"Balaji Telefilms Limited Q2FY 2018 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to theBalaji Telefilms LimitedQ2 FY 2018 Earnings Conference Callhosted by Maybank Kim Eng Securities. 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 the operator by pressing "*"then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikram Ramalingam. Thank you and over to you, sir!

Vikram Ramalingam: Thanks, Lizzan. Good Afternoon, Everyone. Maybank Kim Eng is please to host the management team from Balaji Telefilms Limited to discuss Q2 FY 2018 Results.

We have with us the Balaji management team represented by Mr. NachiketPantvaidya -- CEO, ALTBalaji; Mr. Sanjay Dwivedi -- Group CFO, Balaji Telefilms; and Mr. KartikSankaran -- Senior Vice President (Investor Relations), Balaji Telefilms.

I now hand over the call to Mr. Kartik, for his opening remarks. Over to you, Kartik!

Kartik Sankaran: Thanks, Vikram. Good Evening, Everyone. Welcome to our Q2 FY 2018 Earnings Call. We announced our Second Quarter and H1 Results on Friday the 10th of November. The Results Presentation and other material is now available on the Company website, www.balajitelefilms.com. I hope, you have been able to download and go through the same.

I would like to remind everyone that anything said on today's call pertaining to the future and the outlook for the business needs to be taken as a forward-looking statements and in context with the risks we face.

I would now like to hand over the call to Mr. Nachiket Pantvaidya to talk us through an eventful first six months' of ALTBalaji as well as the plans going forward. Thank you and over to you!

Nachiket Pantvaidya: Hi, this is Nachiket. Good Evening, Everyone. And thank you for joining us for Quarter Two FY 2018 Earnings Call.

I would like to spend a few minutes talking about how the entire OTT sector is rapidly involving and what we at ALTBalaji are doing to maintain our competitive edge. I will also spend a few minutes giving you an update on the performance so far at ALTBalaji and what are our plans over the next few months as well as longer term are.

We ended the quarter on a high note with App Annie declaring ALTBalaji to be the number #3 revenue earning video streaming app in India. This is a great achievement for us considering this ranking takes into account, six months of revenue for us and nine months of revenue contribution for other's in the list.

We launched our services in April this year by while others on the list have been active for more than a couple of years. The App Annie ranking is combination of iOS App Store Google Play Store and is one of the few or probably the only industry led independent third-party rankings.

Reaching number #3 in such a short period of time further solidifies our hypothesis around which ALTBalaji was build. We launched ALTBalaji with a strategic intend to build consumer facing brands by leveraging our enjoyable and engaging content creation abilities appealing to the taste of digital audiences globally and monetizing the immense potential of Original On-Demand entertainment and within six months we were able to successfully monetize our content. The journey of being the first completely ad free and subscription based Original series platform in India has just begun and our constant endeavor is to break the notion that India does not pay for content.

In addition to the App Annie award, we bagged three out of five nominations for the best Web Series at the Indian Television Awards in 2017, showcasing our ability to judge the pulse of the Indian consumer and creating entertaining content and appeal to large sections of the audience across India and Indian's globally.

In the first six months of launch itself, we have been fortunate to have correctly judged the pulse of the Indian OTT consumer and two of our hit shows Dev DD and Karrle Tu Bhi Mohabbat are now under production for Season 2 and soon will be available on the app.

A much appreciated and talked about series The Test Case won two awards at ITI 2017 "Best Actress" and "Best Director". And I am pleased to report that the entire series should be available on the app around Q4 following some production delays.

Moving on to the wider state of the OTT space, these are clearly interesting time for all players and the size of the opportunity continues to expand rapidly, this newer and newer sections of society come and embrace video streaming technology and services.

To put some of this into context, "pivot to video" is the one digital media's mega trend for the moment. Globally 47.4 minutes of online video will be watched daily in 2017, a 20% year-over-year increase driven primarily by mobile where viewing times will reach 28.8 minutes per day. A 35% increase from 2016. This phenomenon is not just a develop market of U. S. phenomenon, for example, time spent in the video players and editor's entertainment categories where the majority of video streaming apps can be found. On Android phones in APAC has tripled to reach close to 40 billion hours and this accounts for almost half of the worldwide total. Emerging markets are leading this charge.

In India, time spent in the video players and editors and editors and entertaining with categories grew over 300% driven by rapid adoption of smartphones and increased access to affordable data. It is becoming clear that video streaming apps will play a pivotal role in driving media consumption on the go and data will become the most important service for telecom service providers especially in markets like India where customers are most likely to use mobile data for video streaming as supposed to Wi-Fi from a fixed broadband connection. as greater device affordability, better bundled packages and education drive increased smartphone adoption in the markets. Mobile data will be the dominant mode of access for international services including video.

Interestingly as per latest data from App Annie markets such as India and Thailand the average session duration was similar to more mature markets like Australia and Singapore. In these cases, less established fixed broadband infrastructure seems to be having a little impact on user's appetite for content.

