Balaji Telefilms
Q4 FY2019 Earnings Conference Call”

May 24, 2019

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MR. NACHIKET PANTVAIDYA – CHIEF EXECUTIVE OFFICER & CHIEF OPERATING OFFICER – ALTBALAJI

Moderator: Ladies and gentlemen, good day and welcome to the Balaji Telefilms Q4 FY2019 Earnings Conference Call, hosted by ICICI Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahil Jasani of ICICI Securities Limited. Thank you and over to you Sir!

Rahil Jasani: Good evening everyone. We would like to thank the management of Balaji Telefilms for giving us this opportunity to host this call. The management is represented by Mr. Sunil Lulla Group CEO, Mr. Sanjay Dwivedi, Group CFO and Mr. Nachiket Pantvaidya Group CEO and COO, ALT Digital Media Entertainment Without further ado, I would like to handover the floor to Mr. Sunil Lulla for opening comments remarks and then we can start the Q&A session.

Sunil Lulla: Thank you. Good afternoon I am glad that we are beginning this season on a generally optimistic note both in the market place as well as in the country. Balaji Telefilms has had a good quarter and a good year. We continue to drive the entertainment quotient in India through our TV shows that are viewed mostly favorably every night. Our movie continues to tell clutter breaking stories with good success, on the digital medium through ALTBalaji we continue to grow the binge watch culture in India.

We ended the financial year with all parts of the business performing effectively. We will continue with our growth oriented momentum into the New Year with a lot of exciting content which is lined up for the year. Our TV business continues to be the undisputed number one for content creation. We ended the year with 14% market share primetime which was more than twice our nearest competing production houses and more than production houses ranked #2 and #3 combined.

As for the latest BARC ratings we have four of the top five shows including the number one weekend show on Colors Naagin, number one and number two week day shows on Zee TV which is Kumkum Bhagya and Kundali Bhagya and number one show on Star Plus which is Kasauti Zindagi Ki.

This quarter we produced over 200 hours of content, For the full yearwe were at 763 hours. Our focus remains on creating high impact programming. Our average realization in television has improved 15% for the year while there remains a lot of speculation on cost cutting and drop in spending by broadcasters, we continue to witness firm demand for our content and currently have six shows on air. Our order book indicates for the upcoming year we will continue to grow.

We have two shows launching shortly Kavach Mahashivratri, a super natural horror drama and followup season with Kavach one, which will replace Naagin 3 on the weekends. We will also launch our new show Bepanah Pyar, a romantic daily drama on Colors soon. Overall, the TV content business is in very good position with a very strong order book for the year resulting in revenues of about 350 Crores, our operating margins are back to normal level which would result in a

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much-improved financial performance for year FY2020. We expect our profit before tax in the range of Rs.50 to Rs.55 Crores.

Moving to our movie business we had two releases last year, Veere Di Wedding and Laila Majnu. We have five releases plan for in this FY2020. It includes Kangana and Rajkummar Rao's Mental Hai Kya followed by Jabariya Jodi with Sidharth Malhotra; Parineeti Chopra. The second half of the year could see more releases including Dolly Kitty Aur Woh Chamakte Sitare, Dream Girl starring Ayushmann Khurrana and one movie which we are yet to announce in the later part of this year.

In line with our operating strategy on films, we have pre- sold certain rights of these films which ensure we have covered a cost of productions on these movies, before they hit the screen. Our capital commitment to the movie business remains limited. We follow a portfolio approach where capital is recycled within the business. We should turn a reasonable profit before tax of Rs.20 to Rs.25 Crores plus in the movie business in FY2020given that we have recovered the cost of production on these films.

Coming to the fast growing vertical of our group ALT Balaji has completed two years of operations in April of this year. We have established ourselves as the front runner in the digital video streaming category. We are one of the largest multiple episode multiseason exclusive Hindi language with 38 shows much more than any other OTT streaming services in the country.

