

Balaji Telefilms Limited
15th November, 2018

Moderator: Ladies and gentlemen, welcome to Balaji Telefilms Q2 FY19 Conference Call hosted by Batlivala & Karani Securities India Private Limited. We will start the call with all participant lines in the listen-only mode and there will be an opportunity for you to ask questions after the management comments concludes. Please note that this call is recorded. If you need assistance during the conference, please signal the operator by pressing ‘*’ and ‘0’ on your phone. I would now hand the conference over to Mr. Yogesh Kirve. Thank you and over to you, sir.

Yogesh Kirve: Good afternoon to all the participants and thank you for joining in. We at Batlivala & Karani Securities are pleased to host this earnings call for Balaji Telefilms Limited. To discuss the results and outlook we have the senior management of the company represented by Mr. Sunil Lulla – Group CEO, Mr. Sanjay Dwivedi Group – CFO, Mr. Nachiket Pantvaidya – Group COO and CEO of ALTBalaji and we also have Mr. Kartik Sankaran Senior Vice President Investor Relation. I will now hand over the call to Mr. Lulla for his opening remarks which should be followed by Q&A session. Over to you, sir.

Sunil Lulla: We had a good quarter operationally and continue to build a strong content and media centric business that spans across traditional TV content production, popular and cult cinema and digital B2C OTT service.

Our core TV production business had a good quarter with programming hours going closer to our usual run rate per quarter. We closed the quarter with 193 hours at an average realisation of Rs 40 lakh an hour. Our realisation on a year on year basis has improved by over 8% on weekday shows and 15% on weekend shows. Towards the end of the quarter we had the mega launch of Kasutii Zindagi Kay in September on Star Plus. The show has started well and there is a lot of positive commentary across social media, we expect the margins on this show to start contributing positively by late Q3. In addition to this show we have two other shows on the Star Network – Ye Hai Mohabbatein which has continued to keep audiences engaged after it was shifted to a later time slot and Qayamat Ki Raat, a weekend horror genre show.

Naagin 3 on Colors continues to be the number 1 show across the country and the two daily soaps on the Zee Network - Kumkum Bhagya and Kundali Bhagya continue to be the #1 and # 2 shows on weekday prime time. Overall our TV portfolio is getting stronger and we have good visibility on the order book for the next few quarters and we should be able to maintain our number 1 position as producers of hit content on Indian Television.

Moving on to our movie business after a great hit in Veere Di Wedding, we had a rather subdued performance this quarter with Laila Majnu. The movie did not have a strong box office collection but our strategy to pre sell digital / music / broadcast rights has allowed us to soften the impact of this weak performance. Overall the movie production business has had a positive EBITDA of Rs 5cr for the first half.

Our slate for FY20 is taking shape nicely with a mix of movies ranging from Mental Hai Kya starring Rajkumar Rao fresh out of the success of the 100cr club 'Stree' joining hands with his 'Queen' co-star Kangana Ranaut in a quirky thriller. We started filming on two more movies - Jabariya Jodi a film set in small town India starring Siddharth Malhotra and Parineeti Chopra and Dolly Kitty aur woh chamakte sitare which sees Alankrita Srivatsava teaming up with Balaji after the phenomenal success of Lipstick under my Burkha. Overall we are working on a number of interesting projects to strengthen the business and our investments in movies remain cautious and calibrated with a clear focus on co-production and pre-sales.

ALTBalaji continues to execute well and a build a tremendous proof of concept for Subscription Video on Demand in the country. We had a very good quarter with 3 show launches – Hum, Home and XXX being added, taking our total of original exclusives to 24 at the end of the quarter. Each of these shows has done well within its target groups. Home especially has done well and has been nominated for 7 awards at the recent ITA 2018 awards. We have a very exciting pipeline of content for the year, showcasing some amazing talent and stories. Our committed content pipeline is over 40 shows deep taking us well into 2019.

