



August 01, 2024

**Listing Department,  
National Stock Exchange of India Limited**  
Exchange Plaza,  
Bandra-Kurla Complex  
Bandra (E), Mumbai-400 051.  
**NSE Symbol: SHEMAROO**

**Corporate Relationship Department,  
BSE Limited**  
Phiroze Jeejeebhoy Towers  
Dalal Street,  
Mumbai - 400 001.  
**Scrip Code : 538685**

Dear Sir/Madam,

**Re: SHEMAROO ENTERTAINMENT LIMITED - ISIN: INE363M01019**

**Sub: - Earnings Con. Call Transcript dated July 31, 2024**

Please find link of Concall Transcript of the Earnings Presentation of Shemaroo Entertainment Limited for the quarter ended June 30, 2024 (Q1/FY25) which was held on Wednesday, July 31, 2024 at 12 Noon IST, on the Company's website i.e. [www.shemarooent.com](http://www.shemarooent.com) as follow:

Investors→Conference Call Transcript/Earnings Concall Audio Recording i.e. [https://shemarooent.com/uploads/pdf/conference\\_call\\_transcript\\_pdf/concall-ShemarooEntertainmentTranscript\\_june24.pdf](https://shemarooent.com/uploads/pdf/conference_call_transcript_pdf/concall-ShemarooEntertainmentTranscript_june24.pdf)

Transcript of the Earnings call is also annexed.

Kindly take the above on record and oblige.

Thanking you,

Yours faithfully,  
**For Shemaroo Entertainment Limited**

**Pooja Sutradhar**  
**Company Secretary & Compliance Officer**  
**Membership no. A40807**

Encl: as above



“Shemaroo Entertainment Limited  
Q1-FY25  
Earnings Conference Call”  
31<sup>st</sup> July, 2024



**ANALYST:**

**Mr. Anuj Sonpal – Chief Executive Officer - Valorem Advisors**

**SHEMAROO ENTERTAINMENT LIMITED**

**MANAGEMENT**

**: Mr. Hiren Gada – CEO**

**: Mr. Arghya Chakraborty- COO**

**: Mr. Amit Haria - CFO**

**Shemaroo Entertainment Limited**  
**Q1 Financial Year 2025**  
**July 31, 2024**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY '25 Conference Call of Shemaroo Entertainment Limited, hosted by Valorem Advisors.

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 touch tone phone.

I now hand the conference over to Ms. Purvangi Jain from Valorem Advisors. Thank you and over to you, ma'am.

**Purvangi Jain:** Good afternoon, everyone. And a warm welcome to you all. My name is Purvangi Jain from Valorem Advisors. We represent the Investor Relations of Shemaroo Entertainment Limited.

On behalf of the company, I would like to thank you all for participating in the company's earnings call for the first quarter of the Financial Year 2025.

Before we begin, a quick cautionary statement. Some of the statements made in today's con-call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by, and information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

I would like to introduce you to the Management participating with us in today's Earnings Call and hand it over to them for the opening remarks. We have with us Mr. Hiren Gada – CEO, Mr. Arghya Chakravarty – COO, and Mr. Amit Haria – CFO.

Without any further delay, I request Mr. Amit Haria to start with his opening remarks on the financial highlights. Thank you and over to you, sir.

**Amit Haria:** Thank you Purvangi, and good afternoon everyone, and welcome to our Earnings Call for the first quarter of the Financial Year 2025.

Let me first start by giving you some Key Financial Highlights, after which our CEO – Mr. Hiren Gada, will give you some operational highlights.

For Q1 FY '25, the revenue from operations stood at around Rs. 154 crores, which was flat on a year-on-year basis. EBITDA loss for the quarter was around Rs. 13 crores, and net loss was reported at approximately Rs. 17 crores.

With regards to the new initiatives in Q1 FY '25, the expenses amounted to about Rs. 8 crores. And if you were to adjust for this investment, we adjusted EBITDA loss from the existing operations in Q1 would have been approximately Rs. 5 crores. Digital media revenues for the first quarter stood at around Rs. 69 crores, up by approximately 20% year-on-year. Traditional media revenues for the first quarter stood at around Rs. 86 crores, which declined by around 11%.

