“Balaji Telefilms
Q4 FY2020 Results Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Balaji Telefilms Q4 FY2020 earnings conference call, hosted by IDFC 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohit Dokania from IDFC Securities. Thank you and over to you Sir!

**Rohit Dokania:** Thank you Nirav. Good afternoon everyone and welcome to Q4 and full year FY2020 result conference call of Balaji Telefilms Limited. I hope all of you and your near ones are doing good. I would like to thank the management for giving IDFC Securities opportunity to host this call. The management team is represented by Mr. Nachiket Pantvaidya, group COO and CEO of ALTBalaji Media Entertainment, Mr. Sanjay Dwivedi, Group CFO and other senior management personnel. We will start the call with the comments from the management and then move into Q&A. Thank you everyone and over to you Sir!

**Management**: Good afternoon. Thank you everybody for joining us for our Q4 FY2020 earnings call. At the outset, I want to say that I hope you and your loved ones are all safe and sound. The current crisis is really unprecedented and enormous, and we are all aware and sensitive to the terrible impact that the pandemic is having on our lives and livelihoods. We also want to take this opportunity to express our gratitude to all the frontline workers who are risking their well-being in lives to keep us safe.

Having said that let me now start with the key highlights of the year FY2020 as well as Q4 FY2020. Starting with an update of the TV production business we continued to drive the ratings for the broadcaster's we work with and our production came to a halt at around March 18, 2020. We lost about 13 days of production in the last quarter. We had a strong content line up and a good rating during the quarter.

Our daily shows bank only about a week's worth of episodes at any point of the maximum of two weeks. This is to ensure that we can gauge audience reactions to the story as it unfolds and make the necessary changes. At the time of the lockdown came into effect we had daily show's Kumkum Bhagya, Kundali Bhagya, Kasautii Zindagii Kay, Ye Hai Chahte, Pavitra Bhagya and Naagin 4 and only a couple of days worth of episodes banked.

Broadcasters initially fell back on re-telecasting old and other recent hits it is to keep the audience engaged and entertained. We were also able to premier some of our digital shows from ALTBalaji on broadcast TV which showcases the power of the content we produce. Moreover, this quarter we produce 198 hours of content at an average realization of Rs.39

lakhs an hour. On a yearly basis we had 823 hours which is an improvement of 8% year-on-year while maintaining realizations at the 37 lakhs per hour. We have recently resumed operations following the necessary health and safety protocol and we will need to get accustomed to the new normal whereas focus would be on quality production while at the same time to take care to follow all the safety precautions. Further or existing shows, which was stopped would need a rethink in the sense of recapturing viewers imagination and newer story lines. Coming to the movie business we had an exceptionally good performance this year and our strategy of presales has worked very well. We had a great hit in Dream Girl and the other two movies Judgementall Hai Kya and Jabariya Jodi also did well for us. We have four movie projects in the work namely Dolly Kitty Aur Woh Chamakte Sitare,Ek Villain 2, KTina and Pagglait.

Our movie business will continue to focus on pre-sales and co-production of it'sfuture slate and our capital commitment to the movie business remains limited. We remain very selective in the projectory bank and always focus on movie projects area comfortable with the risk reward. For example, we prefer to do co-production deals with a ticket size of the movie are large and also look the presale and lock in profits with upside sharing as early as possible in the movie cycle.

All new projects that were stringent green lighting process and we continue to limit our exposure in the movie business. Given restrictions of theatrical releases Dolly Kitty Aur Woh Chamakte Sitare will premiere on Netflix shortly and we are exploring options for the other movies as well.

ALTBalaji continues to establish itself as the preferred choice for Mass Hindi content with the surge of people connecting to their digital devices at the time of lockdown. We have benefited with a phenomenal rise in viewership. We have seen a surge in subscribers we are getting daily from levels of 10,000 subscribers per day we are moving to about 50% to 60% more and we have also seen increasing the watch times.

One noticeable phenomenon is that the subscribers are coming from previously untapped markets, rural, Tier-2 and Tier-3 towns. Further we are well positioned for these markets as we offer a very low-price package of under Rs.1 a day and we are showing local Hindi content to address these markets. Also, the other reason for making the newly added subscribers to stay with us is that our content is linear series that is shows which are not episodic in nature. We do not show movies or things that can be watched in just one go at one time, these shows which are season and episodes and therefore we are confident that this will form a very strong habit for these new subscribers.

We continue to be ranked in the top five grossing apps across IoS and Android. Our ranked have been between 4 and 3 despite having one of the lowest subscription prices in the country. We also have one of the largest libraries of original digital shows thereby helping us lower our cost of customer acquisition. We have several hit shows we can use to run campaigns.