Revenues this quarter on ALT have scaled up dramatically and we closed the first half of the year at Rs 20.1 cr. Our business continues to grow revenues, driven by growth in consumers paying direct plus certain deals with other providers that provide a certain minimum guarantee. We believe it is necessary to have a mix of B2C and B2B2C to allow us to expand our distribution at an economical cost. We continue to explore new commercial partners across OTT / DTH / other internet consumer businesses to give us a mix of direct B2C and indirect B2B2C consumers.

To summarize all three business lines are performing well and we are well funded and positioned to capitalize on the growth in content requirement across TV, Movies and Digital. I will now hand over to Sanjay Dwivedi our Group CFO to give you a quick update on the key numbers for the quarter.

Sanjay Dwivedi: I hope you all have seen the result presentation available on the website. The key figures for the year are as follows. On a standalone basis Q2 showed good improvement driven by a stronger performance in our TV business. Q2 FY19 revenue at 113 crore comprising of Rs. 88.4 crore from TV conference production and 24.6 crore from movie. Before I go into further detail on the financials, I would like to share some perspective with you on how we will see the TV production business operate and why the financial results should not be seen in isolation of the quarter. The TV

business usually has some amount of seasonality and cyclicity and we see ourselves launching one show in a quarter which then go on for a fair period of time. However, this year on account of the broadcasters deciding to revamp their content slate post the IPL resulted in a launching four large shows in around 45 days. This has resulted in bunching up of the content launch calendar and cost resulting in some margin impact which I will detail later. The main positive is that we are back to operating at normalized run rate of approximately 200 hours a quarter at higher realization per hour making the business more robust financially. On the EBITDA front, we had significant improvement and had a positive EBITDA of Rs. 3.8 CR after a loss of 0.9 CR in Quarter 1. Our TV production business continuous to be on the upswing and the new shows launch in Quarter 1 has started yielding margins. Historically we have seen that shows on average take us anywhere between 5 to 8 weeks from launch to start yielding margins and as shows renew into the second year and so on the margin profile improves dramatically.

Last year for example we had a number of shows running in their second and third year of operation resulting in consistent high margins across quarter which was missing in the first half of this year. We believe the current lineup of shows spread across the daily shows and high impact but finite weekend shows should allow for a strong growth in the coming quarter. We also have a very good visibility on our order book for the next few quarters which shows being commissions across broadcasters. Also note that this quarter for us taking an additional expense of Rs. 2.5 CR impact on account of loss of fair value of mutual fund. Excluding this our EBITDA would have been Rs. 6.3 CR for the quarter. Coming to the movie business we maintained a limited exposure to the business and work on the principle of avoiding major volatility. We had the release of Laila Majnu which had subdued performance in the box office. However our strategy of presales has helped mitigate the loss. Overall EBITDA for H1 FY19 for movie production business at Rs. 5 crore which was supported by the great performance of Veere Di Wedding in Quarter 1 and some revenues and margins of that movie being accounted in Quarter 2 as well. Our current slate of movies is at various stages with two movies currently on floor. We have been in active discussion with number of buyers for early monetization and securing revenues for these projects and hope to have some of these secured in the coming quarter. ALTBalaji continuous to execute in the financial year as per as our budget estimates. This quarter saw improved run rate in revenues driven by a mix of increased subscription as well as completion of certain fixed fee minimum guarantee deals. We continue to leverage our ability across TV films and digital to keep cost of content production in check in market which has seen some pocket of cost escalation. Balaji Telefilms has over two decades of content production expertise which we feel will allow us to continue to produce the right content for ALT at the right price.

Overall ALTBalaji remains a very attractive investment opportunities for us continuous to perform as per our plan and during the quarter we have further capitalized by an equity infusion of Rs. 150 crores. Our investment in mutual fund across the group was at 389 crores. We are well funded for our expansion on digital business and continue to focus on scaling up ALT. Maintaining moderate growth in the TV

business and being very selective with our movie investment. I thank you all for joining us today and now would request the moderator to open the Q&A session.

