 3-year guidance here that it's INR1,000 crores music content investment we people are doing. Our revenues at the consolidated level, all verticals combined, excluding Carvaan, we are looking at 25%, 26% growth rate as we go forward on a 3- to 5-year basis. And our PBT is going to double over the next 3, 3.5 years and 32% to 33% adjusted EBITDA, that's my long-term guidance. On a short term, which is for FY '25, we are saying our company's revenue, excluding Carvaan, should grow upwards of 30%.

Moderator: The next question is from the line of Pradeep Rawat from Yogy Capital.

Pradeep Rawat: Sir, I have one question. Prior to 2020, our EBITDA margins used to be 10% to 12% and then it rolled north of 30%. Can you mention any reason for that?

Vikram Mehra: It's doing far better than what we used to do earlier. The music industry itself has started shaping up far better. We have started investing in the newer content in a much more aggressive fashion. If you see our investments -- and in fact, I'll say, pre-2019, we hardly used to make any investments at that time. So overall, we are doing well and expect to get a pat on our back from you.

Pradeep Rawat: Yes. with respect to debt, currently we don't have any debt. And in 2021 we issued capital, of INR750 crores, I think so. So why aren't we taking debt? And why are we diluting equity?

Vikram Mehra: This is a call that we people have taken in 2021, when we raised the QIP part as we people sit right now, I have mentioned this that the INR1,000 crores music investment that we will be making over the next three years will be funded completely through internal accruals and QIP money.

Moderator: The next question is from the line of Ravi Naredi from Naredi Investment Private Limited.

Ravi Naredi: Vikram ji, first, congratulation and best wishes for next five years, appointment as MD. I must say, in last few years, we saw you were working, and in last 10 years, Saregama top line rises from INR200 crores to INR800 crores, while bottom line from INR6 crores to INR200 crores in your able guidance. so fantastic results you had given, and we wish all the best. Sir, Gen G, for songs and movies, new trend started in U.S. where people are liking, again, record that we play on the HMV, like this. And they are buying these cassettes -- buying these records instead of listening music on this our -- other channel. So is it -- you are aware of this?

Vikram Mehra: Sir, I'm not very clear about your question. Are you talking about the music listing, which is happening now in the U.S. on Vinyl and LPs?

Pulkit Chawla: Yes, yes, Gen G. That is called Gen G.

Vikram Mehra: –Sir, if you check it out on our website, we have already released nine different LPs and they are doing far better for us in U.S. than in India because very few people in India have LP players with them. In U.S., they are making a decent amount of money. In fact, I'll say, in some of the markets, even more than Carvaan for us.

Ravi Naredi: Okay. I was curious how it will impact our company, but you have already issued...

Vikram Mehra: Sir, as a company, we are consciously checking out what all is happening in the various part of the world. From an America, which is always ahead on the digital side, to a Japan, which is far ahead on the physical side, to artificial intelligence in terms of predictive modelling and generating part. We, as a company, take a lot of pride in the fact that we are not just a bunch of creative people here, but we are a bunch of tech people who are also in the world of creativity.

Ravi Naredi: Right, right, right. Sir, in first few years, whatever movies we made, I am telling about five years back or seven years back, any film we have sold again the right when first right is completed, and any money we have received?

Vikram Mehra: Yes, not many of those movies have come out because seven years haven't crossed. The couple that has, came out of one platform already licensed to the second platform.

Ravi Naredi: And how much money we receive, can you tell -- the amount?

Vikram Mehra: If you also remember or if I remind you, at that time, the movies that we were making were these INR1 and INR2 crores movies -- the strategy of the films has changed completely from how we started in 2017. On the ROI basis, the movies have done very well for us. But whatever money they are making must be seen in the light of the fact that they are INR1 crores or INR2 crores movies. They all have gone out there to the second round. The three movies that have come out, they are all on the next platform.

Ravi Naredi: And last year, what percentage do you think ship to paid versus free consumption?

Vikram Mehra: This is on audio?

Ravi Naredi: Yes, yes, yes.

Vikram Mehra: I'll answer this question in a different fashion and something I'm very happy about now is, for Saregama, the amount of money we are making, we made this year from paid subscription in India. We make a lot of money right now from paid subscription of Spotify America or an Apple America. I'm not using that.

I'm saying subscription money that the platforms made in India. And they shared our percentage of that across with us. That number has grown by over 40% in FY '24 compared to 23, and it has now started touching double digits in crores. You see -- and this is one top of the fact that three

guys are still not paid in India, Spotify, Airtel and Saavn have not turned pay yet. Only the other guys are paid.

If I include YouTube revenue also because YouTube also has a paid service, that is growing in a very significant fashion. The paid economy has already started showing signs of growth. I hold my guidance that over the next 18 to 24 months, subscription business is really going to take off, which is going to add to our overall profitability.