Overall all three business verticals have done very well. We remain flexible to be able to navigate the challenges from the COVID-19 impact on the media and entertainment business. I will hand over now to Sanjay Dwivedi, our group CFO to give you a quick update on the financial. Over to you Sanjay!

**Sanjay Dwivedi**: Thank you. I hope you all have seen the results presentation available on the website. Financially, we have had a very good quarter and overall good year. The key figures which I would like to highlight are as follows: On consolidated basis revenue is up 34% to Rs.574 Crores versus Rs.428 Crores FY2019. The revenue growth came from all three businesses TV business saw increasing production hours, movies had a higher revenue, we had some presale revenue and a very good lineup during the year. ALTBalaji continues to grow at a much faster pace and revenues were at Rs.77 Crores verses Rs.41 Crores for the year.

On the EBITDA front we have managed to turn around a loss of Rs.105 Crores from FY2019 into a profit of Rs.11 Crores for FY2020. The majority of this EBITDA growth came from the TV and movie business where we saw a near 4x growth on TV EBITDA. Movies had a very strong performance and contributed an EBITDA of Rs.37 Crores for the year.

Coming to our PAT although a loss of Rs.59 Crores one need to adjust certain item, which I will highlight; PAT this year includes Rs.13 Crores of MAT utilization, which is a non-cash charge. Otherwise our effective tax rate remains that 25%. In addition to this our treasury and non-operating income this year has reduced to Rs.8.6 Crores from Rs.31.8 Crores. This is primarily an account of lower income from mutual fund as the average balance was lowering the year plus yield have been lower.

Coming onto our balance sheet; we are a zero debt company with bank FD and mutual fund investment at Rs.163 Crores and another short-term working capital in movies of Rs.76 Crores. Total balance Rs.239 Crores, which gives us significant cushion in these volatile times.

Our inventory levels have reduced to Rs.155.8 Crores from Rs.195.8 Crores in FY2019 and is primarily for our web series under development and movies awaiting release. This will readily convert to cash in due course. Our trade receivables stand at Rs.177 Crores and are from some quality names in the industry, which further helps strengthen our balance sheet.

Overall, we had a significant year with H2 performing much better than H1 as anticipated. All our key business verticals have taken proactive steps to mitigate the effect of COVID-19 though we continue to remain cautious in our spent. 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 very much. We will now begin the question and answer session. The first question is from line of Chintan Desai from Param Capital. Please go ahead.

**Chintan Desai**: Good evening Sir. Congratulations for good set of numbers. Sir my question is pertaining to the OTT business by year end what would be our active subscriber base and direct subscriber base that is one and of course ARPU as a result and secondly, can you give us some flavor on how Zee deal is working for us and also, it is accounting per se?

**Management**: Let me just give you a bit of color on what you have asked for one is it at any given point in time and we are between 1.5 and 1.7 million active subs in that last financial year that we talked about as ended the year, but on an overall basis we have about Rs.38 Crores to Rs.39 Crores of direct subscriber revenue in Rs.77 Crores for ALT Rs.38 to Rs.39 Crores is direct subscriber revenue, which translates roughly into about slightly more than 3 million subscribers at Rs.130 ARPU so that is the number. Now what has happened is post-September we have gone into the Zee deal because of which we have taken our products out of Airtel, Vodafone, Times internet other places where our shows were available free. The result of that is that we have seen an enhancement in direct subscriber acquisition on the base also, our costs have been mitigated on the content side to the extent Zee repay 60% of our costs so this has meant that the first half of the year ALT losses stood at around Rs.68 Crores and in the second half of the year it has come to about half that number to around Rs.38 Crores. The effect of the Zee Deal is that here we have halved our losses in the second half of the year and they will continue to go down and we have seen a spike in direct subscriptions and just to give again a background over the three years that we have been in operations every year we have doubled our overall revenue as well direct subscription revenue, so we have gone from levels of something like 4.5 direct subscription to 15 Crores to 38 Crores in the three years in terms of direct subscription and of course our revenue numbers are roughly Rs.7 Crores, Rs.40 Crores and Rs.77 Crores so every year you are seeing doubling of overall revenue and doubling of our direct subscription and that encourages us to say that we are on the right path strategically to exploit this we are not in OTT which is bottomless where you to keep investing. We are seeing a decrease in losses year-on-year. What is also heartening for us is the fact that all the divisions this year are performing well and will continue performing well on like-to-like basis and they will help us sustain digital, we are cash positive. We have no debt and the profits that we earn from our television and movies business will ensure that we will continue to grow our digital business that is ALT.

**Chintan Desai**: Got it Sir. Sir out of the balance, I mean out of Rs.78 Crores, Rs.40 Crores would be direct, balance would be a mix of revenue from telco and syndication?

