



**Balaji Telefilms Q1 FY18 Results
Conference Call**

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Balaji Telefilms Q1 FY18 Earnings Call

Moderator: Ladies and gentlemen good day and welcome to the Balaji Telefilms Q1 FY18 Results Conference Call hosted by Axis Capital 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. Ankur Periwal of Axis Capital Limited. Thank you and over to you Sir!

Ankur Periwal: Thank you Vivian. I would like to thank all of you for joining us for the concall today. From the management we have with us Mr. Nachiket Pantvaidya, CEO, ALT Balaji, Mr. Sanjay Dwivedi, Group CFO and Mr. Kartik Sankaran, Senior VP - Investor Relations. Over to you Kartik!

Kartik Sankaran: Thanks Ankur. Good evening everyone. Welcome to the Q1 Earnings call of Balaji Telefilms. We announced the first quarter results yesterday and the results clarification is available on our website balajitelefilms.com. Balaji Telefilms is India’s leading integrated media conglomerate operating across television, movies and digital content production. The company under the stewardship of Mrs. Shobha Kapoor and Ms. Ekta Kapoor has enjoyed market leadership in the television content industry for over two decades has an exemplary track record for content creation of general and target groups. Today Balaji Telefilms is a household name and has produced some of the best television serials in the country including the famous K series of daily soaps such as Kyunki Saas Bhi Kabhi Bahu Thi, Kahaani Ghar Ghar Kii and more recently Balaji Telefilms has created a successful mythical fantasy series of Naagin 1 and Naagin 2 paving the way for weekend fiction based programming. The company has recently launched ALT Balaji, a multi-device subscription video on demand platform that offers original premium and exclusive content for global digital audience. ALT Balaji is a group strategic foray into the digital B2C entertainment category to build a consumer facing brand that gives audiences the content that they want to watch wherever, whenever and however. I would now like to hand over the conference to Mr. Nachiket Pantvaidya, CEO, ALT Balaji to talk us through the highly successful launch of ALT Balaji. Thank you and over to you.

Nachiket Pantvaidya: I welcome everybody. Good afternoon everybody. Thank you for joining us for Q1FY18 earnings call. I will spend a few minutes giving you an update on ALT Balaji. Before we go straight into the operating metrics and numbers of ALT Balaji, it would be useful for us to look at the opportunity and hypothesis around, which ALT Balaji was built. We launched ALT Balaji with a strategic intent to build a B2C, a consumer facing brand by leveraging our enjoyable and engaging content creation abilities. Appealing to tastes of digital audiences globally and monetizing the immense potential of original on demand entertainment. The opportunity canvas for an Indian entertainment SVOD, which is Subscription Video-On-Demand service, it is enormous both within the country as well as for Indians globally.

Our current market research shows that there is huge content gap to be filled as about 30 million homes in India have moved on from traditional television content both on Hindi language channels as well as local languages, but they have not yet embraced international English



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content. These homes are already spending about Rs.1000 to Rs.2000 per month to consume content over cable DTH in movie theatres and to connect using broadband networks. These 30 million homes going forward are looking for newer services to address their entertainment and connectivity needs and this spent is expected to be over \$3 billion and will continue to grow as a penetration of internet and smart phones grow. In addition to the 30 million homes, that are lapsing from the content being shown on linear television, we are also witnessing an unprecedented way of new consumers embracing the internet.

The cost of a 4G smart phone is 3000 and will continue to fall as technology specifications become more common and telecom operators launch new models, which bring in the convenience of 4G on a future phone. In India content consumption is primarily through streaming from apps and social media on a mobile phone rather than wired internet and internet users are becoming increasingly comfortable consuming videos online. What we are witnessing is that internet users for whom videos online have individualistic and different tastes and these audiences are willing to pay for excessing quality content. Majority of content available today online is either catch-up TV or reruns or user generated content leaving a big opportunity to offer premium, original and exclusive content for these audiences. In addition to the Indians in India, there are about 15 million Indians abroad who are longing for Indian content and would like to consume entertainment that they can relate to.