Now, I would request our CEO, Mr. Hiren Gada, to give you the operational highlights for the period under review.

**Hiren Gada:**

Thank you, Amit. And good afternoon, everyone. During the quarter, viewership of the entertainment category as a whole experienced a decline on both traditional and digital platform due to IPL, T20 World Cup and the general election. This shift led to many key advertisers reallocating their spends towards sports and news genres. However, we believe that advertising expenses on entertainment category are anticipated to recover later in the year, driven by festive season and improving rural demand.

The company margins were under pressure due to the combination of two factors. First is deferred B2B deal closures in the pipeline; and second is the continued accelerated inventory charge-off, a strategy which we have initiated last quarter. Our inventory has come down from Rs. 682 crores as of March 2024 to Rs. 640 crores as of 30th June, 2024, which is a reduction of about Rs. 42 crores. However, these charge-offs are purely accounting in nature and do not reflect the monetization potential of the content library, its revenue, or the ability to generate free cash flows as far as the company is concerned. Excluding the impact of these charge-offs and deferred deal closures, the company exhibited healthy performance metrics on all counts. Moving forward, the company will continue to strengthen its balance sheet and focus on operational efficiencies to discover its intrinsic value.

In our digital segment, ShemarooMe continues to gain traction, particularly with our Gujarati content offerings. This quarter, we released 10 new titles including movies, web series and play, expanding our content portfolio. Noteworthy premiers include the blockbuster movies Wash, Yuva Sarkar and Lagan Special. On YouTube, FilmiGaane has achieved the remarkable milestone of becoming the 23rd most subscribed channel globally, with approximately 69 million subscribers, reflecting our growing digital footprint and audience engagement.

As general entertainment channels continue to perform well with Shemaroo GEC channels securing a viewership share of approximately 7.8% in the overall GEC genre. Additionally, our newly launched kids and youth channel, Chumbak, continues to do well and is gradually stabilizing.

We are also excited to announce the launch of AI Powered Games on ShemarooVerse work in partnership with GMetri. This strategic collaboration enables us to offer an enhanced immersive gaming experience to our users, showcasing our commitment to innovation and leveraging cutting edge technology to engage our audience.

With that, I open the floor for the question-and-answer section.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question will press “\*” and “1” on the touch tone telephone. If you wish to withdraw yourself from the question queue, you may press “\*” and “2”. Participants are requested to use a handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Dhruv Mukesh Bajaj from Smart Sync Investment. Please go ahead.

**Dhruv Mukesh Bajaj:** Good Evening. Since I am pretty new to this company, so pardon me if my questions are a little bit typical in the previous con-call. My first question was that how much percentage of our overall margin fall is attributed to the accelerated write-off of inventory versus delay in the deals that we witnessed in this particular quarter?

**Hiren Gada:** So, I mean, it works both ways because the delay in the deal availability would have definitely had a certain amount of impact. Right now, I am not able to quantify that, because which deal will fall when we don't know. However, the broad indication I can give is the additional accelerated charge-off during this quarter was in the range of around Rs. 30-32 crores.

**Dhruv Mukesh Bajaj:** Sir, I was just trying to understand that basically how long do we feel that this impact will keep rising in this inventory write-off, because earlier we used to make like 8% to 9% types of EBITDA margins. So, I was just trying to understand on that front.

**Hiren Gada:** If you work backwards, those kind of margins are available even now, it's just the additional inventory charge-off that is kind of hitting it. In fact, the operational performance this quarter actually has improved like the margin structure actually has been better. And just to repeat what we have said in the last call is that, in two years we expect that the inventory will be written-off by about 40% from where it was.

**Dhruv Mukesh Bajaj:** Sir, that is very helpful. I was just trying to understand that only. And sir, what is our planned spending on the new initiatives like OTT in FY '25? Because I guess we spent around Rs. 100 crores in FY '24, so any number on that front for FY '25?