**Management**: The first half of the year that is still September 1, 2019 we were on Telco partnership so that is there plus there is some component of revenue of Zee that we account for, I think it is tune of Rs.15 Crores to Rs.18 Crores.

**Chintan Desai**: Got it Sir. I will come back in the queue Sir.

**Moderator**: Thank you very much. The next question is from the line of Dhaval Doshi from Sundaram Mutual Fund. Please go ahead.

**Dhaval Joshi**: Thanks for the opportunity. Sir just one basic question, Sir if you look at your standalone top line so we have mentioned the reason of decline on Q-on-Q revenue is largely because of the COVID but can you give you some idea about your inventory part because generally we have inventory of more than 10 to 15 days maximum I am saying and lockdown and everything is started from March 18, 2020 and March 24, 2020 basically so why it is sharp drop in Q-O-Q revenue in standalone that is one and second if you can give exact or something subscription data that could be?

**Management**: I just gave you?

**Dhaval Joshi**: No you gave us the number of direct number and everything direct line and all but the way we used to give earlier like till Q2 or Q1, we have the data if you can provide us paying subscriber base?

**Management**: 3 million subscribers at Rs.130 ARPU.

**Dhaval Joshi**: That is the Q4 run rate you were saying?

**Management**: 3 million subscribers at Rs.130 ARPU that total is to Rs.38 Crores revenue number. Sanjay could you just help us out of that?

**Management**: On sequential basis you want to know the revenue correct?

**Management**: Yes.

**Management**: On TV side we had Rs.125 Crores for Q3 and we are currently quarter 4 at Rs.107 Crores. Loss on revenue due to COVID is around Rs.6 Crores and the drop what you are seeing is because the programming mix changes between weekend shows to kind of week day shows.

**Dhaval Joshi**: Okay fine. Thank you.

**Moderator**: Thank you. The next question is from the line of Rakesh Laroia from Old Pine Advisors. Please go ahead.

**Rakesh** Laroia: Sir what is the lifetime value of a subscriber and average customer acquisition cost for you?

**Management**: We have not yet calculated lifetime value of subscriber but you can just take if you want to do the math on it, there is a 33% churn on subscribers and our ARPU levels are between 130 and 140 so it depends on what you call Lifetime Indian market has not stabilized in OTT business actually get a lifetime value very quickly and those calculations are better in other markets, but that is the data, roughly ARPU 130 and our churn at 33%.

**Rakesh** Laroia: What is the average streaming cost per customer per month for you as of now?

**Management**: As of now I cannot reveal the data but I can tell you as of March it will be mostly somewhere between 10% and 15% of the ARPU so the customer is three month customers if he gives Rs.100 then it will that be that much and if he gives Rs.300 then that percentage is calculated on that.

**Rakesh** Laroia: Right Sir. Thanks a lot.

**Moderator**: Thank you very much. The next question is from the line of Kiran Naik from Mody FinCap. Please go ahead.

**Kiran Naik**: Thank you for the opportunity. I have two to three questions. You told that ALT is in loss at present so when it will be profit?

**Management**: So we are expecting we have always said that between 36 to 48 months after launch. We will have one quarter of break even I think because of COVID we can say between 39 months, means for now from July in the next one year one of the quarters we will definitely show profit.

**Kiran Naik**: Okay can I take 18 months from here?

**Management**: No you can take 12 months from here.

**Kiran Naik**: Any dividend declared?

**Management**: We have a dividend policy which is listed on the website so request to kindly go through that.

**Kiran Naik**: Okay and this Rs.130 is monthly or yearly?

**Management**: Yearly. Our price is Rs.300 a year and I can get a higher ARPU.

**Kiran Naik**: Question is for the CFO I hope that cash conversion day is for manufacturing company do we have any cash conversion day the different between the receivable and payable for us is how many days?

**Management**: So you want to know my ratio number of days of collective?

**Management**: Our receivable outstanding is closure to 90 days.

**Kiran Naik**: Net 90 days.

**Management**: Yes net 90 days.

**Kiran Naik**: Payable also would be same?

**Management**: Payable also would be same.

**Kiran Naik**: Thank you.

**Moderator**: Thank you. The next participant is from Dharmik Prajapati from ProsperoTree Financial. Please go ahead.

**Dharmik Prajapati**: Congratulation for good result taking out the ALT losses. Most of the questions have been answered but I have one question regarding to what is ARPU composition for yearly and quarterly uses?

**Management**: The total ARPU is about Rs.130.

**Dharmik Prajapati**: 30 million is subscribers. What is the composition and how much percent or yearly subscriber and how many other quarterly?