Our digital footprint continues to grow and as of date we had an ever-subscribed base of 23.5 million paid subscriptions. We added 20.1 million subscriptions in the last year. We continued to see good traction on the direct subscription front and our grossing as number 3 app across iOS and Androids, in spite of having one of the lowest, but most accessible subscription prices in the country, the volume of subscribers speaks for itself when it lands up being number 3 in the App Annie report.

Our shows are highly binge watched by our customers over 67% of our consumers finished the series within seven days of starting it and our watch time over the year had grown by more than 2.5 times. Some of our hits that you may be familiar with include Apaharan, Puncch Beat, Ragini MMS, Gandii Baat, and Kehne Ko Humsafar. Nine of our existing shows have been commissioned for additional seasons which is sign of the contents popularity and our ability to extend franchises across the digital world.

ALTBalaji's unique position as the content company has allowed us to integrate with several Internet technology consumer partners which helps us in creating acceptance across the global internet ecosystem, currently we have over 40 plus partners which opens us distribution and enables many other services.

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Recently we signed up services like MakeMyTrip and Grabon to enable their consumers to get the access to ALTBalaji. Overall the video streaming category in this country continues to grow at a galloping pace, increasingly we noticed consumers are agreeing to pay for good content like ours, which has designed for them keeping their individual tastes in mind. This should result in us seeing doubling up revenues in FY2020 for ALTBalaji while the cost base continued to remain similar to last year. To wrap up we built a good foundation for the coming year, we will continue to drive operational efficiency on the TV and movie business. We will continue scaling up ALTBalaji and look forward to more success within this category.

I now hand over to my colleague Sanjay Dwivedi, Group CFO to give you quick update on the key numbers for the quarter.

Sanjay Dwivedi: Thank you. I hope you all have seen the results presentation available on the website. The key figures on a standalone basis are as follows: On a full year basis FY2019 revenues are at Rs.440.3 Crores, which is Rs.241.2 Crores from content production and Rs.99.1 Crores from movies.

The realization per hour has increased by 15% to Rs.38 lakhs margin, the current year versus Rs.33 lakhs for our last year driven by change in mixed for weekend programming plus performance based rates hikes in our existing daily shows. Gross margins in TV business has improved for three quarters consecutively and is at 27.6% in Q4FY2019, shows launch in Q1 are now operating at more normalized margin level, after initial investment in making these shows popular. We will improve this margin in the coming quarter. FY2019 business EBITDA for the TV business is at Rs.50.7 Crores operating at 14.9% margins.

Coming to the movie business, we had two films released during the year and the business generated in EBITDA before exceptional item of Rs.5.4 Crores. FY2019 was majorly impacted by Rs.9.8 Crores provision for advances as a matter of abundant caution resulting in lower EBITDA. In FY2020, we estimate to deliver an EBITDA of Rs.20 to Rs.25 Crores. Coming to our digital business, this year we have seen 6x times increase in revenue which stands at Rs.41.6 Crores versus Rs.6.8 Crores in FY2018, nearly 40% of our revenue is coming from direct customers and this ratio has been showing healthy progress.

ALTBalaji remains in an investment mode and we have invested Rs.81 Crores in FY2019 creating original exclusive contents and Rs.25 Crores in marketing. We expect to double all revenues in FY2020 which is 8x grows since our first year. Balaji Telefilms has invested Rs.450 Crores in ALTBalaji since we launched up nearly Rs.180 Crores is currently invested in inventories and mutual fund investments Rs.60 Crores is held in advances to vendors and government authorities. We have a very healthy balance sheet with zero debt and our investments in mutual fund units across the group at December 31 were at Rs.285 Crores. I thank you all for joining us today and now we would request the moderator to open the Q&A session. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Good evening everyone. The couple of questions across the three segments, so starting with ALTBalaji, now congratulations for a good ramp up there both in terms of subscriber as well as revenue. Sanjay Ji did mention that 40% of the revenues are coming from direct customer, is that an average for the full year or this is the number as of now? Will it be possible to share the subscriber numbers as well, because and incrementally if I am not wrong the direct subscribers contribution towards revenue has been increasing so any thoughts over there.

