“Balaji Telefilms
Q4 FY2018 Results Conference Call”

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Moderator: Ladies and gentlemen, welcome to the Q4 FY2018 results call of Balaji Telefilms hosted by Emkay Global Financial Services. We have with us Mr. Nachiket Pantvaidya, CEO, AltBalaji and Group COO, Mr. Sanjay Dwivedi, Group CFO, Balaji Telefilms and Mr. Kartik Sankaran, Senior VP - Investor Relations – Balaji Telefilms. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Naval Sheth of Emkay Global. Thank you and over to you Sir!

Naval Sheth: Good evening everyone. I would like to welcome the management and thank them for giving us the opportunity. I would now like to hand over the call to Mr. Nachiket Pantvaidya for the opening remarks. Over to you Sir!

Nachiket Pantvaidya: Good evening everyone, thank you for joining us for Q4 FY2018 earnings call. I would like to start with giving you a very quick updated on how AltBalaji has performed in its first year of launch and then on our strategy and outlook for the business this years. Prior to the launch of AltBalaji, there were a number of doubts and queries in investors' minds across three broad areas how can AltBalaji get users, will Balaji be able to create content that is different from its core TV segment and will monetization happen and can India have SVOD, Subscription Video-On-Demand business model.

So let me go through all of these points one by one. On the user base we have ended the year with 1.2 million subscribers, which is nearly 20% more than what we had budgeted and the good news is that we have added nearly another million users in the last 45 days. We have been going at a rate of 20,000 to 30,000 paid subscribers a day, which means that if you take a year's worth yield have added 10 million paid subscribers in a year, so this rate has gone up tremendously well especially in the last 90 days. These users are across both our app as well as through our telecom partner.

The app has seen over 11 million installs and we have noticed that app user is one who wants a certain premium because he is paying Rs.300 a year so that user wants certain premium features like content download and a high quality user interface and is therefore willing to pay a premium for all of this. The users also like to use Wi-Fi as opposed to streaming on 4G or wherever telcos provide 4G or 3G. From the other end the telecom user does not pay us directly, but provides a large base of customers who start by sampling.

So in effect the telecom strategy build on wide variety of sampling for us while providing as income and leading us to this base of 1.2 million now and even as we speak we are well above 2 million user and the acceleration is tremendous. Just to give you a point of data our revenue that we recorded for the last quarter is nearly as much as what we have done for Q1, Q2 and Q3 cumulatively put together os it is a kind of Q4 revenue is equal to Q1, Q2, Q3 and Q4 and the ongoing revenue run rate in this quarter will also be exponentially growing from where it is today. On content creation, we have rich legacy of creating television content for 20 years and we believe that Indians who are the consumers remain hooked to good compelling story lines and themes irrespective of the medium that is available on.

Our strength is to tell good stories by creating characters that lasted multiple seasons. We ended this financial year with 17 original drama shows across the diverse set of themes in story line making us a number one repository for original shows by a wide margin. Most other competition are still stuck at four, five shows where we have 17. As of date we have 20 plus shows not to mention three original kid shows and a host a short programming that is original. Our content strategy remains to create original content for what we have term individual viewing.

Most of our Indian viewing is family viewing and there are no options for individuals to view viewer content. Most of this individual viewer is happening on mobile phones and that is where he want them. Today, television content is viewed by the family sitting together and needs to appeal to millions of people at the same time, but our medium that is OTT allows us to create great stories that can be consumed individually at any time. The big hits of the first year have been Dev DD, Ragini MMS 2.2. and Karrle Tu Bhi Mohabbat and each one resonates with a different subsegment of viewers. In the coming months, we will see over 100 hours of compelling content across various genres and story lines, all unified by the common thing of being great stories for individual viewers.

Another frequently raised issue remains a routine OTT medium means creating youth content. Our data reveals that if you create excellent stories with the existing TV stars and good production values you are able to connect with the much larger and more importantly an audience that can be. So our TG is mostly 20 to 40 across shows like The Test Case and Bose using slightly aged up PGs, but shows like Puncch Beat and Class of 2017 are also giving us youth on our platform. In our experience the youth audience spend a lot of time online, but their ability to pay remains limited. Now data prices are coming also sharply. We hope this would allow for some redistribution of expenses towards content spend as well for which he will created relevant shows like the next season of Class of 2017 and Puncch Beat which is to go on on the app.

To summarize the content strategy, we want to remain creating original fiction -based content that is slanted towards individual viewing. This year we will see returning seasons of shows like Ragini MMS, Dev DD, The Test Case, all of these will have second season and there is a host of new shows that are being planned. We will probably end this year with 24 new shows taking our library to anywhere between 40 and 45 shows across two financial years. Towards this we currently have over 50 concepts under various stages of development out of which 11 are on the floor of production and 39 are in the pre-prod writing stage and we will continue to receive new ideas and scripts on a daily basis.