The need for original content remains high and this is something we at ALTBalaji believe can create a long-term sustainable advantage in the OTT business. While total revenues for OTT services in India remains modest relative to more mature markets, this demonstrates the substantial monetization opportunities available over the next few years.

I will now spend a few minutes on our content strategy and the learning so far. We are witnessing the internet users who view videos online have individualistic and different tastes and these audiences are willing to pay for access quality content but still not ready to premium. Majority of content available today online is either catch-up TV or reruns or user generated content leaving a big opportunity to offer premium, original, and exclusive content for these audiences and price at the right, attractive and affordable prices.

Originally, or plan was to make very niche urban premium, content, however with the rapid rise in internet penetration, there is an opportunity for us to make more mass but still original and exclusive programming. For example, our audiences today come from all corners of the country and not the metro's, while the metro's contributed the major percentage of revenues and viewership base. There are a number of smaller Tier-II and Tier-III cities as Erode, Guntur, and Jabalpur, and the top 20 cities. This clearly shows us that these audiences will needs stories that relate to them and not necessarily stores that work in the metro's or dubbed English programming.

Even internationally, we see audiences from countries such as USA and the UAE, countries where Indian TV content has always had some footing. This rise in internet penetration means we need to be ready with the right content and we need to showcase, showcasing high quality content might to allow us to effectively monetize this opportunity. We are now in the process of creating such content and developing the right ecosystem for this.

In India the ecosystem for such content remains a challenge and takes time to create and execute shows from this ecosystem.

Balaji Telefilms today works with all the leading writers, directors, and acting talented, we remain a preferred choice for such talent. A near-term pipeline includes shows such as Bose: Dead/Alive which examines the myths behind one of India's most iconic freedom fighters.

The character of Bose has been played by Rajkummar Rao a leading Bollywood actor and directed by Pulkit with Creative Producer -- Hansal Mehta. The show set across five across countries traces the journey of this iconic character from being an introverted 14 years to 48 years old brave nationalist. The show will be available on the app from November 20th and I request you all to have a look.

In addition to such to such high impacts we are also recreating the magic of some of TV's favorite actors and actresses and soon we will see them all in the digital medium.

During the quarter, we also significantly increase our offering of original comedy content in regional languages such Marathi, Gujarati and Punjabi. All of these comedy shows are original and exclusive to ALTBalaji and offer our audience an eclectic mix of Stand-Up Comedy from urban mainstream to regional anecdotes. The mix is distinctive and caters to a larger range of audience rather than a set age group.

Based on consumer insights we understood that the Stand-Up available to viewers is mostly English or Hindi and the regional language demand has been neglected. So, we have identified local talent from these regions and we have got them on board. The highly talented witty and humorous artists bring in the flavor of their language and culture on stage. Watching Stand-Up Comedy has become a way of distressing making it the most consumed genre online we will continue to use our data analytics to create content based on consumer's preference.

Overall, on the content side, we continue to monitor our pipeline of shows and make adjustments as we see necessary especially given the rapid rate of change in the rate of internet penetration. We are conscious of putting out shows that may or may not resonate without target audiences and would prefer to scale up the number of hours or content in a control manner. All of this means our cash burn on content remains very calibrated and measured in spite of sitting on over Rs. 500 crores of cash.

Moving on to the distribution side of the business. This quarter we went live with our first major telecom deal. We are now part of Vodafone Play and Vodafone Customers can access the content through the Vodafone Play App. The earlier response to our content through the app has been very positive and also allows Vodafone to substantially increase its data consumption on its network.

We believe our integration with Vodafone Play App will help us reach more consumers and let them enjoy content, we are proud to preset. We are currently in discussion with other leading telecom operators such as Reliance Jio and Airtel and expect to be live on their networks in the coming quarters.

For example, just last week Jio Cinema had started marketing the trailer of our new show Bose and customers of Jio will be able to access the show through Jio Cinema.

In addition to the telecom operators, we have also integrated a whole wide range of consumer facing services such as Micromax, Amazon Fire Stick, Roku TV, Opera TV, as well as Ola Play. Our strategy's intent is to make ALTBalaji easily available across devices and app ecosystems.

Moving onto the usage statistics and useful data points and learning's since we started the service. We closed the quarter at 10.3 million downloads and a conversion from downloads to paying subscriber remains between the 3% and 5% mark.

Our customers have seen 277 million minutes of content so far and the average view time on the app is closer to 97 minutes from 72 minutes in Q1.

New shows launched in the quarter such as Class of 2017 and Cybersquad has seen good level of competition and traction. For example, nearly 300,000 users sampled Class of 2017 and over 15% of those completed the series.

Our unique customer acquisition model of allowing three episodes free to be viewed on social media such as YouTube or on our website www.altbalaji.com made two after registering on the app continues to perform well and allows customers to sample before we force to pay. We believe this kind of approach will be necessary to allow customers to slowly explore and sample content before committing to any subscription plans.

Our early data shows us that the current price point of Rs. Rs. 30 a month there is still some resistance to pay and we will continue to keep our price points calibrated who allows to target a larger paying user base.