Management: Average for the year. Sorry, I did not understand the other question, could you repeat?

Ankur Periwal: The proportion of direct subscribers for ALTBalaji has been on a steady rise quarter-on-quarter now is this

Management: The revenues of that in the overall year, 25 Crores has come from indirect and Rs.15 Crores has come from direct.

Ankur Periwal: Correct. Sir my question here is that there is a sequential growth in this number, so every quarter there is an incremental subscriber who is coming directly towards not through the telco partner, now is this a thoughtful strategy or is it because of the issue that we had with I think one of the telcos where in they were not putting all of your content as in free, it was behind the pay wall, is it that which is driving?

Management: Even if it is behind a pay wall on our telco it is still counted as indirect. This is Rs.15 Crores that we have billed from direct consumer, the reason for that of course we must understand also that the library section is increasing, so people are showing more and more confidence in putting their Rs.300. When we started up in the first year, the library was only 18 strong, in an 18 strong library we had to use telcos to push it, that was the basis of the telco strategy what we are being vindicated in thinking is the fact that as our library grows and our marketing efforts behind acquiring consumers for this library concomitantly grows, we are able to get more direct consumers and therefore boost that revenue section.

Ankur Periwal: What will be the similar number on a number of subscriber's basis out of the Rs.20 million that we have, how many subscribers will be direct?

Management: It wont be 40% I think the thing is that because our direct subscribers to be very honest and does not face too much churn , because Rs.300 annual pack means this will go on for 12 months so therefore the numbers there will be actually much lesser in ratio, so I think little more than a million, right now.

Management: I think right now as we are 40% we see this value growth to more than 50% in times to come, right may be 50%, 60% our purpose is to eventually expand our direct subscriber base, what the telco partnership does give us is ease of distributions, it distributes to many places.

Management: And that is a monthly subscribers, our direct subscribers is either quarterly about 65 to 70% is quarterly or annual, so you know our ARPUs are significantly higher on the on the direct subscriber

Ankur Beriwal: Sure that is helpful and any per subscriber acquisition cost, if at all we would have worked out that number for these direct subscribers.

Management: I think right now we are trading anywhere between 120 to 180, but the rider here is if you want to make a large scale for example 10 million direct subscriber acquisition that number will be between Rs.200 and Rs.250, there are no economies of scale here in acquisition. The tricky part of the consumer acquisition business is as you start growing your number of subscribers, it does not necessarily mean there is a cost efficiency Rs. 160 say now, which will if you want to go for the big play and do five million subscribers it will start hitting 220 numbers.

Ankur Periwal: Okay, fair enough and any guidance there in terms of either the content investment or the cash burn that we expect over the next couple of years?

Management: We are still aiming to be in that Rs.150 to Rs.170 Crores range, which we have always guided.

Ankur Periwal: This is a content investment,

Management: Overall investment of which Rs100-125 crores will be the content.

Ankur Periwal: Okay that is helpful. Now on the TV content business if I may add so the number of hours that we have been making in earlier quarter there is a slight dip and a similar dip in the realization as well, was there some churn which happened here or it is just a quarter-on-quarter variation.

Management: Actually speaking if you see just the Q4, we are almost 200 hours in this quarter, so effectively if you just take that pro-rata basis for a year, we will be 800 plus, last quarter we had 160 hours and if you see year-on-year, there has been slight dip, we are down to 760 from 819 largely because we had fewer shows and one show was off in the Q4 but going further we believe that we should be in the range of 800 plus hours or 900 hours in a year. And what is encouraging is a realization numbers,

Management: At year-on-year or on a quarter-on-quarter both number shows that we have improved our realization per hour

Ankur Periwal: Sir just trying to understand this better so in the last quarter, if I see probably our realization was more like Rs. 38 lakhs while this quarter, the number is Rs.35. I am talking Q-on-Q, Y-on-Y obviously there is an improvement.

Management: Our realization was Rs.37 as against Rs. 33 in last quarter. Q-o-Q it moved from Rs.34 to Rs.37 and on year-on-year basis it moved from Rs.33 Crores to Rs.38 Crores.