**Management**: Out of 3 million 70% are quarterly. Roughly it fluctuates but if you take an average.

**Dharmik Prajapati**: How we see this current run rate for daily increase in subscriber after the lockdown?

**Management**: Well we started off well with 70% increase in subscriber rate, but I think it will go down to around Rs.14000, Rs.15000 per day now earlier it was Rs.17000 per day from Rs.10000.

**Dharmik Prajapati**: That is very good. Congratulations. Thank you.

**Moderator**: Thank you very much. The next participant is Kunal Jain from District Capital Partners. Please go ahead.

**Kunal Jain**: Thank you Sir for the opportunity. Sir my question is films has been doing good performance your films and also the recent announcement of Dolly Kitty coming on the Netflix is a positive so will we see Balaji making such more digital first movie going forward?

**Management**: We have to make digital creative content for all audiences if you realize that we have a digital only business, which is ALT but when we make TV shows they also go on free digital so if you make a television show also for the Zee it goes on Zee5 if you make it for Star and goes on Hotstar and movies also today is a large component of the revenue even pre-COVID was coming digital so there is more and more the world is embracing the fact that whatever content you make has to be digital friendly. So our viewpoint on this is that all the content that we put on ALTBalaji which is the play platform we make it for individual audiences whereas for movies and for television, we make it for family audiences. Now having said that we will, given that the theaters are not going to open too soon we will have our business model skewed more towards digital releases, especially for films that cost less than around Rs.25 Crores to Rs.30 Crores.

**Kunal Jain**: Sir one more question I have is that your H2 performance has been really strong compared to H1 so is that because of the impact of your Zee partnership and will you see this number this way going forward?

**Management**: Well there are two things on H2 performance one is of course ALT that has been stronger and we have got our losses down by 50% in H2 because of the digital partnerships with Zee and because its consequent increase in direct subscription that is one. Also we had a good movie hit in H2 which is Dream Girl which helps the number up in Q3. What is really heartening for us that is in Q4 and we did not have a big movie number but even then we are breaking even in Q4 of FY, we are able to fund our ALT digital business loss directly through our television business and therefore are fully self-sustaining now without debt and with around Rs.240 Crores to Rs.250 Crores of cash.

**Management:** We are not taking away our investment portfolio. We are not using any of those to kinds of fund our digital business.

**Management**: We have in fact reach the tipping point where we are looking to leverage our strength of library and grow exponentially in this year.

**Kunal Jain**: Then what kind of impact do you see in Q1 due to the closing of the shooting?

**Management**: Television business will see an impact materially because there is no production and I do not want to kind of preempt our next board meeting and release because we will be talking again, probably in a month, month-and-a-half time, but for sure the television business will be impacted like the rest of the world because we cannot produce that.

**Kunal Jain**: Thank you Sir.

**Moderator**: Thank you. The next question is from Nikita Mehta from BN Investment Advisors. Please go ahead.

**Nikita Mehta**: Thank you so much for the opportunity and congratulations on a good set of numbers. My question was related to the digital content that we put on television like some of the shows like Baarish and Karrle tub hi mohabbat? Sir I was asking that do you think like most such digital shows can be a part of TV going forward or something in that line?

**Management**: Well to be very honest because we did not have television production. These were put out but like I mentioned before the shows that we make for television are in fact put on digital and they do well like a Naagin does well on their digital platform that it is on and Kasautii or Kumkum Bhagya, Kundali Bhagya, so we are not going to go into exclusive market of producing shows for only television. Our shows do go on both digital as well as television platforms.

**Nikita Mehta**: But then what about the library that we already have is there something more that we could see going ahead on television and what I am trying to ask?

**Management**: No, you would not see anyone. Just COVID stop gap because there is no production going on.

**Nikita Mehta**: Alright and also I wanted to ask, now that we have strong cash and cash balance and also with a positive EBITDA we can say that pretty self sufficient now, what is your plans for the future like for this free cash flow generating if you can throw some light on that?

**Management**: Most of it is around only one max in that is growth and growth and I think that we will try and be online without production commitments in non-tv that is both on digital as well as movies and we see a very, very healthy outlook for ALT. Television will continue, we have already started production shows have already gone on air so starting July 15, 2020 we will kind maintain the same level of output at last year proportionally for us, but really the buzzword for us is pumping into the growth for ALT creating more content that is relevant to mass India on ALT marketing ourselves exclusively to acquire subscribers on ALT and reach at least one quarter of break even in the next four quarters starting today.

**Nikita Mehta**: That is all from my part. All the best and thank you.

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

**Rohit Dokania**: Just two quick ones, one is can you talk about consumer behavior during this COVID times on the platform on the ALTBalaji?