Our approach to creating and commissioning content remains tight to the monetization of such content and overall profitability of business. What this means is we will put out this content on the app and we are sure that we have the capacity to slowly start recovering cost and turning the graph towards breakeven in year three. We set out to create a Subscription Video On-Demand, SVOD service given the original premium nature of our content and we continue to focus on this SVOD model. While the revenues for the year where at Rs. 6.8 Crores and they were lower than our budgeted estimates, the traction seen in the last 45 days indicates the stand and business comfort that SVOD remains the right way to build an OTT business in the country.

Our current monthly revenue is nearly equal to the quarterly revenue of the last year and we only think this becomes better as we add more content and the telecom distribution partnership takes this content deeper into the 3G and 4G user base. We continue to operate a dual monetization strategy a direct B2C play wherein consumers download the app and then pay for the subscription. We have got a healthy 400,000 consumer base for this. The second is the B2BC play wherein we have deals with the telecom operators who subsidize the content cost to their end customers and allow the customers to watch this content within their own video apps.

We believe both approaches are necessary and do not cannibalize each other and give us a wider reach and monetization potential. To use the telecom analogy, the B2C approach is like the postpaid consumer while the B2BC brings in the prepaid consumer and both consumer bring in revenue for us and not to mention that this saves a lot of marketing cost for us where we have to market to download and convert. Once you have a telecom partner each consumer that comes on in effect is a paying consumer for us. We have set ourselves a target to create a profitable SVOD business is three to four years of launch and we remain on track for that.

While the revenue this year was lower than our budgeted numbers we were able to curtail our expenses and ended the year with a loss of Rs. 94.4 Crores against a budgeted loss of over Rs. 100 Crores. This was because we decided not to spend frivolously on acquiring what we believe is a overpriced content or in marketing expenses to acquire downloads, which are transient in nature. We remain cost conscious and think that there is more value to be realized in using our cash reserves of Rs. 400 plus Crores including hit content library than chasing downloads or users. We will calibrate our content spend and try and sync it with how the revenue grows and more importantly to the changing nature of internet users in the country.

We do not want to spend money in creating content that is no longer relevant for Indian internet audiences especially given the changing nature of internet as it spreads down to tier 3 towns and rural area. Finally AltBalaji was created to set out a differentiated entertainment experience for individual consumption and the response so far has been good and keeps getting better. We hope to continue this good performance and create a large and profitable OTD play within Balaji Telefilms. Moving onto a TV and movie business, the TV business remains stable and cash generating business. Our TV business had relatively flat quarter as the total programming hours are only 160 hours against the usual run rate of 200 to 225 hours a quarter, but we continue to maintain high margins and that is the good news. The revenue per hour continues to be over 30 lakhs an hour with a gross margin of 30%.

For the full year, the total number of hours was low by 141 hours, but total revenue was up by Rs. 7 Crores. This is in line with our focus on increasing the per hour realization of our shows and not necessarily the total number of other programming. Our television shows continued to deliver rating point and are the slot leader for the channels and we are regularly receiving an additional incentive fee over and above the base fee committed by the channel. We hope to revert to our usual run rate of 7 to 8 shows in the coming quarter and a number of shows are getting ready for telecast.

The movie business this quarter had no new releases, but we received certain revenues on account of sale of satellite and digital rights to some of our past movies in our library. We continue to remain careful and calibrated with our investments in the movie business and are only working on projects where we are able to presale significant percentage of cost even before we commission production. We are getting ready for our next release Veere Di Wedding releasing June 1, 2018 starring Kareena Kapoor and Sonam Kapoor. We have been able to lock-in a good percentage of our cost before this movie hit the theatres as part of our strategy to avoid taking extra risks in the movie business and focus on protecting capital and recovery cost as early as possible. Before I hand over to Mr. Sanjay Dwivedi, I would also like to add that the board at its meeting on Saturday has approved the appointment of Mr. Sunil Lulla as the Group CEO. Sunil was till recently Chairman and Managing Director, Grey Group India and has extensive stints in the media and entertainment and broadcast industry with names such as Sony, MTV and Times TV Network. Sunil will be joining us next week and we look forward to working with him and strengthening our business. I will now hand over to Sanjay, our Group CFO to give a quick update on the key numbers for the quarter as well as the year.