Ankur Periwal: That is helpful. Even with the newer shows coming up you expect this realization as well as the margin run rate to more or less continue going ahead?

Management: Absolutely. And the critical factor is that we have just launched new show called Daayan and that is looking like it's in plus from the beginning so I think what we are doing is ensuring tighter cost controls to ensure that we do not take that 100-episode cycle to start breaking even.

Management: Quicker turnaround to profitable margin.

Ankur Periwal: Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Amit Mehendale from RoboCapital. Please go ahead.

Amit Mehendale: Sir see if I look at the quarter-on-quarter subscriber growth that is about 100%, quarter-on-quarter versus ALTBalaji revenue guidance in the next financial year so that estimate looks conservative to us, if you can comment on the revenue guidance please?

Management: I think we are going to face issue of decreasing marginal returns because it grew 6x from year one to year two it is not going to grow 6x the next time, there are two factors of course in this, one is that while we are trying to improve the absolute numbers, we are also trying to improve the distribution between direct and indirect subscribers, so we are trying to say that next year if we get this 80 number how can we go towards the 50-50 split as opposed to a 63-37 type split that we have right now and I think in both of this we will have to proceed to ensure that not more than 60%, 65% of our revenues ever come from indirect, and I think that is really the task because we can definitely pump up revenues by sharing our content but we feel that as our library strengthens and the value really lies in getting direct consumers at a higher ARPU and therefore we are saying that it will be somewhere around Rs.80 Crores next year, which is a doubling and that is in line with the fact that we have start going to a 130, 140 revenue number the year after that, the second part of our quest is of course that we will be starting to add international consumers and they are slightly expensive to acquire compared to Indian consumers, so international which was not a major playing year one and year two will start becoming of some size and relevance in year 3, which will kind of then grow in year 4 that is the part.

Amit Mehendale: Right Sir in terms of breakeven we are looking at FY2021 and at Rs.140, Rs.150, and Rs.160 Crores breakeven?

Management: Of course yes, somewhere there will be some quarters we have always guided that it will be quarter wise of the annual level in that year I do not know which particular quarter we will start to see that breakeven.

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Amit Mehendale: Right but typically you think after the breakeven there is some operating leverage I mean the additional on FY2022 if we add Rs.50 Crores, Rs.60 Crores of revenue you think that will be on similar cost base or most of it will go to the bottomline?

Management: No, I do not think that the cost base is not going to be significantly altered. There are two issues of course here, one is that competitively we are finding, we tend to discuss this like a cement manufacturing industry which it is not, we need to keep getting more and more hits and if actually we get the mega hits all of this could happen much faster. There is that play. The second thing is of course competition you must understand is now dropping prices, you would have heard that Netflix is also dropping its price for a mobile only version, I have read that in the press, Hotstar has come to Rs.365 a year, so therefore that kind of exponential growth might, you know this 6x growth might not happen year-on-year which is why we are saying that with the competitive choice coming and then dropping prices to closer to our levels we are not going to be able to double every year, year after year endless.

Amit Mehendale: Right, Sir one last question, Sir we talked about cost of acquisition of about Rs.200, Rs.220 for a direct customer sometime back?

Management: So that is where a 5 million plus scale, Rs.160 right now

Amit Mehendale: See at a customer level, what ARPU do we spend suppose Rs.220 per customer and we acquire X number of customers for those direct customer what ARPU are we talking about and breakeven should we factor in

Management: It is anywhere between Rs.100 and Rs.300 so that's the way it goes but there is an indirect consumer revenue stream which comes at near zero acquisition cost also so that is the way we have done.

Amit Mehendale: So we are looking like a 24 month breakeven for the customer broadly right we spent Rs.220 for a customer

Management: What is a 24 month PAT Amit?

Amit Mehendale: Rs. 220 which is for a cost of acquisition for the customer and the customer is giving ARPU of Rs.100-110 which basically is a two-year breakeven at a customer level?