We are now offering free subscription options, the yearly pack of Rs. 300; and six monthly pack for Rs. 180; and a quarterly pack for Rs. 100, making our pricing extremely attractive. We believe with the combination of more great content and keeping a very attractive price point, there will be a gradual change in consumer behavior towards paying for quality content reflecting in growing subscription revenues.

We are very pleased with the initial response to ALTBalaji and confident that it will get better as we add more and more content to the platform.

I will now hand over to Sanjay Dwivedi -- Our Group CFO, to give you an update on the other two businesses in the group as well as our Q2 financial performance. Over to you, Sanjay!

Sanjay Dwivedi: Thank you. I will start with an update on the TV and Movie business before going through the financial performance.

We had seven shows on-air during the quarter and while the total hours of programming stood at 240 hours, this quarter versus 231 hours in quarter two FY 2017. The big improvement has come in terms of realization which improved from 26 lakhs per hour to nearly 32 lakhs per hour.

This quarter saw the start of a new spin-off series on Zee TV called Kundali Bhagya based on the hit show Kumkum Bhagya running on the same channel. Both Kumkum Bhagya and Kundali Bhagya have consistently been in the top #3 shows during the quarter.

Towards the end of the quarter we saw the closing down of one show being produced for the Star Network. The show was launched in April 2017 as part of the channel's attempt at introducing original programming in the afternoon slot. However, the channel after six months has decided to discontinue telecasting original shows in the afternoon slot.

This quarter, the I&B Ministry decided to review state broadcaster Doordarshan's New "Content Acquisition Scheme" which under prime-time programming slots on DD National were auctioned to private production houses. We had won three slots via this auction and now, await further clarification from the broadcaster before commencing the telecast of any show in the new slot based model.

Overall, our television shows continue to rate well and delivery the rating points for the channels and this would help strengthen our positioning as a leading provider of high impact entertainment programming and provide good growth for the business.

Our Movie business this quarter had no new release and we continue to remain judicious with our investments in the movie business and are only working on projects which we were able to presale a significant percentage of cost even before we commission production.

Our movie pipeline includes two mid budget Hindi movie's Veere Di Wedding releasing May 2018 starring Kareena Kapoor and Sonam Kapoor; and Kedarnath releasing December 2018 starring Sushant Singh Rajput and Sara Ali Khan. We are working on a co-production model in both these movies and this should allow us to de-risk the business and award major volatility in the earnings.

We have nearly completed the corporate re-organization of Balaji Telefilms. As part of this re-organization we are merging the film production business of Balaji Motion Pictures limited and BOLT Media into the parent listed company Balaji Telefilms. This will allow us to streamline group structure centralize and consolidate content creation in a single unit while bringing down corporate and other overheads.

The court convened meeting of the shareholders was held successfully and we have also received approvals from NCLT. We await the final confirmation order post which the accounting effects will be given.

During the quarter we also completed all the formalities around the preferential issues of shares to Reliance Industries. To recap, RIL has invested Rs. 413 crores in Balaji Telefilms through a preferential issue of Rs. 2.52 crores equity share at price of Rs. 164. The proceeds from the transaction would be utilized to further speed up content development initiative and allow ALTBalaji to create an unassailable leadership position in the market. The total expenses related to this preferential allotment were Rs. 16.5 crores and this has been adjusted against other equity as per IndAS provisions.

Coming to the financial performance. In our consolidated financials we continue to provide both the reported EBITDA as well as EBITDA excluding ALTBalaji given ALTBalaji is a new business and we expect it to be investment phase say for the next two years to three years, incurring EBITDA losses. I would request you to have a look at the Earnings Presentation for full details for each of the businesses.

However, the key item this quarter were consolidated quarter two FY 2018 revenues were at Rs. 109.8 crores versus Rs. 105.9 crores in quarter two FY 2017 and the overall H1 FY 2018 revenues at Rs. 254.4 crores versus Rs. 223.3 crores in H1 FY 2017, an improvement of 14%. The growth has been primarily on account of improving performances of the TV business.

On the EBITDA level we had a loss of Rs. 10.6 crores versus Rs. 26.2 crores loss last year. If I were to exclude ALTBalaji then the loss for this quarter would turn into positive Rs. 3.67 crores EBITDA.

Coming to PAT, this quarter we have decided to take an exceptional charge of Rs. 9 crores pertaining to certain income tax matters. These charges pertain to certain income tax matter relating to FY 2006 -FY 2007 to FY 2013 - FY 2014. We have successfully cancelled the income tax order for one of these years and the proceedings for the other years are still pending for disclosure before the Income Tax Appellate Tribunal, Mumbai. The matter is only expected to be heard in December 2018 and as a matter of abundant precaution the company has decided to provide for these items. We will provide a further update on this once the matter is decided.