Moderator: Ladies and gentlemen we will now begin the question and answer session. We have a question from Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Few questions across the three business segments starting with the TV first. Now while in this quarter also if I got it right we have launched two new shows and we had launched three new shows in the last quarter and there has been a significant realization as well as margin improvement in this quarter, so just trying to understand it better despite new launches in this quarter still the margin expansion happening was largely because of the three shows which were launch in the last quarter or probably there is something more to it?

Management: Well Ankur we launched one in the quarter and not two, but to answer your question basically our price realization is improving. It has gone from 34 lakh to an hour to roughly 39 lakh an hour. So this 5 lakh per hour price realization is something that we are looking forward to and what we are finding is because we have got a lot of hit shows in the market Kumkum Bhagya, Kundali Bhagya, Naagin and now Kasautii also doing well. So we are able to get that higher price realization in this three, four month period. What you will also see therefore we will pick up volumes in this quarter and therefore in the next quarter also we might not see very high margins because we are going to pick up new shows when our price realization is high and this will start showing result starting Jan of this year over next year as the show run off. So effectively when we are getting a good price for our hit we are picking up a lot of shows to set up the shows we need to put in a little more money. After the first three months of the shows setting we will start seeing disproportionate profit come true.

Ankur Periwal: So right now we are at a run rate of 193 hours on a quarter-on-quarter basis where do you see ourselves ending this year at given we will be taking up more shows as well as in the coming quarters?

Nachiket Pantvaidya: Are you saying run rate the total number will be about 750 which means I think for us with our capacity but 200 per quarter run rate is kind of good. We will enter next year with probably little more than 200 run rate 225 run rate and we are building towards that.

Ankur Periwal: Where I was coming from historically speaking we peaked at roughly around 900 to 1000 hours with relatively lower realization now with realization growth coming in going ahead do you think 1000 hours is still doable or we will beat that number or that will be a tap gap for us?

Nachiket Pantvaidya: Yes I think 1000 will be the cap that is why I said about 240 will be the run rate going into next year so approx 4 quarters that will be roughly around 1000.

Ankur Periwal: And as Mr. Sunil did mentioned the realization improvement is across the ban the Prime Time shows as well as the other shows?

Management: Absolutely is daily and weekends as a combination. I mean our focus right now that we are largely producing for Prime Time and that is where we have the lion share of viewership in Prime Time.

Nachiket Pantvaidya: The bottom line there is you got really good hits and therefore for us the time is right for us to pick volumes.

Management: And to answer your question on both the format the price lag is there in in both the formats.

Ankur Periwal: Coming to the movies business while in this quarter the Laila Majnu did not perform as well and still we reported an EBITDA of 5 crores, my question here is on Laila Majnu one did we do an absolute loss despite doing presales and hence probably this EBITDA of 5 crore is in a way underreported or it was not as being the case?

Management: No you are referring to H1 correct. H1 will be overall positive because we had a good run for the Veere Di Wedding. Veere Di Wedding had a higher profit than the loss we incurred on Laila Majnu.

Ankur Periwal: So in the first half we have done 5.5 crores which is 50 million of EBITDA which was 6 crores in Q1 so in absolute terms there was a 1 crore loss and this loss is predominantly so where I am coming from is this 1 crore is the loss from this absolute movie or the loss was higher and got compensated by Veere Di Wedding contribution in Q2 as well?

Management: The loss was higher it got compensated by the higher revenue from the Veere Di Wedding.

Ankur Periwal: Going ahead the slate that we have as I understand the capital employed in this business as Mr. Sunil did mention will remain capped and it is more we are doing more mid budget movies within the same capital invested is that a right understanding?

Management: Yeah that is a right understanding actually the thing is to make films that can work for us within the mid range price and we have proven that over the last two years.

Nachiket Pantvaidya: So for the next 18 months there is no film that is going to be above 35 crores. So everything will be in that range. We have just one more film to go in this financial year which is Mental Hai Kya which with Kangana Ranaut and Rajkumar Rao and with the presale number will

always be positive. The good news here is that the movie business overall at the end of this financial year will show a 6 crore plus profit.

Ankur Periwal: Coming to ALT now on a quarter-on-quarter basis while we have added some bit of content the subscriber addition number is slightly at the similar level that we were in Q1, any specific reason for this or if you can help us better understand?