Sanjay Dwivedi: Thank you Nachiket. I hope you all have seen the results presentation available on the website. The main adjustment in our financial this year pertains to merger of Balaji Motion Pictures Limited and BOLT media into Balaji Telefilms Limited. The final clearances for this corporate reorganization were received in November 2017 and this order was effective April 1, 2016. As part of the reorganization we are merging the film production business of Balaji Motion Pictures Limited and BOLT media into parent listed companies 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. This is resulted in the creation of certain deferred tax assets in the previous year, which has led to some restatement of numbers, which I will explain later.

The key figures for the year are, FY2018 revenues remained flat at Rs.416.6 Crores versus Rs.408.5 Crores in FY2017 in spite of sharp drop of 141 hours in programming during the year. Our focus on improving revenue per hour and margins has resulted in a 14% increase in average revenue per hour Rs. 0.33 Crores per hour from 0.29 Crores per hour and correspondingly our gross margins for year has moved from 26.7% to 29.7% resulting in overall improved profitability. There has been 19X improvement in EBITDA, full-year FY2018 EBITDA at Rs.53.1 Crores versus Rs.2.8 Crores in FY2017. We continued to be conservative with our movie business and look to lock-in presales as and when possible as and protect the investment which has resulted in an improved performance of the movie business, 20X improvement in PBT full-year PBT at Rs.46.7 Crores versus Rs.2.3 Crores in FY2017. Please note that FY2018 PBT improved exceptional item of Rs.9 Crores adjusted through P&L pertaining to income tax matter and provided us as a matter of abundant precaution. Finally the PAT as per the published account was at Rs.15.3 Crores versus FY2017 of Rs.29.4 Crores implying degrowth; however, one need to adjust this. FY2017 PAT was positively impacted by the creation of a deferred tax asset of Rs.27.8 Crores on account of merger of BMPL and BOLT Media and this increased the PBT of Rs.2.26 Crores to 29.4. FY2018 improves normal tax of Rs.2.1 Crores on capital gains, tax on completion of assessment for earlier year Rs.7 Crores and deferred tax charge of Rs.21.25 Crores. There is no cash outflow due to deferred tax charge. However if you look at our normalized PAT that is taxes that normal income tax rate excluding any impact or deferred tax and exceptional items, it would reflect the fair business performance of PAT of Rs.36.5 Crores in FY2018 against FY2017 Rs.1.5 Crores. To recap, the merger had resulted in the creation of deferred tax of Rs.27.8 Crores on account of around Rs.80 Crores brought forward business losses in the movie business and this will be expensed through P&L until it is exempted. Please note that all of these changes are accounted deferred tax asset do not result in any additional cash outflow on account of taxation and all MAT payments will be available for future use in the year of taxable profit.

Our investments in mutual fund unit at March 31, 2018 where at Rs.442 Crores. We believe that we are well-funded for our expansion on the digital business and continue to focus on scaling up Alt maintaining moderate growth in TV business and being very selective with all movie investments. I thank you all for joining us today and now would request the moderator to open the Q&A session. Thank you.

Moderator: Thank you. We will now begin the question and answer session. We have the first question from the line of Rajeev Sharma from HSBC. Please go ahead.

Rajeev Sharma: Just couple of questions from my side, first wanted to know your actual cost for content on the AltBalaji side so you put up in your financials some Rs.35 Crores for the full-year, but does it reflect everything because the way you amortized last time we understood that there was some Rs.100 Crores your spending on content and how many originals total you commissioned in this fiscal? Second is all your subscribers which are paying today the direct B2C which you called as postpaid that 0.4 million why will be not move to a telco and get it for free I mean what is that differentiation, they are better off saving money so just trying to understand that and you also talked about your quarterly revenue becoming monthly revenue? What is driving that is it the telco relationship so just trying to understand how telcos really pay you what is their KPIs and marketing cost which you incurred of Rs.42 Crores given that you are going to save will this go down to zero or will it come down substantially by 80% next year?

Nachiket Pantvaidya: The Cost is Rs.100 Crores cash, Rs.35 Crores amount because our amortization is 75-25, 75 on the first year and 25 in second year from the day it launches that is difference in cost. We do spend Rs.100 Crores in content. We have ended up making 18 shows I think three original kid shows and a series of shots within this money within the first year. Does that answer your first question please Rajeev?

Rajeev Sharma: Yes it does.

Nachiket Pantvaidya: Okay direct B2C they seemed to be working for the user interface Wi-Fi usage and downloadability. All 400,000 that we have surveyed want to grow as a matter of fact we have seen a growth in that number in the last two months of operation by a significant amount. So most of the consumer say that while the telco app is good, we want to be able to download shows which is critical aspect to save cost. So that is why they are continuing to subscribe and that is what the data seems to suggest. Does that answered your question or do you have any other query?

Rajeev Sharma: That looks like a reason, but when you get it for free then that reason may no longer… and can you not download shows because at the end of the day you are on Balaji app only at that point of time?