PAT post the exceptional item was a loss of Rs. 13.8 crores versus loss of Rs. 28 crores in quarter two FY 2017. H1 FY 2018 PAT a loss of Rs. 37.3 crores versus Rs. 28.2 crores in H1 FY 2017. Excluding ALTBalaji the quarter two FY 2018 PAT was positive Rs. 5.3 crores. The total value of investment as on 30th September was Rs. 506.4 crores and this cash will allow us to significantly scale up our digital business.

Coming to the standalone business, the revenues this quarter has have grown 33% to Rs. 81.9 crores against Rs. 61 crores during the previous year. The growth has been primarily on account of higher realization per shows.

EBITDA for the quarter was at Rs. 7.2 crores versus Rs. 6.1 crores last year. Overall, EBITDA for H1 FY 2018 was at Rs. 23.2 crores versus H1 FY 2017 at Rs. 10.4 crores, a growth of. 123%.

PAT after accounting for the exceptional item I mentioned earlier was at Rs. 5.4 crores for the quarter and Rs. 14.4 crores for the half year.

I thank you all for joining us today. And now, I would request the moderator to open the Q&A Session. Thank you.

Moderator: Thank you. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. We will take the first question from the line of Neeta Khilnani from B&K Securities. Please go ahead.

Neeta Khilnani: Sir, my first question was on ALT, so how are we seeing the monetization strategy evolving? Because as I can see the latest shows that is Pammi and Ragini, seem to be offering the first season for free. So, do not you think the existing subscribers would feel short changed?

Neeta Khilnani: It is incorrect. The first season Pammi is free but it is not a show, it is a three minute shot. But Ragini is the same as everything else. First five are free and then you go on to pay on for the sixth. So that has not changed. As a matter of fact, starting with Bose goes as a guidance what we are trying to do is to get the free shows off YouTube, them all on the platform. So I think, what we are slowly going to try and do as our base increases not leverage YouTube's massive reach and try and restrict the consumption just to the app and will funnels user for the app. That is point one. Point two in terms of monetization, what has happened is our deal on Vodafone Play has just kicked in I think that offers us an opportunity to really get out to a much-much wider base of internet consuming audiences. The deal basically centers around consumer starting to pay from episode 1 itself. While the ARPU for that deal or average realization for that deal remains confidential, we are confident that this deal will bring us a lot of volumes and widen our reach. Going ahead, after six months of being existence, our guidance in the new market is that we need to make our service very affordable and easily accessible to people of India especially because the use of internet and the consumption of video and internet is spreading across mass psychographics and mass geographies in India. So, we are like I mentioned before, cities like Erode are coming into the top 20 cities and that would not have been expected probably a year ago. And therefore, our idea is to get a large volume of paying subscribers while maintaining our ARPUs for this.

Neeta Khilnani: Okay, understood. And secondly, sir on the gross billings that we have of I think Rs. 3 crores for the first-half, how much of that would actually accrue to us? I mean, what I am trying to ask is how much would be the share of various partnerships that have entered into?

Nachiket Pantvaidya: We are still going through the numbers and we will be able to declare the share of partnership only at the end of this financial year for two reasons. One is that out of the gross billing they are all time lagged differently, some is for 10 days, some is for three months etc., etc. so we have not been able to establish a monthly billing pattern. Right now the partnership that you see till September end, I do not think a lot of partnership have kicked-in, you may see a significant chunk of partnership revenues going away actually in H2 in the second-half that is when our telecom partnerships actually kick-in.

Neeta Khilnani: Okay. And sir, lastly are you seeing some trend emerging in term of your active subscriber base on a monthly basis or it is still too early to?

Nachiket Pantvaidya: So it is not too early, in the last three months we have doubled our download 5 million to 10 million. If you see the previous call that we made for the first 2.5 months that we were active, it was closer to 4 million to 5 million and now we are going to 10 million. So the base is growing fast. I think, what we are going to be faced at some point in time we will get critical mass. I feel that number is 20 million right now post reaching 20 million that is when the revenue stream start kicking and steadying up a little bit. Right now I think we are still in the early stages of growth as we put on content.

Moderator: Thank you. The next question is from the line of Nandita Parker from Karma Capital Management. Please go ahead.

Nandita Parker: In terms of your monetization strategy, if you think Rs. 30 a month is too high for subscribers, where do you think it is actually going to settle to bring in the mass audience that you are expecting?

Nachiket Pantvaidya: I do not think Rs. 30 a month is too high or low. All I am saying is we are not going to change the price and that Rs. 30 a month actually works out an annual package of Rs. 300 which is about Re. 0.80 paisa day. To elaborate on that point which I made earlier, there is going to be no change in pricing throughout the financial year and we are just going to stick to this price. What is going to be interesting is drive smaller chunks of price points toward the last quarter of this year. What I mean by that is you must look at sachetization of our offering say you know offer the content on a rupee a day or little more than a rupee a day to ensure bite size consumption. Today's prepaid refill on the internet is about Rs. 50 to Rs. 100 on an average size and therefore to expect somebody to pay Rs. 300 might not be practical. So we are working towards price points which will be easy bite size chunk without disturbing the ARPU of Rs. 30 per month.