Management: Ankur I do not know how you are looking at it, we are currently at 8.9 and the previous number was closer to around 5 million. I do not know why you feel that we have added lower.

Ankur Periwal: No where I was coming from was 2.3 million paying subscribers right monthly active users monthly active is where I was talking about?

Management: Monthly active is different monthly active is the run rate. If we have 5 crore people paying for us and nobody uses us I do not mind because it is hugely profitable business. Usage is usage because we have got people coming out, but the number of people who are seeing has to keep growing. See we are now today at approximately 9 million ever subscribed and about more than a 2.5 million monthly average user. So this is stupendous growth if you ask me this is a paid service there is no advertising on the service this is a phenomenon in India.

Management: First whole year we did Rs 7 crore in the first quarter we did about 5.87 or something like that the quarter after this quarter we are doing +14 crores. So that cannot happen unless our paying such rates for us.

Ankur Periwal: So when we say ever subscribed base so these are guys who would have used ALTBalaji throughout the life of the app is that correct understanding?

Management: Yeah throughout the last 18 months let say.

Ankur Periwal: So they may or may not be active in terms of their payment accruals?

Management: Yeah.

Ankur Periwal: So on a run rate basis 2.3 million will be a right number to look at who are active users and paying us let say on a monthly or quarterly basis?

Management: No it is not for revenue like I said in a very drastic and a very humorous way if nobody ever watched us but kept paying us the business is still profitable but that is very extreme thing it has never happened. People like the buyer on a quarterly package, six month package or an annual package and our Telco partners pay us for the usage for the entire month whether the person watches us for five minutes or watches us for the entire month. So you cannot make that conclusion that what

we shared is that we have almost 9 million ever used there and we are running at about 2.5 million today active users and the number is changing every day upwards.

Nachiket Pantvaidya: And we do not know the profile of this 2.4 million in last quarter if my run rate was 2.4 million with everybody coming for a month this quarter it could be 2.4 million users with all of them having a three month or an annual pack.

Ankur Periwal: In last quarter we had around 70%, 80% of the traffic coming from Telcos, is that the case right now as well or that mix remains more or less stable?

Management: Yeah that mix is going to remain fairly stable for sometimes.

Moderator: The next question is from the line of Rajesh Agarwal from Money Ore. Please go ahead.

Rajesh Agarwal: Sir my question is on ALTBalaji suppose we say 2.3 million is our monthly pay subscribers so what is the average ARPU and we can assume what is the average ARPU multiplied by the number of subscribers that will be the revenue every month or every quarter?

Management: 2.3 million monthly active users is not monthly average subscribers. So you want an ARPU - ARPU trading right now is Rs. 140 per year about Rs. 12 a month.

Rajesh Agarwal: So should we multiply by 2.3 million or 8.9?

Management: Rajesh to clarify you might take a subscription today and the whole month of November you might not log into app, but you are still a paying customer. There is another person who bought a subscription today he used it for a month he might not come in later. I think where people are trying to understand one is a user and one is a subscriber both of them have two slightly distinct sets of people and not the same. One way to look at it totally crore revenue for the quarter we will do an indication of the kind of run rate that this business is operating at and I think that we have been mentioning last time also it is a little flawed to be trying to calculate ARPU, etc.

Rajesh Agarwal: How do we calculate the futuristic the 14 crore run rate of revenue per quarter can go to 20, 25 crore next quarter how do we assume it?

Nachiket Pantvaidya: One or two methods of doing this is of course the fact that our library will grow and the internet will expand. So we will have an increasing quarter-on-quarter number and that is indicated by the number of subscribed base. If you ever subscribed base keeps going on, going up it means that we are progressing to a higher level of people paying us.

Rajesh Agarwal: Last quarter we were at 5.3 million and today we are at 8.9 million.

Nachiket Pantvaidya: Roughly yes.

Rajesh Agarwal: Sir what is the difference in the content cost for us and the other players?