Nachiket Pantvaidya: No, means at end of which day? Are you talking on the app or telco app?

Rajeev Sharma: Telco app?

Nachiket Pantvaidya: Telco app are not on Balaji app, you were on the telco app, so you cannot download. So basically the question that you are asking is why should not somebody watch it for free there, they are most welcome to watch it free and we are happy to get that whatever Rs.12 to 15 but they simply do not get that experience. Lastly of course and most importantly, the international consumer also does not have an access to whatever telco that we give out here. So that is also a significant revenue stream. In the years going ahead, we feel that right now we have ratio of 1:2 on consumers on app versus consumers on telco 400,000, 800,000 that ratio will change maximum to 1:3 because people still want the experience of the app for less than Rs.1 a day its not much of an amount for them to pay. Now if we were to kind of say that we are at pricing of Rs.300 a month or Rs.500 a month like competition is then that question of evaluation does come in, but we are finding from whatever consumer feedback that we can for Rs.300 a year or Rs.100 a quarter they are not questioning it much because it is less than a rupee a day.

Rajeev Sharma: And telcos are giving you Rs.12 per month?

Nachiket Pantvaidya: I cannot tell you the telco deal obviously they are all confidential, but we are getting a reasonable double-digit ARPU.

Rajeev Sharma: Okay.

Nachiket Pantvaidya: The last one was quarterly right? There was acceleration happening. So basically the reason for that is because most of our telco deals both Jio and Airtel have come into existence only in the Jan, Feb, March quarter and therefore we are seeing that acceleration and therefore JFM quarter is nearly equal to the sales that we are done in the first three quarter that is one reason from the supply and distribution side. Of course, the other thing that we are finding is that as our library grows we are finding tipping points. We launched about 5 to 6 shows in the last quarter, which was disproportionately large and we launched the return of The Test Case, after launching the first episode we launched the other 9 episodes of The Test Case. . We also had a course correction in our content strategy to ensure shows like Ragini MMS and Kehne Ko Humsafar Hain go out in large volumes. Given the fact that the Jiofication of the industry means that this is becoming mass spread. So when we started this the first two quarters had shows that we had designed before Jio launch. So the shows that we launched later were actually more mass and I think that is the real reason for the acceleration other than the fact that our deals also opened up and we saw a larger spread of internet. I feel some of it is our doing and some of it is the market's doing because the rate at which internet is spreading especially video consumption on the internet given inexpensive internet rates, we are riding a wave with original exclusive content and we will continue to do so till this continues.

Rajeev Sharma: Just two small questions, would you foresee huge saving in marketing cost, Rs.42 Crores for the year given the telco deals and second, what is your plan?

Nachiket Pantvaidya: It will come to roughly about 60% of that cost next year and a lot of the cost will also be spent in international marketing. We plan a major international thrust this year largely our international strategy is to get connected with about 200 million users who are having internet connections in Indonesia by dubbing our content in Bahasa and also Bahasa Malaysia. In addition to the Bangladesh populations, so our SAARC countries when there is automatic affinity to the content that we are producing is something that will give us volume starting next month.

Rajeev Sharma: And with the same SVOD model in these markets?

Nachiket Pantvaidya: Same SVOD model. It is dollar per head per month ARPU there

Rajeev Sharma: So this Rs.100 Crores which you spend this year on 18 shows each was having some 10 to 12 kind of episodes of series that is one and second what is the plan for FY2019, how many originals you planned and how much do you think with the content cost just a ballpark number?

Nachiket Pantvaidya: 24 and the cash will be about Rs.110 Crores.

Rajeev Sharma: And each is with some 10 series or how one should look at it?

Nachiket Pantvaidya: Length of the series but mostly the average length will be 12 to 16 because we are doing more seasons 2s and therefore we are sure of.

Rajeev Sharma: 12 to 16?

Nachiket Pantvaidya: Yes.

Rajeev Sharma: 30 minutes each?

Nachiket Pantvaidya: 22 minutes.

Rajeev Sharma: Okay. That is very helpful. Thanks so much.

Moderator: Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: So Nachiket to start with, you did mention Rs.25 Crores marketing spend for FY2019 and also think saying that this will be largely for international?

Nachiket Pantvaidya: Not largely it depends on how you define largely but yes go on.

Ankur Periwal: So in the territories which all geographies are we expecting to launch and some time plan if you can share?

Nachiket Pantvaidya: So June period we put out Bahasa, Indonesia. We will have Bangladesh in the month after that, that is July. We are already present in Dialog Sri Lanka and therefore that Sinhala dubbing will be fully completed again in August. Basically before Ganapathi… before September 15, 2018 I think that is why it is, we will have Bengali, Bahasa Malaysia and Bahasa Indonesia.