Management: No, once you acquire the customer it is on with you, he is retained for a long time, he will be retained for two years. It is just the one time consumer acquisition cost, it does not work that way , every year I am not going to payRs.220 to that same man to retain him, he may like the content to stay on, if he does not like it, then that is the cost, ..

Management: Let us understand the context, the first two years is gone in feeding the idea of streaming content of consumer needs to pay for , we just use telco partnerships and for very basic reasons it gave us, width we did not have to spend too much

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money in marketing it give access. this year, or the last year we started investing in acquiring direct consumers and as we steeped into more into it we will be more successful in acquiring direct consumers, it is a onetime cost you pay to acquire those consumers right and that is my Rs.160 odd and it is customer in you work towards the retention and renewability, which comes at a much lower cost because that cost is virtually nothing than our own effort in retain and renew and those are new consumer acquisition so as we go through that you start retaining this consumer and there will come a time and we will have a larger base of direct consumers versus indirect consumers and that is what we are trying to time and that is what FY2021 guidance and that is where we are trying to breakeven, breakeven is only a financial watermark at the end of the day what you want to do is to have the reputation of the best content, you want to be in the top three in terms of paid subscribers and you know paid subscribers who watch this kind of in the content and third is deliver value through good service and that is where the business grows and then you keep acquiring consumers and as you acquire them you turn to a much larger revenue and turn to a much better financial or a profitable performance.

Amit Mehendale: Thanks a lot.

Moderator: Thank you. The next question is from the line of Prateek Barsagade from Edelweiss Securities. Please go head.

Prateek Barsagade: Thanks for the opportunity. Sir my first question is in terms of the content strategy so we are seeing that all of the OTT platforms are differentiating themselves in terms of various strategy, so someone is positioning sports, other people are positioning movies, so will your content strategy be similar to as it has been now?

Management: Content strategy is based on Hindi original exclusives its basic premises the behavior of a consumer on a streaming platform and a behavior of the consumer on television is different, television goes into people's home, papa, mummy, motis, sonu all watch this together. This is designed for men and women separately. At this point of time, there are more men than women on any given platform for the simple reasons the men do not have much to watch on television so it is designed on that basis, it is personalized viewing, the programming is created on a personalized basis and we took the approach of taking Hindi mass because that is more than 50 to 55% Indian market at present it is a place which we had great success for 25 years, we continue to deliver that success over here and that is what we do. Overtime as it goes the Hindi original exclusives will get beefed up or we will add to it through other forms of content that is required. At this point of time we have got a sticky product, we have got a sticky habit and that is what we are building on, that is competitive difference at this point of time we have more Hindi original exclusive shows out there than anybody else in the market place.

Prateek Barsagade: Sir my second question is related to so TRAI has been looking into having regulation set up for the OTT platform so what is your view on that?

Management: So they have been making announcement, they have not made any steps over that , TV industry, saw itself go through self regulation, it started in the advertising first it went self regulation and then TV and most streaming players have signed up for self regulation. We have had a self regulation guideline code from day one when we started we are the first signatories to that code because we believe that is the way it should be self regulation, you do not need to regulate the internet, having said that we will always comply with the law of the land we do comply by the IT Act influences and we are very compliant on self-regulation.

Management:

Prateek Barsagade: So your revenues increased by around 6x but if I look at the number of subscriptions sold within this year so that will be almost 20 times, so can you explain this difference?

Management: That is because 40% of our revenues are coming from direct and 60% are coming from indirect. These indirect subscribers actually are monthly subscribers, so the numbers and the volumes on the indirect subscribers while they are large the revenues are accrued only on a monthly basis from them. So, they are already a one-twelth disadvantage or one-twelth factor on those that are acquired indirectly , the subs that are acquired directly a combination of three-monthly and annual subscriptions and therefore they will appear lesser in number; however, if you look at absolute revenues, the split is Rs 25cr - 15cr which was like 60:40 between 60% coming through our partners and 40% coming through direct.

Prateek Barsagade: Got it. Thank you Sir.

Moderator: Thank you. The next question is from the line of Rahil Jasani from ICICI Securities Limited. Please go ahead.