**Management**: There are two kinds of distinct behavior that we have seen one is watch times have gone up at least 50% to 60% and secondly, we have been exposed to newer market. If you see typical English content led OTT will have 60% to 65% of its viewership coming from the top eight metro or the top eight cities of India. Our proportion is 44% there and it is availability in 40% and 44% so we are more deeply penetrated in Tier-2, Tier-3 towns during COVID we were naturally exposed without adding to spend much of marketing to these towns and therefore we are gaining momentum in these towns. The second base that we have seen is because we are spreading more into Tier-2, Tier-3 India our quarterly packs are being subscribed to more than Rs.300 pack. Our price point is also extremely well suited for mass India. It is less than rupee a day and you can buy subscription for Rs.100 for three months. So, I think two phenomena has happened one is that our mix has been Tier-2, Tier-3 towns focus specifically Tier-2 and our quarterly packs are rightly suited for this, this demographic that is come on.

**Rohit Dokania**: Sure, that is helpful. Other one just wanted to get your sense on obviously we have maintained very strong growth on ALTBalaji platform do you think that we can sort of maintain this kind of growth in FY2021 as well what we have shown in FY2020?

**Management**: Yes, I think there are two or three factors of course to it. One is that we have started full-fledged production and we need to get out new shows. Otherwise people will go through our shows fast, but we are confident that we will maintain that momentum that we have in revenue year-on-year from Rs 15-40-77 cr and we need to kind of get that kind of growth this year. I think we will manage it at only when we do that when we actually break even in one of the quarters. We are pretty positive on the digital front. Also, what has happened is we have got three years data now and we have now refined our programming strategy to be extremely focused. Nobody else in the country has got data for 60 plus shows made for mass today. With that kind of data means that we have taken two or three steps one, we are focusing on Hindi language. Secondly, we have dropped kids from our portfolio, and we are creating series Hindi television for the 18-35 demographic and that is our sweet spot and which is helping us kind of gain numbers. So I think these two mean that we will be among the top players that in this year if you look at data on the Android play store in Q4 of last year we were number 3 though our ARPU probably would be the lowest in terms of gross billing we were number three and that I think it is a good sign to show that we will be either number two or number one on the play stores.

**Rohit Dokania**: Thanks a lot.

**Moderator**: Thank you very much. The next question is from the line of Sadanand Shetty from Truequity Advisors. Please go ahead.

**Sadanand Shetty**: My question is to Nachiket. Can you help us with the granular detail what will help you to break even in one of the next four quarter I mean to say rising revenue, freezing cost? What will that particular element and will that remain a linear trend thereafter or it is only one of the quarters of you are saying?

**Management**: Like I had mentioned before if you look at last three years data, we have been narrowing losses consistently and that means there are two things that we are doing one is that we are putting out more and more content out as our content library grows the incremental cost of acquisition of every subscriber is going down so right now our per subscriber acquisition cost is anywhere between Rs.80 to Rs.90. This was about Rs.120 to Rs.150 when we started off so as we are adding more shows in our key TG markets and our key TG demographics we see acquisition cost is going down that is one. Point two is that the fact that the whole new market has opened up during COVID means that the sampling has increased tremendously. We have seen a 50% to 60% increase in sampling of ALTBalaji in mass India both these factors means that we will continue the trajectory of growth in terms of our bottom line as we go ahead. Our revenues have been growing year-on-year that because people love our programs our library is not just library. Our hit percentage is significantly higher than anybody else and each year as we add 20-25 shows. We are finding that the marginal returns are increasing exponentially.

**Sadanand Shetty**: Thank you. You used to have original content per annum do you continue to maintain that matrix and what is the original?

**Management**: It has increased.

**Sadanand Shetty**: Can you put some number to that, number of hours you will use for digital.

**Management**: We have got from 18 shows to 24 shows.

**Sadanand Shetty**: Okay thank you.

**Moderator**: Thank you very much. The next question is from Sagir Khericha from Standard Capital. Please go ahead.

Sagir Khericha: Sir I have two questions. My first question is that in the legal entity wise performance breakup that we have in Q3 the ALTBalaji revenue was Rs.23.14 Crores and has fallen into Rs.22.2 Crores in the March quarter so if the number of subscribers as hypothetically increased then what is the reason for the fall in revenue in ALTBalaji that is my first question? My second question is on the other current assets in the consolidated balance sheet. It is approximately Rs.279 Crores so it has gone up from Rs.131 Crores so what is in that other current assets? Thanks.

**Management**: One is you are asking why there is a small dip in the revenue

Sagir Khericha: I was expecting an absolute increase in the revenue and in quarterly terms like going ahead every quarter?