Ankur Periwal: Sure and as you launch let us over the next six months across these territories which you discussed earlier as well most of our content will get dubbed into these respective local languages?

Nachiket Pantvaidya: Correct.

Ankur Periwal: That number is not included in the increase in let us say number of content hours that we are guiding overall?

Nachiket Pantvaidya: Content as we are not double counting, we will give you that number of 24 shows and then we will dub all of it. Those will be all made in Hindi and then they will have dubbed version in Tamil, Telugu, and Malayalam also of course.

Kartik Sankaran: Ankur at the moment the app itself allows you to choose multiple south languages etc., so we are not counting that four times basically. These are 18 original shows across multiple languages.

Ankur Periwal: That is helpful. Secondly all these international subscribers which will get added most of it will be directly from the app, is that right understanding?

Nachiket Pantvaidya: Let us see how that plays out. I feel we will have direct app combined with some telcos. To be very honest, we are aiming to get as many as possible directly, but if we have to set the next year up to again not marketing extravagantly, then we might have to do a lot more telco partnerships then we envisage right now. Because all of these are low ARPU markets, if you understand Indonesia itself this is not a high ARPU paying market. What we are findings is that both in the US Canada and UK markets to penetrate into create marketing to get downloaded is getting extremely expensive. So if it is Rs.600 per consumer to market download and get in India, it is about 10X that time in US and UK markets and there is a wastage because when you targeting those markets we get non-Indian audience also which is a wastage, which is why we are going to focus Indonesia and Malaysia where the ARPU will be a dollar. We might discount it to half a dollar if the bulk volumes hit 400000, 500000, but to be very honest early days we have not done this before. We have a lot of data and we probably are the first Indian OTT platform to try this out. So we will be much better educated somewhere around November to give our perspective.

Ankur Periwal: Sure that is helpful. Now given this background and our earlier guidance of let us say 8 million odd subscribers let us say three years out FY2020 and we are already 2 million plus, do you think we will over achieve that?

Nachiket Pantvaidya: No because there is drop out also so if you take 25000 per day that we are adding that amounts to around 10 million a year out of which I feel that the additional sigma in this year will be about 3 to 4 million and we should end up at 5 million at the end of the year. So just to explain that you can either take the whole base and take a four months subscription because of the 33% drop out or you can take one-third of base in the full-year subscription the calculation works out to be the same. So at the end of the year we will have 5 million consistent paying subs or equivalent consistent paying subs. At the end of next year it will become 8 million after that.

Ankur Periwal: Sure in the last roughly one year now any change in the drop out over the month we have seen?

Nachiket Pantvaidya: No the drop out is ranging anywhere between 33% and 40%, so it is like to say that you either have four months value per customer or five months values between four and five months?

Ankur Periwal: Okay fair enough. That is it. That helpful. Now secondly on the TV content rate now despite a significant drop in the number of realizations are held up, any colour over there whether we expect these realizations to remain elevated apart from the volume increase that we expect over this year and on the movies bit again? On the movies at least on the floor what is the plan there?

Nachiket Pantvaidya: On the TV front I think the elevations as a matter the margin realization is going to drop because we are going to launch five new shows in the next five months. These shows that we currently have are probably some of them have ended their life cycle or at the last stretch of their life cycle and therefore are much more rich in delivering the returns, but as the TV content business is cyclic, new shows will come in and the volume of source is going up next year. The true benefit of this volume will come actually in the year after this or probably in the latter half of the financial year and the next two quarters because the shows are new, we will see realizations dropping a bit. Correct Sanjay if you want to add something?

Sanjay Dwivedi: Margin will be muted however the revenue may be slightly up because of volume front.

Ankur Periwal: Okay Sanjay that is helpful. On the movie bit how many are on the floor. We have two releases this year right?

Nachiket Pantvaidya: Movie we have three releases this year that is Veere Di Wedding, another release called Laila Majnu, Imtiaz Ali presents that and we have got Mental Hai Kya. Across these three about Rs.60 Crores has been committed in terms of our production cost and say it will take another Rs.15 Crores on P&A, I am happy to inform you that we have already locked-in 60% to 65% revenue for all these movies. We have to recover only 35% of the box office.

Ankur Periwal: Okay, that is very helpful. Thanks a lot and all the best.

Moderator: Thank you. The next question is from Rajesh Agarwal from Moneyore Investment. Please go ahead.

Rajesh Agarwal: The revenue which we got for April 2018 it includes telco revenue also?

Nachiket Pantvaidya: So till March 31, 2018 it does.