**Hiren Gada:** I think the number that you are mentioning is actually towards the new initiatives, which also increased first time. We have never specifically given any numbers specifically allocated to OTT or broadcasting per say.

**Dhruv Mukesh Bajaj:** So, how do we see that in this current year? Or like if we can get some understanding on that front.

**Hiren Gada:** The budget for this year, I think we had shared it the Q1, I don't remember, but I believe it was about around Rs. 60 odd crores.

**Dhruv Mukesh Bajaj:** And sir, my last question was that, how are we seeing the debt levels and interest repayment? Considering, I was just looking at our balance sheet and our cash position does not look that huge, while going through the challenges that we are facing in the legacy business. Free cash flow generation has also been a little lower than the interest payment for the past two, three years if I am not wrong. So, if you can give us some overview on the debt repayment time lines.

**Hiren Gada:** So, as we have spoken about this whole exercise that we began in the last quarter to get the balance sheet correction in place. And there are two parts to that, one is the accelerated inventory charge-off, and the other is the accelerated debt repayment. And we have targeted that in two years we will bring down the debt by about Rs. 100 crores from the March level where we were at March '24. So, last reported we were at Rs. 338 crores. So, we may see some quarterly fluctuations around. So, June, from Rs. 338 crores we have come down to about Rs. 324 crores, which is a reduction of roughly about Rs. 13 crores to Rs. 14 crores.

However, I would say that within quarters there would be fluctuations, also, some amount of lumpiness would be there due to the B2B deal closure, because some cash flow would come out of those deals also. But we believe that we are fairly on track for this target that we have set out over the next two years' period.

**Dhruv Mukesh Bajaj:** And this will be funded primarily from our internal accruals, right?

**Hiren Gada:** All of this is internal accruals; we have not raised equity in last 10 years.

**Dhruv Mukesh Bajaj:** Right, makes sense. That was my question. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.

**Jyoti Singh:** Sir, similar question as per earlier participant on the revenue side, and overall margin EBITDA side. So, like as per our earlier discussion, you have mentioned we will overcome this election and T20 World Cup thing. And partially we will be able to do better. But again, we are on a EBITDA loss. So, I wanted your comment on that. And for the future visibility, if you can give us some.

**Hiren Gada:** No, Jyoti, just to reiterate, if you in case missed the discussion earlier. And in fact, even in last quarter we have shared this that we have embarked on an exercise to correct our balance sheet through a combination of accelerated inventory charge-off and debt charge-off. Now the impact of inventory charge-off is on P&L where there is additional hit. And this was the number I was mentioning in the previous question also which is in the range of between Rs. 30 crores to Rs. 32 crores is the additional inventory charge-off risk that we have taken against what would have been normally the expense. So, to that extent actually our profitability and margins are quite healthy. There is a non-cash additional accounting charge-off between Rs. 30 crores and Rs. 32 crores on this account. In fact, and as I shared earlier in my opening remarks also, that operational metrics for this quarter actually have been very good.

**Jyoti Singh:** Sir, if you can guide us for the future reference, what our expectation for the upcoming quarter?

**Hiren Gada:** So, while we have never had a practice of giving forward earnings guidance, but what we are seeing definitely we expect that in the festive season, and thanks to a decent monsoon, we are expecting the rural demand also to revive and kind of steadily grow back, and festive demand spend. So, both of these we expect to fructify around the festive season, which kind of starts kicking in September, October onwards. So, we are expecting that to be reasonably strong.

And secondly, on the operational front, we have kind of been operating on a very tight and strong budgeting, I would say working on improving the efficiencies strongly. So, both these combinations we are expecting that the operational performance and operational metrics will continue to, I mean, we are hoping that they will continue to remain strong.

**Arghya Chakravarty:** So, let me just add one more thing, this here is Arghya here, if fact that, as Hireen said, we expect the advertising spends to improve in festive and beyond. And also, again, we mentioned it in the previous answer is that there are some B2B deals in pipeline for closure, that also once it closes and fructifies, that also will come to hit the revenue lines in the future quarters.