Nandita Parker: Okay. So then your platform, I suppose to what you are trying to do now with Jio where you Bose would be available on Jio Cinema and not on ALTBalaji I suppose as a downloaded app?

Nachiket Pantvaidya: These are assumptions which are not correct.

Nandita Parker: But I am saying is that on the Jio Phone a person would be able to watch Bose on Jio Cinema as well as ALT, right?

Nachiket Pantvaidya: Yes, and as well as Vodafone Play, as well as on Ola tabs.

Nandita Parker: So does not that dilute the whole app idea as a platform?

Nachiket Pantvaidya: No, not at all because the API and the consumer is served from our app and what we are also doing is not in the case of Bose but in the case of other shows is that we have a library, we are putting out three episodes on social media free. So forget about Jio, we are putting on YouTube. So that has always been our stated strategy and that would not change. We want to widen reach first for our shows, so that people can access our content better and actually what we are doing is we are contracting the strategy by just putting it on partner. We have always putting on our content on partner's devices or partner services or like I said on Ola Cab Screens and that helps us mitigate our acquisition for consumer.

Nandita Parker: So you started by saying that most of the interest users content that they are watching online is wither catch-up reasons or user generated.

Nachiket Pantvaidya: Correct.

Nandita Parker: Now, it seems to be the strength of the company, just from watching it in the last few months and then several years back as well is generating content and how you get paid the advertising sort of selling to TV channels and getting paid indirectly through ads, dollars versus getting paid directly through the platform?

Nachiket Pantvaidya: Ma'am, we do not get paid indirectly through ads.

Nandita Parker: I am just wondering what you are thinking about it I mean at what point and what sort of run rate in terms of losses are you willing to take this for you say may be this not the way to go. Maybe the way we do our core business is a better approach including the guidance.

Nachiket Pantvaidya: Ma'am, I just want to correct the notion that our core business is not to take revenues indirectly through ads. We produce our television programming at a certain cost. Have a margin over it and we sell the entire show to the broadcasting networks and they make their money on advertising that having been said. Right now, our target is to breakeven in 36 months at probably a price point of Rs. 70 to Rs. 80 into 4 million paying subs as an exit number. We continue by that multiplicative guidance, what I feel of course, is that the 4 million subs might have to go up to about 7 million subs to 8 million subs and half the price point. Given the nature of spreading internet in India, we have to exploit the fact that internet is reaching out to twice the number of people than it was when we made our business plans. And therefore, get out of price point into volume equation than equates that and yet break-even in 36 months.

Nandita Parker: Sorry, what is Rs. 70? Is that the annual?

Nachiket Pantvaidya: It is average realization per unit per month.

Nandita Parker: Okay. So Rs. 70 into how many subs you think is correct?

Nachiket Pantvaidya: 4 million subs as an exact number in the 36 months.

Nandita Parker: And this would have to be sticky subs, non-churned?

Nachiket Pantvaidya: Yes.

Nandita Parker: And this would give you a breakeven of this gives you a profitable business?

Nachiket Pantvaidya: Breakeven.

Moderator: Thank you. We will take the next question from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: So to continue ALT, Nachi, correct me if I understood it right. 60 to 70 per month realization was a blended average of domestic as well as international subscribers?

Nachiket Pantvaidya: For year three

Ankur Periwal: Yes, for year three, the breakeven which you mentioned, 4 million exact subs at the rate of Rs. 60 per month to Rs. 70 per month.

Nachiket Pantvaidya: Yes.

Ankur Periwal: Right. And the other statement which you mentioned was revised to probably doubling the exit subscribers is probably half the realization that is again a blended number.

Nachiket Pantvaidya: That is again a blended number you are absolutely right and the reason for that like I am saying is that we are cognizant of the fact that the TG in the country is changing and therefore, we might be in a good position to exploit our spread and the nature of our regional content and Hindi content and get in more paying subs. This is not a firm concrete strategy. In a quarters' time we will be able to need a firm strategy to address this but this just directional.

Ankur Periwal: Sure. Just one clarity. Now, you said, double the number of exact subscribers that probably half the ARPU which ultimately results to a similar revenue number in year three. So now we are saying an exact or let us say an average ARPU of Rs. 30 - Rs. 35 under the revised strategy, right? This is again a blended number?

Nachiket Pantvaidya: Yes. It is blended number with internet.

Ankur Periwal: So will it be right to understand that the domestic ARPU will be even lower because international ARPU in any case was higher for us.

Nachiket Pantvaidya: No, the domestic right now is Rs. 30 - Rs. 33, right. And international price, MRP is Rs. 60. But if internet does spread and we partner with Telco's we might need to share some percentage of this realization with Telco's. And therefore if Telco's from 60% to 70% of our revenue stream, I feel they will trade somewhere between Rs. 22 to Rs. 25 net.

Ankur Periwal: Net worth, yes. That is helpful. Now that is one. Now secondly, you mentioned about Jio as well. So our content being average on Reliance Cinema, correct me if I am wrong, the ownership of the subscriber which package he is taking what is he viewing? Will everything be still on our board, so we will be directly in touch with the subscribers or is it through Jio?