Nachiket Pantvaidya: So other players we are not in a position to kind of comment, but just to let you know we are on track with our investment plant of spending about a 150 crores a year across all lines on ALT. Just to let you know we have a 150 crores being spent out and our revenues are going up consistently on a quarter-on-quarter basis.

Rajesh Agarwal: So other expenses will also increase marketing and employee in ATLBalaji?

Nachiket Pantvaidya: For the matter of fact no because in the launch year the marketing expenses were a little higher and they will actually go down in the second financial year from the launch.

Rajesh Agarwal: No I am calculating from the half year this quarter we made a 20 crore loss in PAT level in ALTBalaji, so this run rate will be 20 or it will increase?

Nachiket Pantvaidya: Well we hope that we will kind of manage the cost and revenues as such that it will be in target to what we want to do. I do not want to give a guidance out quickly because the internet market is expanding fast we are realizing that our revenues are growing exponentially, but that is where we are at. We are planning to be in line with the first half performance in the second half.

Rajesh Agarwal: What is the churn rate now?

Nachiket Pantvaidya: Basically 33% is retention.

Rajesh Agarwal: Sir last question you mentioned some equity inflation of Rs. 150 crores this is for ALT.

Management: Balaji invested 150 crore by way of equity into ALT. Each year we have done 150 crore so currently we have invested 450 crore into ALT by way of equity from the Parent.

Moderator: The next question is from the line of Vaibhav Kacholia from VK Capital. Please go ahead.

Vaibhav Kacholia: So sir just to understand this you said ARPU is for ALT at around Rs. 12 per users, per month and if we take that say in the month of September we might have had a revenue of some 5 crores or something then there will be some 4.5 million paying users in that sense right?

Nachiket Pantvaidya: What is the calculation that you desire I will help you with it.

Vaibhav Kacholia: Number of paying users per month?

Nachiket Pantvadia: Per month is difficult to do because if you have somebody who makes a payment to us now and there are different package he met by an annual pack he met be monthly pack plus we have people who are paying us from the 10 crores who are all in a monthly basis. So this is actually an aggregate of a at least six or seven payment patterns. To put everything in rest our ARPU for the year we are seeing is around 140

Management: Our business model has two components. One is the B2B components or the B2B2C which comes from Telcos where they pay up for usage within that also there are many hybrid versions where some people pay us fixed fee and the third model that we have is the people buy subscription directly from us. This blend kind of mixes along and therefore with the ARPU number that Nachiket shared with you is the indicative number. To indicate how this progresses, it is a blend of three or four different packages. From the Telco people are buying a monthly package, from the fixed deals they are paying us an annualized sum of money from us they are buying a quarterly six monthly or a annual package. So we are not sharing that mix in that sense and the mix changes. I would put it this way that in the context of India we are in the at least in the top two in terms of paid subscribes right from a paid services point of view. So the number of players in the OTT space that operate in a free space which advertising led is different from those who operate in the pure subscription paid that we are in the pure subscription we are certainly in the top two both in terms of number of subscribers.

Vaibhav Kacholia: So when we get revenues from our subscriber we would be amortizing it based on the amount of period in this quarter which he has been a paid user right?

Management: Right.

Vaibhav Kacholia: And so the number of paying users will be somewhere between the active users and the total 8.9 million total uses somewhere between that.

Management: Absolutely right.

Vaibhav Kacholia: Second question I wanted to understand internationally is there some model where the platform is showing only TV shows without movies and has that created else and what is the kind of business model?

Management: Nothing tells us that we want to just do this. I think in our previous interactions as we have mentioned our vision is to create the binge viewing habit. We are starting with Hindi and we are starting with the masses of India. We want to be the Home for Indian audiences when they come to see OTT content. Today our focus is to create a habit by offering them original exclusive shows. Some of the shows are 10 episodes, some of the shows are 20 episode, some of them are 30 minutes, some of them are of 60 minutes. As we go through our journey and our life cycle we will certainly build and contemplate many things. It could contain languages, it could contain libraries. Today we want to stand

out for one thing as the best home for watching original in Hindi and we will expand this offering as we go down our journey.