**Jyoti Singh:** So, sir, I mean, Q2 will be decent for us comfortably than Q1?

**Arghya Chakravarty:** I mean, I cannot say Q2, but I am saying over the next three quarters you would see those deals fructifying. And as Hireen was saying, festive is basically October, November because the Diwali is on the 1st of November, so the last part of the festive revenues will happen in October which is actually in Q3.

**Jyoti Singh:** So, basically the second half will be better for us?

**Arghya Chakravarty:** Yes.

**Moderator:** Thank you. The next question is on the line of Yash Kukreja from Equitree Capital. Please go ahead.

**Yash Kukreja:** Sir, my first question is, what is the current status on the launch of new channel? And how are our existing channels performing? Like, have we reached breakeven levels or how long will it take to achieve that? So, this is coming from, like, given that our revenue has been almost around Rs. 150 crores for the past eight quarters, except two which we had B2B transactions. So, first question is that.

**Arghya Chakravarty:** Let me try and answer that, Yash. In terms of new channel launch, as we said in the last call also, I think we are in the process of evaluating and the process of evaluation continues. We will see how the market opens. We are basically ready from the back end, but when to press the green light is something that we will see as the market evolves. That is always in the pipeline, but we will take a call as the year moves on.

In terms of performance, I think Hiren mentioned in his opening remarks that the two GEC channels are at about 7.8% share, their viewership share in the first quarter. This is also an increase over last year same quarter at this time. So, they are doing well. And the new channel which you had launched last year, the Chumbak, the kids and the youth channel, has also grown steadily and is very gradually stabilizing. So, that's how the channels are performing. We are seeing decent traction through our shows and the various measures that we are taking.

But at the same time, Hiren had pointed out, we have been very prudent in the way in which we have costed and budgeted for our shows and so on so forth. So, the channels are doing well. In terms of profitability, that's something which is we are in the process of continuously launching new shows and it is a gradual process. In terms of profitability, I mean, we have answered this question multiple times over the last few quarters. It's an ongoing process and things are going as per our plan is all I can say right now.

**Yash Kukreja:** Sir, could you provide some insights into the quantum and frequency of this B2B transaction?

**Arghya Chakravarty:** The quantum is something which we cannot say, because it depends on deals and so on and so forth. But normally these transactions are very lumpy in nature, Yash. So, sometimes it all happens in a bulk, it happens in one quarter, it happens over two quarters. But as we are seeing now, we are in an advanced stage of discussion. In fact, very close to closures. But closures take its own time because it's multiple agreements and so on and so forth and things like that.

**Hiren Gada:** They have a lot of process part of the documentation, many other things.

**Arghya Chakravarty:** They put out a lot of NOCs and put a lot of dots in the eyes and all that. So, there is a lot of process involved. We are well and truly on top of it. And we should see some reasonably good closures towards the end of Q3 and Q4, because we are already in August, we are almost



entering August. So, I think towards Q3 and Q4 we should see some reasonably sized good-sized closures. Quantum, we cannot say, because it all depends on the releases.

**Yash Kukreja:** And my last question is, sir, I have one bookkeeping question. Could you provide the operating cash flow figure for Q1?

**Amit Haria:** We will get back to you on that.

**Moderator:** Thank you, Yash. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

**Pradeep Rawat:** I am pretty new to the company and I have one basic question. So, what do we have in our inventories? And why the inventories are being written-off right now?

**Hiren Gada:** Two parts to the answer. One is, of course, you probably need to study the company a little more deeper to understand why. There is some history to it, which I will try and summarize it. If there is a longer answer needed, we can probably take it offline later. So, the inventory is basically all are film IPR or all the content IPR copyrights that we own. So, all the Bollywood, the TV shows, the Gujarati content, Marathi, everything, all the content copyright, that's primarily 98% of the inventory would be that, or probably 100% of the inventory would be the film copyright. So, that's the formidable library and that is yielding us cash flow on our daily, weekly, monthly, yearly basis, because we monetize that across different platforms.