Nachiket Pantvaidya: No, it will be through Jio, but we will also have access to the subscriber similar to the case with Vodafone Play. So while it does play off the Vodafone Appand that is the live example, the same thing will be there. Of course, the whole library is not on we are starting off with Bose as example to figure out how we can leverage this partnership better.

Ankur Periwal: Sure, that is helpful. Thirdly, you did mention that given the increase in penetration, we do plan to launch smaller sachet to boost the mobile consumption as well as probably getting more subscribers on board. Now as I understand, we are still offering sachets in terms of a per let us say Bose specific, so per episode or per hour of content in terms of for the consumer. Now, this sachet that we are seeing is a daily pack of let us say probably Rs. 5 or Rs. 2?

Nachiket Pantvaidya: Yes. I mean, currently the sachet that we are offering is of a show. So if you want to see one show you can pay Rs. 30 bucks. So now we are moving to daily consumption as a route and we have to again work it out with telephone companies we do not have the firm strategy. But I think, it is in mutual interest of us and telephone companies to try and to get to the prepaid audience 4G prepaid audience, 3G also is becoming kind of slowly getting phased out. So that is the reason, so we will have per day consumption price so to say.

Ankur Periwal: So effectively right now we are now at Rs. 80 paisa, so probably this offer will be let us say Rs. 1 or Rs. 2 daily?

Nachiket Pantvaidya: Yes, it will improve ARPUs. But we have not still fixed on that, it is a volume plus ARPU game. So I feel, we are in a place to do this only when we have about 20 shows on our platform. With lesser number of shows and daily uptick, consumer will get exhausted, means consumer will exhaust his choices or her choices. So therefore, this will be thought-out in a much better manner and be revealed in the next earnings call as a strategy and my guess is we will implement it only in next financial year.

Ankur Periwal: Yes. The reason I mentioned I was asking this was that if we are keeping it let us say Rs. 1 or Rs. 2 daily but our 1 series of show is let us say priced at Rs. 30 the consumer, there could be a price arbitrate there. Where you know he may download the entire series which is costing Rs. 30 at the rate of Rs. 2 with one day package?

Nachiket Pantvaidya: Correct. So we have to think through that, one. Secondly, what we have to do is have a consumption cap for how much he can watch or she can watch within that money that we give the consumer. So that limited choice we will have to give but for that we need to create that library which is why we are deferring it till the next financial year. So like I said, we will reveal the plans for that in a quarter's time. There are many pluses and minuses to this plan, if you give out Rs. 1 everybody downloads everything, and your service gone. But you know the Telecos will benefit then because they will certainly use a lot data. Secondly, how do you put usage locks to limit the amount that the person can see? Can we also just give out instead of Rs. 1 per day sachet, can we give a weekly sachet out to start with, can we give a 15 days sachet out to start with. Can we give a limited part of our library as a sachet, what do we do with language services, these are all questions that need a strategy outlook. All we are trying to say is that we want to explore the prepaid market. Nobody else in the country has done this today. Nobody else in the country also has I think, got their normal distribution strategy, but our mix in our distribution strategy is to try and work on the prepaid segment and there are complications.There are some TRAI regulations, etc., which will also come up in terms of being competitive but that we need to work out with.

Ankur Periwal: Sure. What is our target for FY 2018 in terms of content hours on ALT?

Nachiket Pantvaidya: In terms of content hours on ALT, we will kind of do 21 shows to 25 shows and multiply that by about 15 episodes on an average per show and you will get an hour's number which is about 120 to 150.

Moderator: Thank you. The next question is from the line of Vicky Raju from Equity Analyst Private Limited. Please go ahead.

Vicky Raju: Just continuing with some of the previous colleagues who asked questions. Just what stops a person who has an account and who has a smartphone watching the series and then passing on his smartphone to all others and let them all watch?

Nachiket Pantvaidya: Nothing.

Vicky Raju: Okay.

Nachiket Pantvaidya: But in the country, he will have to do billion passes which is a lot of you know passing the parcel going on but nothing stops. As a matter of fact we allow five people to watch on one device, and we allow five devices also. So we encourage the content the content to spread.

Vicky Raju: Right. The interesting thing on the Ola Play, now what is the idea? Is the idea that people while they traveling in Ola will watch it or they will download in the smartphone and watch it? What is the idea? And who pays for it?

Nachiket Pantvaidya: On Ola Play nobody pays for it. The first three episodes are given out free just as they are given out free on YouTube. Our hope and our strategy which has been working well for us is that after watching the first three, they are hooked onto the content and then they want to watch the rest of the episodes for which they will download the app and continue watching.

Vicky Raju: I understand. And my last question is as a follow-up to one of my colleagues who asked earlier like while we are trying to innovate and trying to come to grips of how the market is evolving in the OTT space. Our strength is actually creating content and we keep reading in the magazine that almost every other OTT player is counting for building original content while we actually take a few years, may be three years - four years to breakeven. Is not it a good idea to actually create content and keep the cash flows coming in very well particularly when the demand scenario is so good. What is the thought process within the company on those lines?