**Management**: Even if the subscribers increase, we only accrue the revenue for this period. So, people pay upfront but it gets apportioned for each of the period for which they have paid

**Management:** So, if somebody gets a 12-month pack in March only one-month revenues is taken.

**Management**: I may get cash immediately but the revenue gets defer to a certain extent.

Sagir Khericha: That is helpful. On the other question the other current assets?

**Management**: Other current asset is largely because there is an increase in your receivables from the other entities, which is Motion Pictures and Digital Business. There is surge in receipt from the GST side in ALT. We have a huge GST asset which is getting created because we are not able to absorb the full GST assets.

Sagir Khericha: Thank you.

**Moderator**: Thank you very much. The next question is Mr Shetty, Individual Investor. Please go ahead.

**Shetty**: Good evening Sir. I have two questions, first one is about Zee deal. Zee deal happened in September, we were expecting reduction in quarterly cost of ALTBalaji segment up to 60% but in the quarterly cost before September and after September it is more or less same, hovering around 20 Crores per quarter so please help us understand how and where the cost advantage is coming is it coming in the cost or is it coming as revenue how are we getting money from Zee?

**Management**: So which quarters are you comparing Q3 to Q4 right?

**Shetty**: Yes, even Q2?

**Management**: You have to compare Q2 to Q3 because Zee deal had started in Q3.

**Shetty**: Assuming that cost advantage will come in the cost itself and cost it will reduce by 50%?

**Management:** I will just make you understand which cost benefit which comes out of the Zee5 deal. One is clearly we co share the cost at 50:50, IP is owned 50/50 and cost is also share is 50-50, Rs.10 extra that will be paid comes as a revenue into the topline. Agreement got effected on September 1, 2019 so what happens is because of the earlier cost which we had incurred on this content continues to hit your P&L amortization because that is fully owned still by us. So proportionately whatever shows goes online with Zee that benefit comes so you still have a huge library for which the content cost remains and the incremental cost benefit will come only in the future years so if you see the cost line Q2 we had Rs.27 Crores, Rs.28 Crores whereas Q4 we are at Rs.27 Crores so as we go further in fact our overall content spent in this fiscal was higher than the last year also and the programming mix also has changed. We have a few high cost shows in this fiscal, which was totally owned by Balaji.

**Shetty**: Got it. Thank you, Sir. One more question I have is about the Jio Movies still there are some shows available on Jio Movies which are from Balaji, is Reliance Jio still paying towards anything for that is it quarterly payment or half-yearly or yearly in which part typically it comes?

**Management:** Yes they are paying.

**Shetty**: Is it quarterly payment or half-year or yearly?

**Management:** I did not understand what your question is. There is a per month charge for it.

**Shetty**: Do we get revenue from them yearly or half-yearly or every quarter we get? How is it distributed? From Reliance Jio the revenue which we got?

**Management**: We get for each month. I will put it this way. I hope this clarifies.

**Shetty**: Thanks and how long is the contract valid?

**Management**: Right now it does not have a termination date.

**Shetty**: Thank you.

**Moderator**: Thank you very much. The next question is from the Dhruv Padh, Individual Investor. Please go ahead.

**Dhruv Bhat**: Thank you so much for the opportunity. I just wanted to understand that in Q3 we were discussing about not joining aggregators for a range of variety of reasons, but since Q4 and Q1 with COVID coming into picture, , are we assessing getting into aggregators to catch on to more subscribers and to tap onto our niche content that we kind of produce?

**Management**: First of all we do not produce niche content. Ours is mass based content. We do want to go for small niches. We are there for around 600 million people in India, which is the large Hindi speaking mass. Secondly we have taken a conscious step towards getting out of telco aggregator and other aggregator simply because we want our distribution focus to be on pay customers when you went to telco aggregators our content was being offered free to the consumers. We did not want that so now being just on ZEE5 and on being just on Zee platforms, especially with our new shows. We are bolstering our direct consumer base and therefore this is part of a three step strategy to become a direct B2C behemoth in India. as a result seen a doubling of our revenues both overall as well as direct subscription and we will continue on this strategy at least in March 2022 at that point in time we will evaluate whether we need any partnerships at all or can we just you know, go direct to market so to answer your question, no, we are not looking actively at the aggregator model. However, having said that we will start our first moves into exploring distribution through aggregators in the international field in the next quarter. Domestically we are getting out of that game into acquiring direct subscribers.

**Dhruv Bhatt**: That is kind of surprises my query. Just one more thing that you know, I think I read in one of the interviews that the overall advertisement expense for the company has gone down because of empty slots being available so are we expecting with the current price and OTT apps with the COVID scenario are you expecting huge incremental expense and advertisement at the same time are we expecting, rise in expense on take to improve our app and maybe because I think we have not incurred a huge expense on tech so are we expecting any sort of those expenses to come in the nearby quarters to fully exploit this opportunity?