Rahil Jasani: Thank you for taking my question. Sir, just wanted to ask how many subscribers would be getting from the telcos through the telco's channel? What could be the proportion of the subscribers, maybe incrementally as well as the total subscribers you would have right now?

Management: Well, last year or future year?

Rahil Jasani: Last year, FY2019?

Management: I think that comparison will be, our direct sub base will be 1 million to 1.2 million and the indirect sub base will be a huge multiple of that, like 15x , because the indirect subs come on a monthly basis and direct subs will come on an annual or quarterly basis, so they are more sticky and that is what we look for. The monthly base is light. In our view light is largely to get sampling of the content at a paid price, at a much lower paid price. Just to get the habit sowed in, like today you know data is available at such cheap price for millions of consumer, I am sure this price will go up in times to come, like most things happen. So this is just a way of influencing consumers and overtime you start moving, why do people access us directly when they can get on any of the free telcos at a lower price, they do so because it is easier to find content, it is easier to get their access on multiple devices, you can download and watch it at your convenience. You can download it and cast it on a bigger screen if you wish to, so that is what we are building over here as a habit and culture.

Rahil Jasani: Sir, my next question is on the content creation cost. Sir generally what we have seen is that the content creation is around 35 lakhs to 40 lakhs per hour, but for some shows like the test case, it could be much higher, so how are you looking at content creation going forward in FY2020? Are you looking at bigger shows like test case because that would even attract higher customer base and subscriber base?

Management: That assumption is not correct. If you take higher cost shows there, acquire higher customers. That is a completely incorrect assumption. Some of our lowest cost shows have acquired really high customer base. That is one. But just to give you a feel we will maintain that average cost at 35 lakhs to 40 lakhs. We will do four shows which are expensive, which will go up to 80 lakhs to 1.1 Crores per episode. These will be four shows that are 40 episodes but the rest of the shows, which is roughly an output of all 250 to 300 episodes will be in the range of 35 lakhs to 40 lakhs.

Rahil Jasani: Got it. My final question because you said that there is now some pricing pressure, Netflix and Hotstar have been looking at reducing prices now what is your take on that? Are you going to reassess the pricing now?

Management: It is a vindication of our pricing strategy. All of them started at high prices and found that they cannot access mass markets, and in terms of thinking of Hotstar has already reduced price to Rs.365 and Netflix I think would reduce as read in the press. Our pricing strategy continues to be even more efficient because we also have Rs.100 pricing package. What you must understand right now there is a Rs.365 package but there is no quarterly package on Hotstar, but our entry point pricing is actually only Rs.100.

Rahil Jasani: But when you look at the competition and you see the pricing of the competition and incrementally probably people subscribing for a 365 pack annually would be lower because then they are finding the same pricing for the other content as well. So would you be looking at maybe reducing the price for the annual pack as well?

Management: No. We have Rs. 100 price which is for the people tocome and sample. That will happen once we hit a large number of shows probably 100 or so we can think of pricing till then. As you know till now our strategy has always been to be a mass player and to be a mass player, you have to price it affordably. You will realize on the TRAI rules for television also there is a price correction happening. So we believe that we are going to be the most affordable and value for money proposition with the least entry point also. We can do a Rs.300 annual price, and we have a Rs.100 entry price, which is being brought by 65% or 70% of our direct customers, so we are seeing that if there is a person whose income or his prepaid charge today is Rs.50 a month, for them this is still affordable at Rs.33 a month.

Rahil Jasani: That is it from my side. Thank you so much.

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Moderator: Thank you. The next question is from the line Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: Thank you for the opportunity. First of all regarding the film production, Sir, if I got it right so we have some 5 a pipeline during the current year, so it seems to be a bit of an increase or acceleration compared to what we have done over the last few years or what we have guided. So is it just a run off item, or existing commitments or we have taken a new projection or has there been a reassessment on this investments over here?

Management: Basically, Mental Hain Kya this was the film that was shifted from last year to this year because of our external factors as you can understand and that is the reason why you see we have four films this year.