Nachiket Pantvaidya: Well the thought process is that we need to build our own intellectual property and leverage consumer success which we have not successfully done for some years. This is our first consumer facing business where post three years we have an upside of building a highly profitable and scalable business. Two points there, one is that today we are by far the number one repository of original Indian content in the country. My estimates and there are no official estimates but my market estimates is that we have 50% to 60% of the production market share of any original exclusive digital content made for the web, that is one. Second is, in three years when we get to a library of anywhere between 70 shows and 100 shows, we will be leaps and bounds ahead of everybody else given today’s condition and therefore, we will be able to exploit their library much better and develop a sound business model that is scalable. The beauty of the business is that at a Rs. 100 crores to Rs. 150 crores cost base, once your show start working and your library starts going up year-on-year you can start delivering multiples of profit on that as your consumer numbers go on increasing and that is what we are running for post year three.

Vicky Raju: Okay. So our focus is basically creating IP not to produce for others, right?

Nachiket Pantvaidya: Correct, creating IP and creating a loyal consumer brand.

Moderator: Thank you. We will take the next question from the line of Nandita Parkerfrom Karma Capital Management. Please go ahead.

Nandita Parker: I just had a follow-up. Have you guys considered doing a combination advertising plus subscription sort of model although it is different from what is being done right now. But if you look at what is happening with theaters in India, that is what they are doing, they are charging for tickets as well as generating ad revenues. So have you given that any thought?

Nachiket Pantvaidya: Yes, we have given it much thought basically what our thought process there is that we need to get to at least 50 million downloads before we even start considering advertising revenue. Secondly, the library strength has to be at least about 30 shows to 40 shows for advertisers to have a variety of TGs and content to advertise on. So my suspicion is 12 months from now when we are on a call that will be under active configuration. Right now, I think we are building a library. We are building a download base and as we get to the Rs. 5 crores or 50 million critical mass these questions will be more important. Till then to monetize on a 20 million download base becomes difficult and once you get your rate set at a lower level, they never go up year-on-year.

Nandita Parker: Great. And just also a follow-up on international, is there experience any different there in terms of pricing or sachetstrategy or churn or can you give us any color on that?

Nachiket Pantvaidya: Yes, the pricing is exactly double from domestic markets. Right now, in the top 20 cities of our subscription usage, we are seeing Dubai, we are seeing Singapore, we are seeing Dhaka, as three clear centers that are emerging, I think what will really-really expand our international distribution is when we dub on our content in Bengali and Bhāsa which will happen on April 1st, 2018 and that will enable us to address the highly popular markets of Indonesia and Bangladesh. And I think, that is something that is very exciting for us, once we have a 20-show library likely just be the creamy layer for us to make some profits.

Moderator: Thank you. We will take the next question from the line of Nikhil Pawarfrom Mixpack Media. Please go ahead.

Nikhil Pawar: Just wanted to get a sense of what kind of upgrades have you seen from the entry level pack to the other level?

Nachiket Pantvaidya: But 75% of our subscription actually is on a quarterly pack not on the monthly pack, consumer seem to be saying that Rs. 100 is an okay amount to kind of start the trial with and that is something that is resonating with audiences because that works out to just a little more than a Rs. 1 day. They also get to sample enough content and be with the app for three months. So our sweet spot for entry right now is not actually the monthly pack but the quarterly pack that we are selling.

Nikhil Pawar: Okay. Thanks. Just one last question, mostly a strategic perspective, on the Saregama Conference Call they talked about how the strength is content creation and because platforms at Amazon and Netflix allow them to own the IP and they can distribute it at multiple places, I am just wondering about your strategy and why are you taking decision to also launch the platform while also owning the IP then we have had the option of producing content distributing on all these platforms.

Nachiket Pantvaidya: So one of the key aspect of our strategy is to – one have consumer ownership and create a brand over selves and that is something is that possible when we create our own platform, we want to create ALTBalaji as a platform for original exclusive digital content cater towards urban masses and then moving towards just masses. Given the fact we need to create a destination and that is what we are aiming to create and therefore, would not like to completely be part of somebody else's app. Having said that, we still considered Telco's as our partner and therefore, our strategy to reach out if others are and I do not know what has happened on the other calls that you made but if others are using OTT apps to go there, our partner in spreading our platform are the Telco's. So our content is being delivered on Vodafone will be delivered on both Reliance Jio and on Airtel to reach out to the large 150 million 4G base.

Nikhil Pawar: Have you also considered for example if TV channels want to show your content essentially distributed there the without giving up your IP? Is that opting is available? And on TV are you seeing shift towards that happening yet?