So, the short answer to the charge-off and all of that is that, so during the build-up of the digital consumption era, so when the digital ecosystem was kind of growing, and then prior to that or in anticipation of that we have invested significantly to shore up and build our overall content library so that we are ready for the monetization when the digital era kind of unfolds. And this is an investment. In fact, we did our IPO for that, we raised that and various things. It kind of came in as a stock. Now this stock is extremely valuable. We believe the value of the stock is significantly higher than the book value, because the new monetization streams have opened and there's a long tail monetization that is available.

However, the feedback we kept getting from a lot of investors was that, in relation to the scale and everything, that inventory is on the higher side and so is debt. So, we decided to kind of relook at the whole financial gearing of the company and the balance sheet and see how we can fix that, so that we are able to unlock value. Now, all of this does not have any impact, it's purely an accounting thing, because the charge-off that we do has to go as an expense to the P&L. And so there is an additional expense every quarter that we have kind of taken on as a part of that.

And the charge-off has no correlation to the monetization potential of the content, it has no correlation to any of the business operations or the cash flow generating ability of the

company, or of that content, and to the value of that content. So, that is in short, I have tried to capture the answer. If you want a longer answer, we can take it offline.

**Pradeep Rawat:** Thank you for explaining in so much detail. So, I have a follow-up question on that. So, while we are acquiring IPs or copyrights, what kind of ROI do we have in our minds before acquiring them?

**Hiren Gada:** Typically, at the time of acquisition, we look at an 18% IRR.

**Moderator:** Thank you. The next question is from the line of Yash Kukreja from Equitree Capital. Please go ahead.

**Yash Kukreja:** Thanks for the follow-up question, Sir, my question is regarding, as we mentioned the accelerated inventory for this quarter was around Rs. 30 crores to Rs. 32 crores. Sir, my question is, will this be handled linearly or do we have a different strategy for writing off this inventory?

**Hiren Gada:** Sorry, I did not understand the question.

**Yash Kukreja:** Sir, as you mentioned that the accelerated inventory write-off for this quarter was Rs. 30 crores to Rs. 32 crores, correct?

**Hiren Gada:** Yes.

**Yash Kukreja:** So, will it be handled linearly in the following quarters, or do we have a different strategy for this write-off?

**Amit Haria:** This Rs. 30 crores or Rs. 32 crores was for the quarter that went by. For the subsequent quarters, there will be some additional charge.

**Hiren Gada:** So, I will tell you. There are two parts to this. One is that the charge-off in a given quarter, so there are multiple parts to the inventory. There is one large block of inventory where we have put an equated charge-off on a quarterly basis. But there is some other inventory which is linked to some event or sale or telecast or release or those kind of things. So, this Rs. 30 crores, Rs. 32 crores what we are saying is, in this quarter as per our earlier method of charging-off and this, what would have been the difference between these two is roughly in that range of around Rs. 30 crores to Rs. 32 crores. That may not necessarily hold true in the next quarter.

**Yash Kukreja:** Sir, could you explain a little bit on what is the major contributor in the operating expenses?

**Amit Haria:** Major conclusion is towards the amortization of the charge-off of the inventory only, and there would be distribution expenses for broadcasting.

**Moderator:** Thank you. The next question is from the line of Dhwani Desai from Turtle capital. Please go ahead.

**Dhwani Desai:** Sir, my first question is regarding this accelerated inventory charge-off, so if you look at historically, essentially some accounting terms, it means that currently the profits are higher than what is reported because it's an accelerated charge-off. But at the same time, historically, because they were not charged-off at the right rate, the profits were inflated.

**Hiren Gada:** I did not understand that.

**Dhwani Desai:** Sir, essentially what we are saying is that we are charging-off inventory today at a higher rate, right? And you say that there is no economic rationale for that, because in your view the value of inventory is much higher than the book value, right? So, it's an accounting treatment, right, that's the point that you are trying to make. My point is that, now we are doing it from accounting perspective, that means that earlier whatever revenue that we booked against that we charged-off certain inventory at certain rate based on the accounting principles.