- Moderator:** The next question is from the line of Swechha Jain from Whitestone Financial Advisors.
- Swechha Jain:** Okay. Sir, first of all, I would like to understand your content cost write-off policy. I know you mentioned in the previous calls, but I'm kind of a bit confused. What I understand is we don't charge off in the same quarter, right? We write it off over three years. Am I correct?
- Pankaj Chaturvedi:** I'll just repeat. Our life of content is 10 years, the new content. However, the charge-off is front loaded. As we have said earlier, the marketing gets charged off immediately. And the content acquisition cost is distributed as 20% in the first year, 15% in the second year and remaining equally over the next eight years. So that's the content charging policy.
- Swechha Jain:** Okay. And sir, just one more clarification. I think in an answer to a previous participant's question, you were mentioning about content cost of INR200 crores for music. So just wanted to understand, this INR200 crores calculation that came up, was it pertaining into FY '24?
- Vikram Mehra:** INR200 crores odd is what we have spent on new music in FY '24. Not everything is going to get charged off in FY '24. Our charge-off depends on the timing on when did the music get released. If there was marketing that happened behind the song, it gets charged off fully and marketing is typically 20% of the cost of a song. So that gets charged off immediately under the marketing side.
- While the remaining 80% gets charged off in a phased fashion, front loaded, but in that even the first year will get charged off over 12 months. In FY '24, when you see my charge-off, it will also have a charge-off of what we procured in '21 and '22 and '23 and also a portion of what we people have procured in '24.
- Swechha Jain:** Yes. Okay. Okay. And sir, would you be able to give me the revenue breakup for FY '24 in terms of revenue from, obviously, the Music, then the Yoodlee platform, the Artist Management and Carvaan?
- Vikram Mehra:** If you see our results right now, there is a segmental reporting which is sitting there. You can get it. Music, which is Licensing and Artist Management, made INR544 crores in FY24; Carvaan business ended up making INR130 crores odd. Video business made INR116 crores and Events was 13 crores.
- Swechha Jain:** Okay. Okay. And sir, just one more question. The INR1,000 crores that we plan to spend over three years. What I understand is that completely is going to be for the music, not on the video business, right?

Vikram Mehra: On music, we are spending INR1,000 crores.

Swechha Jain: Okay. And how much percentage would be in FY '25? I know you said this over three years. I just want to understand -- is it going to be more in FY '25? Or it's going to be evenly spread across three years?

Vikram Mehra: See, the more granular we go, the numbers become difficult to be shared . Directionally, it is INR1,000 crores, and we have spent upwards of INR200 crores in this year.

Swechha Jain: Understood. Understood. Sir, just last question regarding a strategy for Pocket Aces. How exactly do you think it's going to sync well with our business? I mean what are we thinking about it from a 3-year or 4-year perspective? if you could just throw some light around this acquisition, sir.

Vikram Mehra: We believe that the GDP will continue growing upwards of 6%, which means the advertising business is going to grow in a substantial fashion. To sustain that kind of a GDP growth, far more consumption needs to happen, and consumption gives rise to advertising and the vertical which is showing the maximum traction under advertising is digital advertising. This way we are arriving at the fact that digital advertising is another huge growth factor. And you can refer to any of the projections made by various consulting companies, they're all arriving at the same conclusion, assuming that the GDP is going to grow. If we look at digital advertising, it chases eyeballs. As a consumer yourself, when you are on YouTube or on Instagram, or on Facebook, you either go and follow an individual or you follow a channel.

Channel may be an entity and that entity may be a FilterCopy, a Star or a Sony also. Or you follow an individual, which may be RJ Karishma or Amitabh Bachchan. That's what people do. We, through Pocket Aces want to control both these. Our attempt between Pocket Aces and Saregama, is to control more and more eyeballs that are going out there on the AVOD platforms and ensure then that the advertising money that will follow, these eyeballs, we get a lion's share of that.

That's a business idea behind the entire acquisition of Pocket Aces. Pocket Aces has got two big areas going in here. They are the biggest digital influencer Management Company in India, which means more and more advertisers are now reaching out to us. and saying, can I use your influencer? The moment they come to us for influencer, we also pitched to them that why not also use a song of Saregama in whatever the influencer is saying about your brand. Both sides can go and make some revenue from it.

Then we also own channels like Filter Copy, Gobble, Nutshell. They've got large amount of follower base on Instagram and YouTube. We tell the brand that I will give you the influencer, I will give you the song, and I will put it on my channel so that you don't need to spend money promoting this message of yours. Because in any ad, you need to make the ad and then spend -- first spend money on making the ad and then you spend money right now in disseminating the ad. We can offer them everything together as a combination of Saregama and Pocket Aces. This is the direction in which we are moving.