Vaibhav Kacholia: So will be adding movies as well latest movies?

Management: No, not in the next two quarter calls, but really in the long-term future we will review this.

Vaibhav Kacholia: What is like the final...globally are their some companies decides Amazon and Netflix which have been able to create a lot of value is there a model in which we have in mind.

Management: There is Hulu that what is happening in the US next year itself between Disney, Warner, AT&T and Steven Spielberg they are launching four big apps in the same basis that you largely go with content you create because the audiences are large they are highly segmented there are different value propositions and there is a great demand to watch audio visual content and consume it.

Vaibhav Kacholia: So Hulu and Spool and all these guys will be kind of models which we can look to emulate?

Management: No I would not put Spool in the same category Hulu is big and I think the US there are many versions. If go to Japan you go to the European nations I think this is now a fairly established media category. So like you have television and you have OTT they are fairly well established, OTT is growing really fast if you look at China it is almost 50% of the market.

Moderator: The next question is from the line of Senthil Nathan from Crest Wealth. Please go ahead.

Senthil Nathan: Just on the standalone balance sheet what is that noncurrent trade receivables sir 3.4 crore?

Management: Non current assets trade receivables are the receivables which we have done with the non-core business. So these are primarily coming out of one is private equity which we are having a receivables.

Senthil Nathan: And is it good or it is?

Management: It is good.

Senthil Nathan: I can see good increase on the employee expenses on the consolidated P&L, what would be the reason for this sir?

Management: One reason is currently it also had increment plus the first time Balaji has given ESOP to the employee so the ESOP cost has been impacted in this year.

Senthil Nathan: So again going forward next quarter again it will come back to normal run rate?

Management: No this quarter run rate will be maintained for the coming quarters.

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

Yogesh Kirve: Firstly on the television production side we are currently at 193 hours and possibly reached to about 225 to 240 what you said at the start of next year, so during this increase in the programming hours so how should we look at the EBITDA of the gross margins because I have presume this increase would be on back of some addition of shows so what could be sort of margins profile in the second half?

Nachiket Pantvaidya: The margin profile will probably continue to track the same the volumes will grow, but we will be launching new shows in the second half also and improvement we will see will come will only in the next FY, but volume improvement is definitely on the cards.

Management: Basically how it placed out if we launched three shows in Quarter 1 and months new shows in Quarter 2. If you see quarter-on-quarter sequentially we have improved the margin and hence the EBITDA and we believe the same momentum will be maintained in the coming quarters too. We will have few launch also in coming quarters.

Yogesh Kirve: Sir, despite the launches in second half can we see the momentum in that margins improving in the second half because I think the first half was?

Management: We will maintain their above what we have done in Quarter 2 I think we should be able to maintain that margin. Q1 was an aberration because of three shows coming in at the fag-end of the quarter that is the issue.

Yogesh Kirve: And going into FY20 really on the longer-term basis I mean we can go back to the margins what we had say past years close to 30%?

Management: Yeah we expect the same number.

Yogesh Kirve: Secondly regarding the ALTBalaji we have seen a fairly sharp increase in revenues from first quarter to second quarter, so would it be possible for you to comments what has been the proportion of growth, what has been larger driver of growth on quarter-on-quarter basis, is it the B2B2C or B2C route?

Nachiket Pantvaidya: See we are continuing to see growth in both sectors while saying that 70% of our revenues are coming from partner and 30% from direct subscribers that is our revenue mix. What has really I think been a turning point is that we have seen libraries increasing all our shows coming out

in a more regular and systematic manner there seems to be an uptake going ahead that is one. Secondly also overall in the environment India there has been an uptake. People are buying more and more into telecom internet packages and that has also fuelled the acceleration in growth because we make original Indian content we are able to reach to urban mass target audiences and that has also in a way helped us accelerate our growth.

Yogesh Kirve: And also looking at it another way if you look at this growth from Q1 to Q2 so has ARPU been also contributed to this growth or is it purely on back of subscriber additions?