**Hiren Gada:** Dhwani, I really don't agree with that thought process. Can you explain?

**Dhwani Desai:** See, it's not about the past. I am asking is that today whatever content that you acquire, right, how do we ensure that the charge-off of that content is in line with the economic value of the inventory used? What is the principle that we are using so that this kind of situation does not happen in future?

**Hiren Gada:** Dhwani, this is not a situation. I think, Dhwani, this is a wrong way of approaching this whole thing. We have looked at it more from a positive perspective. You are looking at it from a negative perspective. I really don't agree with the approach, firstly. And I would like to correct the understanding in the following manner. Please understand one thing that the content that we have has a really long shelf life and monetization value. Now, where and how this monetization, at what pace it will keep growing is anybody's guess. How much the consumption of a particular content will yield or what is the revenue it will yield is anybody's guess beyond the point. We can estimate maybe the next three to five years, but beyond five years how it is going to be is nobody's this thing.

What we have experienced is that as the technology and reach of entertainment has increased, so has the consumption and monetization expanded. And our policy which was there earlier was exactly in line to capture that. Now, even within that policy, anything that we own perpetually, we were charging-off in 10 years' time. If you remember this earlier.

**Dhwani Desai:** I am aware about that part, yes.

**Hiren Gada:** Now, does it mean that after 10 years that content is not going to yield anything? That content is going to continue to yield beyond ten years. And therefore, if I would have even charged it off over 15 years, it would have been justifiable. We did not do that. We just charged it off within 10 years. Now what we are saying is, instead of 10 years, we will charge it off in three years. So, does it mean 10 was wrong and it inflated the profit? It did not. All I am saying is that, we have decided that, first, because this feedback we got from last about two to three years additionally on the inventory, so we always kept, I mean, our own comfort to carry the inventory and stock at this level was always high because we knew the monetization potential always kept growing and what are the monetization potential of that library.

However, when we looked at and collated a lot of the feedback, we all took a collective decision that this inventory, let's swallow a bitter pill for whatever two years' time, and let this whole overhang, which a lot of people think of. So, in relation to the scale of the organization, etc., etc., is suppressing some ROI ratios, growing inventory turnover if your churn is, number of days is too high etc., etc. We thought that let's kind of bring it down to what the overall investor community will be more comfortable with, and that's the exercise we are doing. This has not at all got to do anything that charged earlier was over whatever, overstated or underreported or those kind of things. I would like to differ on --

**Dhwanil Desai:** Yes, I am not saying that. Sir, my question is more towards the future.

**Hiren Gada:** I understand. But when you start the question from, the question itself you know goes into a wrong direction. That was my concern.

**Dhwanil Desai:** Now, again, coming back to the future, right, whatever we acquired today, how do we charge it up? Let's say we acquire some content for Rs. 100, do we charge it off in three years, four years, five years? What is the policy on the accounting side that we are using?

**Hiren Gada:** So, based upon what kind of content we are acquiring, if we are acquiring a negative rights again it will be charge of over kind of two cycle kind of a thing. And with respect to digital, it will be around 10 years if it is a longer period one. And if it is a shorter period then it is five years, that way. So, it's different than based upon the useful estimated life of the asset.

**Dhwanil Desai:** Second question I think to Arghya is that, I think we had aspiration and we still probably have aspiration of reaching 15% of market share, as it was once indicated in one of the presentation. But we have been hovering around this 7.5% to 8% market share for some time. And I understand, I think there has some recalibration happened and that has some impact on the overall percentage. But given where we are today, how do we see the journey from here to let's say reaching double digits for higher number? And are we seeing any increase in our effective rates or realizations, because the increase was to come with some lag. So, what is the status on that?

**Arghya Chakravarty:**

Again, I mean, let me just, you are right, we are in that range of 7%, 7.5% and so on and so forth. But there has been an increase in the shares in this quarter compared to this time last year at the same quarter. Are we fully happy with the way it is right now? This is as per our plan. Remember, we had said that we will be very prudent while we have that aspiration and that aspiration still very strongly we have, reaching double digit shares. I don't know where the 15% came from, but yes, we really wanted to be on a double digit share growth, and we want to grow up to that 15% also.