Rajesh Agarwal: Okay, so then why did you say because we get a double digit or Rs.12 or Rs.20 per month from telco subscriber and the same thing comes from direct subscriber also, so you told that there is revenue difference, because if you go through telco we get a lesser revenue.

Nachiket Pantvaidya: No, absolute revenue is not lesser, but the realization because they discount our rates with telcos, so ARPU discounted, so our rate is around if you take annual package Rs.25 a month if you take quarterly Rs.35 a month. The telco rates are at a discount from this.

Rajesh Agarwal: Okay, what revenue we are targeting for AltBalaji this year current year using the growth in subscriber?

Nachiket Pantvaidya: The year going forward?

Rajesh Agarwal: Current year 2018-2019 or 2019-2020?

Nachiket Pantvaidya: Looking at – so till March 31, 2019 we should be closer to Rs.85 Crores, Rs.90 Crores.

Rajesh Agarwal: Okay, so the delta will come from either the increase in subscription fees or the number of subscribers from where it will come?

Nachiket Pantvaidya: Technically what we are seeing is that when we started the year of, we were getting about 1000 subscribers per day, now we are at 25000 subscribers per day that is where the real delta is coming to.

Rajesh Agarwal: Are the customers sticky in nature?

Nachiket Pantvaidya: Well they are as sticky as 33% I gave that number out earlier basically 33% to 40% of rotation, so churn is so much that if I get 100 customers 33% you can count as annual customers.

Rajesh Agarwal: And Sir what will be the cash burn this year on the content side?

Nachiket Pantvaidya: Total cash burn will be Rs.165 Crores out of which content will be about Rs.110 Crores, Rs.115 Crores.

Rajesh Agarwal: Okay and Rs.40 Crores, Rs.50 Crores will recover from the revenue side? So net cash will be around Rs.100 Crores Sir?

Nachiket Pantvaidya: The guidance as I just gave 80 to 90, you can take at 85 if you want take.

Rajesh Agarwal: Thank you Sir.

Moderator: Thank you. The next question is from Vetri Raju from Equity Analyst. Please go ahead.

Vetri Raju: Congratulations on the good progress on the digital side. My question is on the telco. Firstly I wanted to know in case of the telco channel who actually owns the customer whether it is AltBalaji or it is telco and in the same subject I would also like to know with your association with the telcos whether the data cost because you are closely associated with them, what is the view you get on the data cost, because if data cost actually go up then essentially the economics on the consumer side also goes up, so which will again be a big moving part and thirdly how do you see this telcos just like in the US and all we hear that the streaming is directly onto the smart TV most of the times, so how do you see that situation emerging, how do you see that emerging in India and how do you see that going forward.

Nachiket Pantvaidya: Okay, I just pointed out the data costs is not something that we have privy to from the telco side as to what is actually invested but from the consumer side, you can see that consumers are getting a GB of data free everyday that is where it is and that allows the consumer to watch four or five episodes in SD and about three to four episodes in HD just to give you an understanding and these are 30 minute episodes. On the consumer side, we jointly own the consumer because the content plays from our server. There is a joint ownership established and therefore more than anything else our analytics from the telco is very robust and helps us shape our creative strategy in the months to come.

Vetri Raju: Okay.

Nachiket Pantvaidya: And your last question was on the television screens, what we are finding is that we are a mobile first country. Most of our viewing and happening on mobile phones, directly streaming onto television whether it is through Chromecast or through ActiveAndroid you know TVs, where internet is already there, it is a miniscule percentage of viewing that that is there including. One of the reasons for that it is surprise to know that in India the spread of HD TV itself is about 20% and after that comes the fact that whether they are smart or not. So that wave I think will come through only later as of now the division seems to be there all family's viewing is happening on the television screen and the individual viewing is happening on mobile screen.

Vetri Raju: Okay. To be very specific on this telco ownership do we really have all the data about the customer who has it or both of us have it?

Nachiket Pantvaidya: We have the data.

Vetri Raju: Okay.

Nachiket Pantvaidya: Because it plays from our server, so we know how many minutes he or she has watched.

Vetri Raju: Okay. Thank you and all the best.

Moderator: Thank you. The next question is from Kr. Senthilnathan from Crest Wealth. Please go ahead.

Kr. Senthilnathan: Thank you for the opportunity. We are in the very early stage so are you seeing any shifting from the B2B model to B2C I mean the customer who has come through telco you see downloading the app on his own and then paying to us, are you seeing any kind of trend?

Nachiket Pantvaidya: Is that your only question then I can answer that.

Kr. Senthilnathan: That is one and then second thing is like what is the agreement with the telco like it is a fixed ARPU which is early double digits or is there any escalation in the coming years?