**Management**: No beauty of where we are in ALT is that our marketing expense will stay constant year-on-year give or take a few % but because our acquisition cost per subscriber is going down and it has gone down from 120-130 to around 80-90 levels and expected it will be around 70 levels as we go on putting in more shows because of that we are getting more bank for our buck on our advertising budgets, especially for acquiring subscribers, per subscriber cost is going down. Secondly our tech cost is going up but I think will work but that is largely because our direct subscriber base and our viewing is nearly doubling every year year-on-year. So there is some part of the increase of our tech cost will be in tech improvement but largely the streaming cost for us going up year-on-year because our business is growing.

**Dhruv Bhatt**: Can I estimate that both these expenses are going to grow in a similar fashion as it has been?

**Management**: No direct subscriber based related expense streaming cost will be more. It is more than what is typical.

**Dhruv Bhatt**: I just went through an article today that we are looking for strategic investors for the company so I just wanted to gauge some idea on that I mean what does the company and what is the requirement that is coming through for which we were looking for investor?

**Management**: Which article you are referring to? Is there a company spokesperson on that article?

**Dhruv Bhatt**: It was a source based article that is why I wanted your view whether there is any credibility to that or we should just ignore as shareholder?

**Management**: I think you should not pay much attention at this point in time. We definitely our focused on creating an operation that is world class from number three rank on app store we want to climb to the number one rank on digital. We are probably the only content company today in India that has an answer for movies, television and digital for mass India and that is what we want to focus. Right now we have a fair amount of cash to ensure that we can go through our requirements for the next nine to 12 months and we have no debt so I think we are very comfortably poised if at all there is such a thing you will see official announcement from the company coming through.

**Dhruv Bhatt**: Thank you so much.

**Moderator**: Thank you. The next question is from the line of Kirthi Shah Individual Investor. Please go ahead.

**Kirti Shah**: Good evening Sir. Your profit last year was Rs.57 Crores standalone? What is valuation today of our library and brand given that it is a debt free company anf 25 year old because the valuation should be more good, but the book value is 0.85.

**Management**: I think as we become self-sufficient which is in the three years this is the first time we had become EBITDA positive.

**Kirti Shah**: That is true. You have done really good as you brought it to profit from 100 cr loss.

**Management**: So now the thing is the stock market will give us some support and will take our price a little bit up, it has already been appreciated if you look at it during the recent stock market trend, for which you would be knowing it and this will be running in the company. But because of COVID the people are leaning towards digital, keeping that in mind we think this trend will continue going forward.

**Kirti Shah**: Promoter should increase their holding. It is currently at 34%

**Management**: When the promoters come to the AGM, then please suggest this to the promoters.

**Kirti Shah**: Definitely. Wish you all the best. Thank you very much Sir.

**Moderator**: Thank you. The next question is from the line of Chintan Desai from Param Capital Research. Please go ahead.

**Chintan Desai**: Sir just can you speak about what are the cost cutting initiatives that we have taken in Q1 and would there be sustainable going ahead just some flavor on how are we doing about?

**Management**: Our salary bill basically is down to 50% from where it was in pre-COVID time in April, May and June. Of course the other cost that are there are non-existence because we were not producing so what has happened when we have started production is we are looking at an overall reduction of 10% to 15% minimum in the cost that which we were producing both in digital as well as in television but this has to be measured on a week-to-week basis in the first two weeks of starting production we are on track and we will keep you updated on how this cost cutting measures take shape as the year goes on.

**Chintan Desai**: Sure Sir and secondly on our TV business on a very healthy gross margin of 30% how confident are we any renegotiation taking place with broadcaster, they would be facing the heat and just wanted to understand how is it translating to us?

**Management**: There is always heat. I think renegotiation are part of the game. We will all have to take a small cut in our end prices but I think we are trying to compensate that by also reducing the cost so that we go closer to the gross margins of this year it will be a little late than what was there in the financial year that just ended but we are trying to make good that by putting more volume of course having said that three months and 15 days of this COVID year has already gone without shows being on air.

**Chintan Desai**: Just last question on financial part I think there were some bad debts advance written off and provisions which is almost 5% of topline and even earlier years there are some non-quantifiable amount so what it pertains to, is it nature of the industry or just a bad experience we had for this particular year?

**Management**: No. There are two things. One is gestation period especially if you see movie business, you sign a talent today and the project goes on floor saying two, three years' time that is how movie business function, and two and then there is an accounting side which we have a policy if we do not do anything within three years and we out of apportion we provide for it, in this fiscal we have also carried an impairment of Rs.2.5 Crores for one of the joint venture Chhayabani which we had so that is the additional hit which has come in, in this fiscal, 2.5 Crores, which was 50:50 owned by another investor so we have gone for a voluntary liquidation of that company.