Yogesh Kirve: So otherwise it is pretty much of what we had said earlier in terms of the film investments?

Management: It still a Rs100 cr rotation. The capital based employed into the business still remains under Rs.100 Crores.

Yogesh Kirve: Sir regarding the ALTBalaji, so it has been there in for almost two years, so if there been specific learnings regarding what sort of content which has gone better traction and has our positioning becoming more sharper or we remain, what we started with in terms of having a content, which each sort of an consumer market?

Management: There are two broad learnings, when we started off we created content that was for kids also, we have dropped from that our strategy, we are no longer doing original content for kids that was a section in our app, we are thinking we will reinvent that content away, we have not invested significantly in kids content, so that is one correction that we are doing from where we started of. There are two reasons for this, one is that we are finding that, you know, in a pay app for a kid to drive his parents to pay is a dual process and that increases cost of consumer acquisition one and secondly animation content in kids cannot be turned around under same rate as live action. So that is one change to the strategy. The second strategy that we had started off, when we launched and actually just before launch was that we were in urban mass channel, now we have a very, very good mix of mass and urban mass, simply for the reason that internet is spreading into smaller and smaller towns into people with lesser incomes also and that is kind of telling us that there is a new psychographic that is emerging both on males as well as female and we want to gear up our library to last this spread of internet, we do not want to make something that is going to be irrelevant three months down the line, so we are closely examining how to do that and how to get that point, towards that you will see a larger proportion of thrillers, which are male targeted coming in the next 12 months on the app, this has also been data verified with the success of our show Apharan, which is right now tracking very high from the top three shows consistently on our app.

Yogesh Kirve: Continuing, so in terms of shows and kind of mix we will see in between what will produce on our own and what will procure from outside so what does the ratio looking like for in the coming year.

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Management: See it is basically 30:70, 70 from outside; however, what we are producing in Balaji is the genre that we know very well, which is drama so like Karle Tu Bhi Mohabbat and Kehne Ko Humsafar Hain and we want to still be very alert to the data that comes in terms of genre if this genre goes through the roof then that proportion of course will change to 50:50 or whatever it is, but if the genre stays the way it is right now that is the ratio.

Management: I also want to explain when we acquire shows some outside it is not that we acquire on a basis of somebody comes and pitches or have something readymade. This is actually curated by us. We study our data, we know market needs and we see what is trending for men, what is trending for women, we work with the body of creative talent who then work on the shows that we do so highly curative by us, it is not just company by of the shelf

Management: And all the IP belongs to us.

Yogesh Kirve: And just finally I mean what you alluded to earlier regarding this show getting traction, they are coming for even the smaller shows have been seeing a good traction, so has there has been compared to when we started so are we satisfied with the kind of viewers or views or hits we are getting on the smaller shows?

Management: Absolutely, we are doing better than the expected and consumer does not know cost of the show and our basic standard of production is maintained. Whether we spend Rs.1 Crores an episode, or spend Rs.10 lakh rupee an episode, an average spent so Rs.35 lakhs, Rs.40 lakhs is our benchmark, there are shows produced below that benchmark too and they are run away hits at the lower price, we have run away hits that are at a higher price and at the end of the day it is a story, so you break it down but I think the men and women they have different needs, then there are people which are more urban and metro driven and there are those which are less urban driven, then the age groups between 18 and 35 and 35 plus so you look at romance, you look at crime, you look at comedy, you look at just drama and story around these.

Yogesh Kirve: One last question if I can squeeze, on the subscriber acquisition cost can you just broadly explained what the key components of the acquisitions are?

Management: There are two components, one is the download cost of the app and second once you download the app, the guy, or a lady, whoever watches or downloads the app converts into subscriber and rates anywhere between 3% and 5% there are the two components. There is one component when have to advertise, call to action and target digitally download the app and then the person has to pay so that is real process.

Yogesh Kirve: This also includes any sort of discount or cash back or that kind of promotions?

Management: We have got I think 17 or 18 payment partner all of payment partner at any point of time has some of the other rebates going on, so that is the consumer choice, which one they wish to take.