Nachiket Pantvaidya: See, most of the content that we make is not suitable for TV just on the basis of the format because we just make 10 episodes. It is unlikely that anybody on television would just take 10 episodes of a show and put it on that is one. Secondly when you expose something on TV, your ability to extract payment for it on a repeated basis is limited and at least highly curtailed at that point in time. Thirdly, we believe in being long-term in the game and therefore, if we produced 10 episodes of show one that show becomes a repository for years to come. What I mean is that in effect, any consumer who comes and say in year two and year three and samples that show for the first time for him it is a new and vibrant show which he or she will take and like and therefore, it is an entry point into the whole library of shows that we have produced. And that is our philosophy in building this OTT platform.

Nikhil Pawar: Would you be looking to commission third party content also on the platform?

Nachiket Pantvaidya: We have commissioned 70% of our content to third party right now. We make only 30% of our content. It is made Endemol I can give you examples.

Moderator: Thank you. The next question is from the line of Mitul Shah, an Individual Investor. Please go ahead.

Mitul Shah: Sir, there are two questions. First, how much cost you occur if you dub a show in every regional language like Telugu or English or Bangla, so you can even, if you can cover that you can have a regional audiences also rather than just only not for your comedy show. But you can have the mainstream audience for your mainstream shows also.

Nachiket Pantvaidya: The cost is roughly anywhere between 4,000 and 10,000 an episode and all our shows will be launched in Tamil, Telugu and Malayalam come January 1st.

Mitul Shah: Okay. And the second my point is that if generally all the shows now in your content is for the young collegian kid and type of that. There are only two shows which are matured like The Test Case or Bose. So the Netflix or HBO they have like Game of Thrones and all these are giganticMarco Polo all the gigantic, even SUITS. So when we can expect such kind of shows from your side because that will create a very-very good name of ALTBalaji and that will kick start something very bigger. So can we expect something out of that or you are focusing on the only medium budget - small budget shows?

Nachiket Pantvaidya: There are many questions, so let me tackle on at a time. One is, there are only two youth shows of the channel Cybersquad and The Class of 2017, everything is target 20 years to 40 years. Karrle Tu Bhi Mohabbat is targeted 25 years to 45 years. Dev DD is targeted 20 year to 40 years I mean every other show, so out of 12 shows only two shows are actually youth targeted. Two shows are targeted between 0 years to 6 years those are our kids animation. So it is untrue that we are youth targeted. We believe that the paying segment for our country is actually between 20 years to 40 years people who have gone to our first job and youth are not inclined to pay. That is one. Second is if you see, our average cost of production of any show it is 2.5x to 3.5x of television, so we have already taken that leap in giving quality which is much better than television 2.5x or 3.5x.

Mitul Shah: There is no doubt about it. There is no doubt about it anyway but what I was saying that the shows that create a name for yourself that was my point that like the grander the scale.

Nachiket Pantvaidya: No, hang on. I am just coming to it. My point three is that we have got through The Test Case. The Test Case after the first episode, it become too grander a scale for us, I think, the budgetoverran what we estimated so we are reshooting it at considerable budgets. But both Bose and The Test Case are at cinematic quality today and I would encourage you to watch Bose and The Test Case. Unfortunately, we cannot do one of that every month even if we had all the money that we wanted to because the ecosystem for writing five-hour films simply does not exists in India. If you see a Web Series, it is like a five-hour film and that ecosystem is yet to develop. Hopefully, someday three years or four years down the line we will be able to see a volume throughput which will be that much. But today we do not have that many shows and expertise to create to this ecosystem and therefore we are starting off with these two shows.

Mitul Shah: Okay, sir. And last question, is after three years in these three years once you reach to a 40 shows to 70 shows what will be your exactly plan, like you monetize first through advertising second will you increase the pricing also and third how you will cater the international geographies into it?

Nachiket Pantvaidya: Like I said before, my guidance for our ARPU at the end of three years will be Rs. 30 to Rs. 40 probably. I am not very sure what it will be and that depends on how the Internet spreads. So that is the pricing. The second is our international strategies two-fold, the creamy layer of it will come from 26 million Indian living in U. K., U. S. and Canada. However, I feel that there is a large market for Indian content across Indonesia, Pakistan, Bangladesh and Sri Lanka, if you take these countries together, it is another half India that gets added up and language and effectively target this to get volumes. So that is the two-pronged international strategy that we have.

Mitul Shah: Sir, I will urge you only on that even if you put a single show, but you put sub or dub into the all language. Thus, you can every regional you will be able to cover and that is my only request. Thus, you will get a more revenue out of it. If it not too costly for you, that is it. Then people will start as a regional also there are some people who focus on the regional but that will open up many more markets for you.

Nachiket Pantvaidya: Yes, we will take that input. Thank you.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to Mr. Vikram Ramalingam for his closing comments.

Vikram Ramalingam: Thank you, Lizzan. Thanks, everyone for taking the time and a special thanks to the management team for giving us this opportunity. Have a good day.

Nachiket Pantvaidya: Thank you.

Sanjay Dwivedi: Thank you.

Moderator: Thank you. Ladies and Gentlemen, with that we conclude today's conference. Thank you for joining us and you may now disconnect your lines. Thank you.

(This document has been edited for readability)