But the fact that, at least in this quarter, we were very mindful of the budgeting in terms of how many shows to bring in and all that. Because we knew that in this quarter there will be headwinds around a lot of activities which is outside the entertainment category, which is in terms of IPL, T20 and also the general elections. So, yes, our objective is to reach that share, but it is also to reach it in a profitable manner in a manner that we can sustain ourselves. So, reaching those kind of shares would mean that increasing number of shows and so on and so forth, but that also needs to come with the adequate amount of profitability.

In terms of ER, I think the ER, as I have said in many calls in the past also, the ER is a function of the demand in the market, right? I mean, one is obviously your rating and your standing in the hierarchy of the channel, but it is also a function of the demand in the market. And the ER has been growing pretty decently. I mean, I am not in the position to tell you what the number is, but the ER growth has been in line with the rating growth and we are happy with the way the ER has moved. But as the demand picks up, keeps picking up further and further in the months of festive and beyond, we hope to see the ER trends continue and reach a level which we are comfortable with.

So, that's all that I can say right now on the ER. It's on a very healthy growth trend as per our plan.

**Hiren Gada:**

I would add one more point. So, we had set up the sales team about roughly, you can say, three quarters ago and in three quarters the sales team has significantly stabilized. So, our client counts and all other operating metrics are on a extremely healthy, in fact, on a high literally on a month on month basis.

**Arghya Chakravarty:**

Yes, I think that is one important point. Thanks, Hiren, for reminding me. I think one point which is sort of, while I know that a lot of questions comes on ER, but I think one of the more important metrics on ad sales in TV in broadcast is the number of clients, the client count. And we are at a very, very healthy level, compared to our relative standing also we are at a, we are over index, I would say, on our client count numbers, which is a very healthy place to be in. And as Hiren said, three quarters the sales team has come in, it takes its time to stabilize. And we are very, very sure that we are on the right track, as far as ad monetization on broadcast are concerned.

**Moderator:** Thank you. The next question is from the line of Animesh, an individual investor. Please go ahead.

**Animesh:** So, two questions from my side. First is, the accounting policy we have been following now it is for, you were saying that we are discounting the expenses in three years, amortizing, something like this. So, is it in line with the other peers? First question is this. And second question is, the revenue, I know it is not in our hand. But as far as the operational cost and expenses are concerned, we are not in the cash profit. So, why cannot we just have a control on adding inventory and putting some efforts to have some profit in our books of accounts?

**Hiren Gada:** Animesh, I think you probably either joined late or you missed the context of the call, but I will just repeat. Our inventory has actually come down, we have not added. The inventory has come down from Rs. 682 crores to Rs. 640 crores.

**Animesh:** Still we are in a loss, right?

**Hiren Gada:** That's because there's an additional approximate between Rs. 30 crores and Rs. 32 crores of additional charge.

**Animesh:** So, is it in line with the peers? That that is what my first question is.

**Hiren Gada:** So, unfortunately, intellectual property is something that, there is no benchmark available or no accounting standard available, that's unfortunate. And different people follow different policies. We used to follow a consistent policy for more than 15 years. 15 to 18 years we have followed that. Just in last quarter we have decided the accelerated policy, and therefore that additional charge has come in.

One more point which you mentioned about cash loss or anything. Actually, the debt has come down by nearly Rs. 13 crores to Rs. 14 crores. Now that cannot happen if there is a cash loss. If there is a cash loss, our borrowing would go up. So, just to kind of indicate, so all the operating metrics wise if you see, there is a strong performance actually in this quarter, underlying performance, it's this additional non-cash charge-off which has kind of changed the picture.

**Animesh:** And one last question is, I have just gone through that we are also part of the Jio Fiber and other platforms, right? So, my question is, do we get per subscriber revenue? Or it's a lump sum basis yearly, quarterly, monthly, whatever? Can you explain what's the metrics we follow?

**Hiren Gada:** Fortunately, I am not at liberty to talk about any specific deal because of various non-disclosure clauses.