Management: It is volumes. Yogesh just to clarify if you see we have not changed with the price point. When we launched last year we were at Rs. 300 a year we still maintain the same price point. What we can share with you is actually every new B2B2C partners that we are signing or engaging with they are at a higher ARPU then the previous dates.

Management: I just want to add to the flavor of what Nachiket said. You know one of the things that we have seen with the content that we add is we are bringing in different kinds of audiences, we are bringing in the habit of binge viewing and we are bringing the stickiness because of quality of content. At the end of the day the Balaji DNA continuous to deliver in this format of OTT too.

Yogesh Kirve: Secondly in terms of programming side obviously we now have about 24 shows so going forward are any content initiatives plan which should be different and what we have done so far I mean would be considering some big format shows going ahead or what we have done so far is largely a good reflection?

Management: Our strategy has always been to look at men, women younger and older audiences and I say older it means up to 40 is to look at what we call as the premium audience, the urban mass audience and the generic mass audience and we keep creating content that target these profiles and at any given time period we are producing 40 shows on the floor. So I would believe that at this point of time we have production up till 2019 September-October going on the floors and it has been creative for these different audiences. We learn through the data streams that we get and we figure out who is watching what and what is working and work towards that. So our programming pretty much works within this construct and within the learning that we get from our data streams.

Yogesh Kirve: In terms of production values and the cost per show what we have done so far is it good indicator of what we are going to do ahead as well or perhaps we could see a sort of bigger budget shows or something like that?

Nachiket Pantvaidya: So right now I think in terms of what we have done you will see that we are going to make our past hits to a greater degree going ahead. Therefore in the second half of the year you will see the second season of Kehne Ko Humsafar Hain coming the third season of Karrle Tu Bhi Mohabbat coming through and what essentially we are signaling is that now we have got out of the 24

shows that we have got we have got a bunch of hits which we were going to leverage going ahead which means that we can scale up the number of episodes and we need to do lesser creative work on creating characters. So the same characters will now be in this progressive story lines so that is really what we are doing in the second half of the year. We are looking at the hits that have happened in the first half.

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

Rishabh Chodankar: Just a book keeping question can you provide me what will be the total subways and the total active user base for say Q4 FY18 Q1 FY19 and Q2 FY19?

Nachiket Pantvaitya: We will kind of give you that but to just give you a quick number we exited last quarter at around 5 million subscriber base we are exiting this quarter at around 8.5, 8.7 million subscriber base.

Rishabh Chodankar: And in terms of active user base?

Nachiket Pantvaitya: That is 2.3 million that is there in the release

Nachiket Pantvaitya: I just wanted to kind of interject with this point and say that this monthly active user base is a very useful phenomenon for advertising led platforms because they need to show their ads and those need to be watched by active users. So subscription led platforms it not as important.

Management: That is a base of subscribers you have and the actual revenue you get and because our model is hybrid it is not about the ARPU argument. We need to see the growth both from the terms of other revenue from our partners and revenues from our direct. Now what happens in the country today if we try and focus only on direct it is a fairly expensive phenomenon. Telco partners carries some of the cost of distribution they will come a time your directs will grow but that is at least maybe a year or two away to see big growth over there.

Rishabh Chodankar: Just one request and I can understand that your model is completely evolving and it keeps changing and we are in an evolution phase, but just one thing if you can maintain metric in terms of reporting similar across quarters going forward because historically, we were sharing a paid user number, we are sharing a gross build user base and that keeps changing and that is a request going forward?

Management: I do not think so it has changed a lot but that is a useful suggestion and we will make sure, but we have been fairly consistent about overall subscribers at MAU.

Rishabh Chodankar: MAU overall subscribers plus revenues.

Management: And Kartik can share that with you over the quarters.

Kartik Sankaran: Just to clarify Rishabh I think you were used to broadly just seeing a table where those three numbers were there in a chart the same information was on the first page of the report. I will be happy to provide it to you a little later for each

Rishabh Chodankar: I believe that so far you guys have got an investment of close to 50 crores in ALTBalaji so I am assuming that H2 should be heavy in terms of investment because you will be rolling out more originals plus second levels shows like season two, three for particular. I am saying that so far in H1 we are ALTBalaji the PAT margin is close to 50 crores and you are guiding for a 150 crore kind of investment and you are on run rate to hit that right. So I am just assuming that in H2 you will see an higher level of loss in that ALTBalaji entity?