Nachiket Pantvaidya: To answer your question right now it is difficult to track that how many people who have downloaded or actually watch the content on a telco app before. So it is difficult to correlate, but what I am trying to say that in a 2:1 ratio in the first financial year we have got about 400,000 direct downloads 800,000 from telco and that seems to be the ratio here working with of course bear mind that the telco really has taken off only in the last quarter of the financial year that has passed just us and like you rightly said we are in the early stage so we do not know how this will pan out. The second question is that of course I cannot reveal what are agreements with their partners are, but the telco does pay us depending on usage. Typically what it means is that if the customer watches the content on the telco app or on the telco service for a certain number of seconds that person is billed to us at a certain rate we get and this billing is done on a monthly rate basis.

Kr. Senthilnathan: So if the duration goes up your billing will also go up, is that right?

Nachiket Pantvaidya: No, the duration has to cross the threshold and then you get paid then he is counted as a paid subscriber or she is counted as a paid subscriber.

Kr. Senthilnathan: Is it possible to reveal what is the threshold the duration Sir?

Nachiket Pantvaidya: Of course not.

Kr. Senthilnathan: Okay, thank you.

Moderator: Thank you very much. The next question is from the line of Naval Seth from Emkay Global. Please go ahead.

Naval Seth: Thanks for the opportunity Sir. Two questions. One, how about the realizations in international market, so are we seeing that being higher than domestic market I agree what you said that some of the markets are low ARPU markets, so how we are seeing trend over there if you can highlight something?

Nachiket Pantvaidya: In the first year we haven't seen that many international consumers because we wanted to build a library of 18 to 20 shows before we entered the international domain with of course data, but in the going year or in the year that we are in currently… in the current financial year we expect the realizations to be 2X that of the local market.

Naval Seth: And this will across the markets or…?

Nachiket Pantvaidya: It is an average without US, the number obviously in the US and all it will be little higher.

Naval Seth: But your focus market remain like as you said Indonesia, Malaysia and Bangladesh or other markets right?

Nachiket Pantvaidya: Focus of volume, focus of value will be somewhere in the US, UK.

Naval Seth: And second question is on the deals with telcos in domestic market, so are the deals progressive in nature as and when your content number of hours continues to increase, the realization for you will also increase in tandem with that?

Nachiket Pantvaidya: Well the deals, you know the key question is not volume, but how many hit shows are on, because you can keep putting in shows and if they are not working why would anybody pay you, so these deals are a little tricky, we have of course points for negotiation on the day I cannot reveal all the deals obviously in the interest of confidentiality, but to keep you assure there is a linkage to the number of hits that you have given what we do, so that is really the metric here to negotiate better deals continuously. We have not had a year of any of the telco deal so it is premature for me to tell you that we will renegotiate. The Vodafone deal started in October, Jio deal January 26, 2018, March 1, 2018 Airtel. So therefore when one year gets completed that is when the dynamics will come to play and I am quite confident that we will have more hit content than anybody in the market by the time.

Naval Seth: Okay. Thank you and all the best Sir.

Moderator: Thank you. Next question is from Himanshu Shah from HDFC Securities. Please go ahead.

Himanshu Shah: Thanks for the opportunity. Sir gross billing is it including GST or excluding?

Sanjay Dwivedi: Which revenue line item are you seeing?

Himanshu Shah: It is on the presentation where we have given the user detail?

Nachiket Pantvaidya: You are seeing Rs.7 Crores or?

Himanshu Shah: Rs.7 Crores number?

Nachiket Pantvaidya: Rs.7 Crores is net.

Himanshu Shah: Okay, so for full year the gross billing as on March was Rs.72 million and the revenue accounted was Rs.68 million as per the financials, so is it fair to assume that the life cycle of customer is quite less? Because almost 95% of the revenue has already got recognized of the gross billing?

Kartik Sankaran: Right Himanshu what we are saying is that yearly packs are not the higher selling pack.

Nachiket Pantvaidya: The quarterly packs are the highest selling.

Himanshu Shah: Okay, but given for quarterly pack, so is it for telcos it is like on a monthly basis or something revenue recognize?

Kartik Sankran: Telco is monthly.

Nachiket Pantvaidya: Maybe what you are seeing there is 400,000 you got to take an estimate of how many of them are quarterly pack users and that is what is getting carry forward.

Sanjay Dwivedi: Like I said the retention made is 33%, so you can take a quarter is the measure of life cycle.

Himanshu Shah: Sure, no issues.

Sanjay Dwivedi: Because this is monthly of course.

Himanshu Shah: Thanks. That is it from my side. Thanks for the clarification.

Moderator: Thank you. Next question is from Karan Uppal from Haitong Securities. Please go ahead.