**Chintan Desai**: Sure, thanks a lot Sir.

**Moderator:** Thank you. The next question is from the line of Sharan from LongView Financial Services. Please go ahead.

**Sharan:** My question is actually on the Rs.130 ARPU that you mentioned can you just go a little deeper into what determines the pricing is it your costing or is it more just a customer acquisition strategy pricing is so low, is there some elasticity in terms of increasing the pricing because it seems like given your content that the customer might be willing to pay a little bit more?

**Management**: What is your level of detail in assuming that, we are in a country where nobody is paying more, we are in mass India and we feel that Re.1 per day is probably what the customer can afford basis the size of telco prepaid packs, internet today is consumed mostly through telcos and looking at that data people cannot afford more than a rupee a day so we are the only players who have started off with the price range and we have maintained it till now everybody else if you see has brought their prices down so I think there is not even any competitive data to indicate that anybody has taken a price increase, people have brought down the prices to one-fifth of where they started from today but we have always maintained we believe that we are in a very, very price incentive mass market our content is focused on mass India and in the next couple of years as internet consumption spread will also take rural India into account and therefore we not only want to give a price of less than a rupee a day but we want to make to affordable so Rs.100 is our entry ticket and I think that is the critical point and if you look at Telco prepaid data where people are doing refills of Rs.50, Rs.60 also today that is what encourages us to believe that we will be in that mass market.

**Sharan:** The second question I had was this deal that we done with Netflix is it time bar in the sense have we sold rights for a specific amount of time for this movie or is it you eventually plan to put it on the all Balaji Platform?

**Management**: Our movie business and ALTBalaji business today is at an arm's length. ALTBalaji's main proposition is series production and that too Hindi mass focus series production so we believe that the movies business run independently and we want to exploit the digital market for people who run movies on that platform we do not run that much movies on our platform we hardly have five or six and this is time bound, yes.

**Management**: Yes this is time bound the deal which we have done so the IP comes back to us and we are able to monetize it again.

**Sharan:** Thanks. That is all.

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

**Akshay Pawar:** Congratulations for good numbers. My question is about web series which converted into TV serials last week of March so whether that revenue is there in Q4 number or that will be in Q1, part of that revenue?

**Management**: I did not understand, those last 10 days of March you are talking of what is it that you are saying actually, sorry?

**Akshay Pawar:** I am asking we have converted some web series into TV serials?

**Management**: That will be in Q1.

**Akshay Pawar:** That will be in Q1, okay and that will be in segment of digital or TV?

**Management**: The web series which we have sold to Zee will be accounted in TV and partially into ALT.

**Akshay Pawar:** thank you.

**Moderator:** Thank you very much. The next question is from the line of Sadanand Shetty from Truequity Advisors. Please go ahead.

**Sadanand Shetty:** What is your capital outlay for Motion Picture business and you have any roadmap for that division?

**Management**: We intend to cap it at not over Rs.100 Crores for Motion Pictures.

**Sadanand Shetty:** Yes any future roadmap for that business?

**Management**: Future roadmap we would not put more than Rs.100 Crores.

**Sadanand Shetty:** Now the presale is the only business model you will adopt considering you have a strong distribution also?

**Management**: I did not understand even when we distributed in theaters we presale satellite and digital rights, so if and when theaters open obviously that is when the model will change but right now we do not have a date.

**Sadanand Shetty:** So you keep the option of distributing yourself also?

**Management**: On some movies we want to sell directly as a strategy if you are asking.

**Sadanand Shetty**: But does not that bring a risk on your book as it has been in the past historically?

**Management**: No, absolutely not. As we go selective, we go movie on movie basis where we see potential to make money we will retain the distribution and where we see to be getting good sum to get out of the distribution we will not do distribution.

**Management**: It depends.

**Management**: It varies movies to movies.

**Sadanand Shetty:** Thank you very much.

**Moderator**: Thank you. Ladies and gentlemen that will be the last question for today. I would now hand the conference over to the management for closing comments.

**Management:** It has been wonderful year. I think we want to continue growth. We just want to reinstate that we are today poised to be number one player in terms of content across all three streams movies, television and digital. We have roaring digital future with our all old platform, we keep getting enquiries from investors to invest into our platform but we are still holding our horses because we feel we have not reached the peak of our potential and I think it is going to be an opportunity in this crisis that we are fully poised to exploit in the remaining months of the financial year.

**Moderator**: Thank you very much. On behalf of IDFC Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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