**Animesh:** Not for the company side, in a general do we charge on the subscription per subscriber basis or?

**Hiren Gada:** So, there are different models in which we work. And there is no specific any transaction base that, okay, we do this with this or this with that. But there are different models. So, there could be a lump sum number that is arrived at which is normally arrived at based on estimation of consumption, subscriber base, etc., all of that. There could be a per user number, there could be a consumption-based number also that how many hours of content has been consumed, there could be a ad linked kind of a number. There could be different, I mean, there are at least four to six different commercial models. And each platform works differently, and we partner with virtually every platform where entertainment is served.

**Animesh:** Yes, that is noticeable. And are those contracts for a longer period or it is renewable every year or two or something like that?

**Hiren Gada:** Typically, digital platform deals are between one and three years, not more than that, because space is evolving and growing in different speeds. So, what is relevant today may not be the relevant price or commercial model two years down the line. Television is a much more stable platform, so we typically license our movie. And that's again a trade practice, industry licenses movies for five years at a time.

**Moderator:** Thank you. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

**Pradeep Rawat:** Thank you for the opportunity again. I have a couple of questions. With respect to our cash flow, so how much free cash flow do our current businesses generate yearly?

**Amit Haria:** So, Pradeep, this would vary year-to-year, because one of the major factor for cash flows is the B2B deals. And we are expecting for the next two years, since we have committed a repayment of Rs. 100 crores, we expect around that much to be generated in the next two financial years.

**Hiren Gada:** I will try and answer it in a slightly different way. In the last three to four years, about four years I would say, we have invested about, so we have a couple of new business initiatives, which is a TV broadcasting business and the ShemarooMe OTT app. And if you see, every quarter we share what is the net investment that we are making in these businesses. If we look at net of that, each of the last about three years, we have been generating probably about Rs. 50 crores to Rs. 60 crores free cash flow. However, we have been investing a little more than that, because of which so typically we have been in whatever our investment need is there, around 75% is funded through internal accruals and 25% through borrowing, which is something that in the last quarter is what we have changed, and we said that we will be focusing on accelerated monetization and accelerated charge-off. And as a result of that, we are aspiring to repay about Rs. 100 crores of debt in the next two financials, as in '24-'25 and '25-'26. So, roughly you can say that is the broad amount of free cash flow that is being generated.

**Pradeep Rawat:** And my second question is with regards to our leverage. So, are we planning to bring down the leverage with internal accruals only?

**Hiren Gada:** Yes, internal accruals.

**Pradeep Rawat:** And my last question is regarding our like and gaming collaboration. So, what could be the future potential of this and are we looking to expand further into the gaming industry?

**Arghya Chakravarty:** Pradeep, this entire gaming and this metaverse industry is in its infancy. It's in a very infancy stage. We are part of it, purely and largely from a futuristic point of view. Right now, we do not see any immediate, in the immediate future we do not see any major monetization potential there. However, there could be a lot of possibilities opening up in the future. What we are doing is investing just enough to be future-ready. We do not expect any returns right now, but we are just keeping this entire thing alive from a future point of view. This is something what we have started, this new collaboration is something interesting, where people can go into a site and play games, AI powered games using our iconic characters. This is just a start. We are part of this entire process, and we will see how the world evolves. Right now, it's very difficult to comment how it will pan out in the future, but we definitely have a hope.

**Hiren Gada:** I would clarify here that this is not some entry or plan to get into the gaming business. This is more driven from the Web 3.0 metaverse and feature of how the whole Internet ecosystem itself is moving. So, this is a part of that initiative. If you read last few quarters, we have been doing different partnerships with people like Sandbox and many other partnerships we have announced over the last couple of years, which is all part of the overall theme of being future-ready with the move of technology.

**Moderator:** Thank you. That was the last question. I now hand the conference over to Mr. Hiren Gada from Shemaroo Entertainment Limited for closing comments.

**Hiren Gada:** Thank you all for participating in this earnings con-call. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company, please reach out to our IR managers, Valorem Advisors. Thank you and see you next quarter.

**Moderator:** On behalf of Shemaroo Entertainment Limited, that concludes this conference. Thank you for joining us. And you may disconnect your lines.