Management: No as a matter of fact the level of loss will be less because our revenue trajectory quite promising at this stage of provided all the telco keep giving out internet for free so suddenly start charging a lot for internet I do not know and even external circumstance has been the same our trajectory will be good.

Rishabh Chodankar: And sir will it be possible to provide what will be the total content hours on a platform?

Management: Here is about the shows and nature of shows that you do. So like in Television we got used to the metric of hours and the yield we make for hours. Here actually selling an end-to-end product

Rishabh Chodankar: No my question was not coming in terms of calculating the yields it was mainly coming in terms of the volumes of content we are offering to our consumer because that will in turn drive the sub growth right the more volume of content we have is going to drive the overall subscription subscribers on the platform?

Management: One is quantity but we also need to look at the quality aspect. We are focused on the original exclusive space so that is a proposition to the consumer we are not going out saying I offer thousand of hours of content. We are doing a Hindi focused kind of product, but as I said we can give you these numbers.

Moderator: The next question is from the line of Mr. Vaibhav Kacholia from VK Capital. Please go ahead.

Vaibhav Kacholia: I wanted some idea what would be the total number of subscribers for paid platforms in India currently and how do you see this number going ahead?

Management: I wish I had that number to be very honest, but we do not have it because the proprietary information others platforms do not give that information out. Just to, however, give you an insight in the last five months of data that we have received from App Annie which correlates the subscription that is made on the app store both at Apple as well as Google. We are consistently in the top 5 again to give you a perspective our rates of subscription or our ARPU probably in the lowest in those top 5 rank players that keep coming out an app and we will share that data with you data later. So we are estimating that we are in either number one or number two in terms of consistent paid subscribers month after month. So both on Android as well as Google we are in the top 5 across the last 5 months and that is also at probably 120th the rate as a market leader. So our subscriber base is pretty high and significant at this point in time.

Vaibhav Kacholia: Suppose we are in the top two so the others players also might be at a similar 10, 15, 20 million numbers?

Management: I am not very sure, but I mean you go to ask the others players but you should look up at the app or any data or Kartik can share it with you for the last five months and that gives a perspective of how many direct subscription we got, but of course App Annie does not reveal how much we have got through partners we believe that we are very strong in that area also because that account for 70% of our revenues.

Vaibhav Kacholia: So from the App stores we are in the top 5 and in actual subscribers we are in the top two so we are doing better in the telco in that sense and B2B2C?

Management: No the actual subscriber we are in the top two because the App store gives gross revenues. So the gross revenues rate multiplied by volumes and we are in the lowest rate we know the rates of all the subscriber that logic we are definitely very high of. Telcos we do not have comparative data at all.

Vaibhav Kacholia: So in terms of revenues we are in the top 5, but in terms of usage we might be in the top 2 in that sense?

Management: Correct.

Vaibhav Kacholia: Sir now Netflix has said that there next 100 million subscriber will come from India so I mean this entire market is going to be about 150, 200 million subscribers in the next 5 years.

Management: For Everybody 1 billion market is India. India is the one of the biggest, largest growth market for everybody not just for Netflix for anything and everything for automotive, credit cards whatever you wished to say. I think at the end of the day if you look at the reality Netflix has also said that they have a base which is around 500,000 in India of paid subscribers. So you have got to put things together in that context.

Moderator: I would now like to handover the call to the management team of Balaji Telefilms for closing comments. Please go ahead sir.

Management: We just wanted to thank everybody and we urge you to watch our shows on ALTBalaji it takes little effort and if you are on a Telco platform you can get it free also. So please continue watching our shows and liking us. Thanks so much for being on the show.

Moderator: Ladies and gentlemen this concludes your conference for today. We thank you for your participation and for using iJunxion Conference Service. You may please disconnect your lines now. Thank you and have a great evening.