Yogesh Kirve: So, the costs of acquisition that we mentioned about Rs.200, so it includes those as well right or those are funded by the partner?

Management: Let me correct again 200 is for of 5 million plus, we are not there, when you are at in the range of 1 to 1.5 it is still a figure of 160.

Management: 160 will include everything and the rebate offered by payment partner is paid by the payment partner.

Yogesh Kirve: Okay sure. That is all from me. Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Darpan Thakkar from HSBC. Please go ahead.

Darpan Thakkar: Thanks for taking my questions. Sir out of 20 million subscribers you are saying telecom subscribers not for the entire year so what would be that number for the quarter, if you can give some number on the monthly unique numbers on telecom for let us say for March month?

Management: We cannot reveal month wise, you will ask for daily how much is coming that is business secret, we do not want to kind of deliver how much is coming, the number as much as you can exactly so I think on granular level I do not want to expose our data and our business strategy.

Darpan Thakkar: And for the direct subscribers what would be the ARPU for the monthly ARPU?

Management: You calculate 70% into 100 plus 30% into 300 divided by 100.

Darpan Thakkar: Okay thanks.

Moderator: Thank you. The next question is from the line of Shivan Sarvaiya from JHP Securities. Please go ahead.

Shivan Sarvaiya: Sir my question was on the TV and movie production business and cost of production is around 75% mark so what you feel going to be in the next year and years to come?

Management: For TV production we hope that the Q4 margin is maintained and probably it may improve that a little bit.

Shivan Sarvaiya: Sir you expect that cost of production to remain in such elevated levels?

Management: Why you are saying it is elevated? Q4 if you look at Q4 he is pointing not to the annual number, but Q4.

Shivan Sarvaiya: Yes, Q4 level?

Management: Q4 level is not that elevated. I think we had elevated level in the first half of the first quarter.

Management: Q1 margin was poor because we had launched three shows in that quarter, however if you see Q2 and Q3 and Q4 we have improved our margins quarter-on-quarter basis.

Shivan Sarvaiya: Second one was guidance on the EBITDA of TV business and the movie business Sir if you could just repeat them I think I have missed them?

Management: 55 and 25, bottomline.

Management: Rs.55 Crores for the TV business, Rs.25 Crores for the movie business.

Shivan Sarvaiya: Okay this is at PAT level right?

Management: Before PAT.

Shivan Sarvaiya: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Rishabh Chudgar from Enam Holdings. Please go ahead.

Rishabh Chudgar: Thanks for questions and congratulations on a good traction in the ALTBalaji revenues especially good performance. I just wanted to know since you have revenues coming from the direct subscribers which is also Rs.15 Crores what would be the subscriber acquisition cost to acquire the subscriber if they are paying an ARPU of Rs.300 a year, so what cost you are incurring to acquire this?

Management: 160 bucks.

Rishabh Chudgar: Okay, so what was the Rs.200 number which you would give because I could not understand.

Management: If your subscriber base goes above Rs.5 million, direct subscribers.

Rishabh Chudgar: Okay and why basically are you trying to say that the deeper you penetrate into India you might have to incur more to get the subscribers on board?

Management: If you decide today that instead of running at the pace you are running, you want to accelerate and go much faster and make a steep investment then we are just saying that the nature of investment I think we responded to somebody's question.

Rishabh Chudgar: Okay, I had missed out and that is why we are just trying to clarify that also.

Management: The fundamental behind all of this is the low hanging fruit you get very easily. As you start getting people who probably have lesser affinity to your content the cost has getting up. The principle is that whichever is coming first whose attracted to you that guy comes very quickly and as you keep building you need to attract the person who is farthest from your brand starts getting more and more tough.

Rishabh Chudgar: Okay. Thanks.

Moderator: Thank you. As there are no further questions I would now like to hand the conference over to Mr. Rahil Jasani for closing comments.

Management: Thank you. This is Sunil, Sanjay and Nachiket and Karthik from Balaji Telefilms signing off. Have a nice day and great weekend.

Moderator: Thank you. On behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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