Karan Uppal: Thanks for the opportunity Sir. Just one question on ARPU, so at the moment you said that ARPU per month is close to around Rs.25, going forward you are looking at the revenue target of Rs.85 Crores to Rs.90 Crores and also your subscriber target of about Rs.5 million, it is suggesting that you are still counting that ARPU will still fall down from here – is it right assumption?

Nachiket Pantvaidya: The ARPU will get balanced out I think. We hope to have Rs.20 ARPU and that is what is it, but I feel that if we deliver more hits like I said earlier we will be able to take the ARPU up considerably especially in our B2B to B2C segment, so it all hinges I just see this is a creative business if we deliver 20 roaring hits then our ability to increase the ARPU is that much more augmented and therefore that is the lay of the land going ahead, but it would not go below Rs.20.

Karan Uppal: So Rs.20 do you think that that is sustainable for long term considerable the competition and their pricing strategy?

Nachiket Pantvaidya: I did not understand your question. Sustainable over how long term five years, three years, half year?

Karan Uppal: Yes, correct.

Nachiket Pantvaidya: You must understand like we mentioned earlier we are in a very, very early stage of OTT development in the market. A year ago we did not have Jio and demonetisation has just happened and at that time everybody was saying that this is an urban market and most competition was targeting that, but that has proven to be completely different in the last seven, eight months of activity. So for me to guess beyond a year might be premature, having said that our aim is to breakeven at 8 million and 20 ARPU which means Rs.192 Crores at least topline and that because Rs.8 million is phased from 5 million to 8 million users that works out to about Rs.150 Crores, Rs.160 Crores that is what we have set our targets on very firmly not in this financial year, but in the financial year after that. For that we might need to go through a lot of ARPU ups and downs. For example, we need to figure out how are international packs there, we need to figure out how many hits do we have and that will really help us decide a strategy of volume into value going ahead.

Karan Uppal: Thank you.

Moderator: Thank you. The next question is from Rohit Dokania from IDFC Securities. Please go ahead.

Rohit Dokania: Good evening. Thanks for the opportunity. Just two questions from my side. First is in terms of I am sure we are getting our content produced externally as well, so do we own the 100% of the right or is it licensed for a certain period if you can please throw some light there?

Nachiket Pantvaidya: All IPs 100%, owned, 70% of the content is getting produced from non-Balaji sources and 30% from Balaji Telefilms.

Rohit Dokania: But all IPs owned by Balaji?

Nachiket Pantvaidya: Yes.

Rohit Dokania: Okay, great. Thanks for that. The other question was probably slightly crystal ball gazing and just asking and if you can throw some comment it will be great. Do you think we should probably revise our sort of breakeven period two, three years down the line from the next two years, because the space is growing so fast, does it make sense to sort of ramp up our investments so that we will be able to capture the market at a frantic pace and also sort of become far larger than where we are rather than trying to sort of break even, so just your thoughts on that would be very helpful?

Nachiket Pantvaidya: Well, two things. Right now we are moving on goal post strategy as far as the consumer goes, sitting here we do not do who were the new adopters of internet. So I feel that especially the video services has reached only 20% to 25% of its total adoption potential. The risk that we stand in investing a lot in making a library is there it might not be relevant to say a rural audience that might certainly constitute 50% of the market two years down the line. So while it feels that it might be a good strategy to suddenly double and go gangbusters. From a consumer and a viewership strategy point, we have to understand that they are going to be lot more new viewers coming on to this medium which we do not have data for today, therefore we have to store our investments in a way as to create for them. So that is one of the aspects. Second of course what we need to do is to at least see a steady inflow of revenue in this year to basically decide to say that let us scale up our investments, so I think in the next two quarters pre-diwali we will be able to give you a better guidance because we would have had six month of consistent good revenue and therefore we can match our investments to where this revenue is coming from. The amount is not important, but we have to figure out who is paying which TG is paying which region is paying, is Bengali programming doing better than Hindi, these inputs will come through in the next six months and that is a mix of qualitative and quantitative judgment. We will be in a position to figure out whether we want to really blow this up big, continue conservatively or accelerate the good growth or stick to a business plan only by November of this year.

Rohit Dokania: Exactly, so if I understand right you are saying you are open to that idea, but you will cross the bridge when it comes essentially?

Management: Correct and it will be a data-based decision.

Rohit Dokania: Okay, perfect. That sounds good. Thanks a lot for your comments gentleman.

Moderator: Thank you. We will take that as a last question. I would now like to hand the conference back to the management for closing comments.

Nachiket Pantvaidya: Thank you very for everybody being here. Please do download our shows and watch our TV shows and watch Veere Di Wedding on June 1, 2018 it is an exciting new film that has come up, you must have seen the trailers, but please do watch our content and give us feedback. Thank you.