There are already brands who are now liking this proposition of ours. Because when I'm offering three things together, along with the capability also to make the video for them if needed be, it makes their lives simpler and they're able to do it at a much lower price point. And we benefit across all parts of Saregama. So digital advertising is growing in a big fashion. And we together at the consolidated level want to have a lion's share of that.

Swechha Jain: Okay. Okay. So just a clarification. The growth guidance that you gave, a CAGR of 25% to 26% over three years, so what I understand, would that consider the paid economy, which we feel is going to really go up this way or that...

Vikram Mehra: When we are giving you this growth guidance at this moment, we are saying this is independent of full subscription taking off. If the audio subscription starts taking off, you can add a few more percentages to this.

Moderator: The next question is from the line of Akhil Gulecha from Pikadey Family Office.

Akhil Gulecha: Congratulations on great Q4 results. There was this EY report which suggested in 2023, there are around INR70 lakh paying subscribers of music in India, excluding YouTube Premium. What do you think is our estimate of the number of paying subscribers today for OTT music? And how do you see this number growing in the next two, three years? Are there any trends that you're noticing?

Vikram Mehra: The numbers that you're talking about, they are a combination of subscribers and bundled propositions because bundling is also a common thing done by the telecom operators. And two of the OTT platforms are run by telecom operations, whereby they bundle up paid subscription along with the data packages that they are giving.

So just for you to get a better flavour of what these numbers are. I've already told you that for Saregama, in FY '24, the money that we made from paid subscribers, non-YouTube paid subscribers, India operations grew by over 40%. We are extremely bullish on subscription. We believe in the next 18 to 24 months, the entire economy may be moving to a subscription. Globally, there are around 650 million people who are paying for music subscription today.

This is despite some of the platforms taking a serious hike over the last 30 to 60 days. But music has got that kind of stickiness that people are ready to go there and pay. This is going to eventually happen in India also. It happened in -- first between cable and DTH. Then it started happening on the video OTT side. And it's going to happen on the audio OTT side.

Now the jury is out on how many people are going to be taking the paid subscription. -- If I go by affordability factor, some of the numbers I can throw at you is there are some 125 million people between digital cable and DTH today. That tells you some indication of how many people are ready to pay for some form of entertainment. There is anything between 90 million to 100 million people who are on some form of a video OTT app today. So that's a range of numbers we people are playing on.

Whether it will happen at INR50 per month, INR75 per month, INR100 per month, it's still up for debate. The number of subscribers that we can manage within three years of everybody

turning pay can be anything between 50 million to 75 million. Price point can be anything between INR50 to INR100. That's a range in which we are playing. The way our deal structures are whatever the platform makes from a paid customer -- on an average, 50% of that money is distributed amongst the content owners.

Akhil Gulecha: Okay. Understood. That's helpful. Can you give us some idea? I know you can't give the exact numbers, but some rough idea of how much of a music label revenue today is coming from paid subscription versus MGs or free ad-supported revenue model?

Vikram Mehra: All I can go back and say that the subscription part is still on a pretty low side. It's not a high side. It's just that it's showing one of the highest growth rates. .

Akhil Gulecha: Okay, understood. And second question is around the content cost. I understand that you're writing off 50% of our content cost in the first two years. So are we recovering the same amount through revenues in the first two years.

Vikram Mehra: Yes, otherwise my profitability would have taken a beating this year. .

Akhil Gulecha: Okay. Because it has been over two years since we've done the QIP. We must have some data around, whatever the content we are investing in, how is the ROE, how are we recovering? You are recovering more than the 50% of the content cost in the first two years itself, right?

Vikram Mehra: Yes. I have stated this, our internal policy is the payback period of five years. If I go by the last 4-year performances, we are doing better than that. I still consider that to be a beginner's luck. I'll maintain my payback guidance for five years, but we are doing better.

Moderator: Thank you. Due to time constraint, that will be the last question for the day. I now hand the conference over to Mr. Vikram Mehra for closing comments. Over to you, sir.

Vikram Mehra: So once again, thanks a lot for your patience. I've already given my guidance as we go forward. We believe that Indian economy is on a very strong path. Both advertising and subscription part of the businesses will keep on getting stronger. And when the customer is paying directly through subscription or indirectly on advertising, we want to get a lion's share of that, and we will get it both from the music as well as on the video side.

We will not hesitate in investing and taking bold decisions while being extremely strong on the financial discipline. We repeat our guidance that our FY '25 consolidated revenue excluding Carvaan should be growing upwards of 30%. Our adjusted EBITDA guidance remains at 32% to 33%. On a three- to five-year horizon, we are looking at revenue, excluding Carvaan, growing at 25%, 26% odd, while our profitability to double in 3, 3.5 years. Thank you and look forward to your support.

Moderator: Thank you. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.