Currently some of the demand is served through bollywood movies for a few Indian TV shows that are carried as part of an international channel subscription, but there is no clear programmable premium internet content offering in the local languages. Our content strategy is build on offering diverse and original quality content, not rehashed film and TV material or short form snacky content. We are catering to individual viewers who want to watch whenever, wherever and however. I want to watch great stories told over high night episodes. While there were choices for digital content available today, most of it is foreign content or content duplicated from existing television shows or content that appeals to English speaking urban educated millennial population. There is a dearth of original content, which will appeal to different age groups, socioeconomic strata and to the millions of Indians residing in the top 50 to 60 towns and cities of this country. We are clearly making content for this consumer firmly routed in Indianness, this sort of contract will transcend the barriers of age, class and location where there will be something for everyone in the language of choice.

Balaji Telefilms has a great legacy of telling great stories for the masses and this story telling ability is now being transferred to urban masses. The type of shows, which ALT Balaji will be showcasing has never been experienced in India, both of them are volume and production quality as well as story value. We are effectively increasing the size of the digital content market by a factor of two, which means two fold at launch as we had more shows every month, we will continue to be the largest repository of original premium Hindi and regional content. Our plan is to have 30 plus shows in the first year of launch totaling about 200 hours of content. Our content mix will have something for everyone unlike television we are not creating contented works on the one size fits all principle.



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Television is highly skewed towards the female audience at present. Our target group is between 19 year to 40 years and evenly balanced between male and female audiences. A launch lineup of shows including *Karrle Tu Bhi Mohabbat* starring Ram Kapoor and Sakshi Tanwar in a story of two opposites attract, the test case, which is a story where the Indian army's first female test case in a combat role, which starts shooting again in August for the remaining episodes. *Dev DD* the showed depicting a female *Devdas* who is wilder than the imagination, *Boygiri*, a tale about six men are refused to grow up. *Bewafaa Sii Wafaa*, a show on married couple finding their soul mates after marriage and *Romil and Jugal* a passionate tale of *Romeo and Juliet* with a twist and the twist being that they are actually same sex lovers. These original stories have been appreciated by global audiences that have been stopped of well made and interesting stories. Some of the shows have received such a tremendous response that we have commenced season 2 for two such shows that is *Dev DD* and *Karrle Tu Bhi Mohabbat*.

ALT Balaji going forward, we will also produce non-Hindi content and nearly 30% of our programming will be in regional languages. We have recently launched a highly gripping Tamil thriller series *Maya Thirai* and soon to launch a highly entertaining Bengali show *Dhimaner Dinkaal* the trailer of that is already out on the app. Within the first year of launch we planned to have content in Gujarati, Punjabi, Telugu as well. In addition to content for the 19 to 40 age group, we are also developing original series for small children and have launched four new original shows in May to cater to the holiday period shows like *Happy Lucky*, *Moe Doe*, *Ding Dong Bell* and *Getting Crafty with Rob*, are original output for kids between the age group 0 to 6. Our content is fascinating and entertaining to young minds and allows them to explore learn and nurture their creative and artistic side to ensure easy understanding and to cater to a diverse set of audience we are offering shows in different languages including English, Tamil, Bengali, Telugu. This is especially good for Indian diaspora spread across the world.

I would like to now talk about how we plan to acquire consumers. Given our belief that we have identified and addressed the content gap in the Indian Market. There has been often repeated message that the Indian consumer does not pay for content; however, Indians gradually embracing Subscription Video-On-Demand as they begin to understand the nature of the product being sold to them. Indian consumers are very price and value conscious and while it may be challenging to build a business model on monetizing existing nonexclusive content, we believe that consumers will pay is what they have been sold as premium, what they have been sold as original and most importantly what they have been sold as exclusive.

In the limited time we have been activate and pleased to report that we have had good traction in terms of converting users into paying subscribers and we have also featured in the top three paid apps within the entertainment category on the iOS app store. We operate a unique consumer acquisition model. We allow three episodes free to be viewed on social media such as YouTube or Facebook and also on our website and app. After three episodes users can download the app and on registering the viewer can avail of two more three episodes post which if they like the content that they have seen so far they can continue onto sixth episode with a very attractive monthly subscription fee starting as low as Rs.30 a month. We are currently running three subscription packs, a yearly pack of Rs.300 or six monthly pack of Rs.180 and a quarterly pack



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for Rs.100 making pricing extremely attractive. We believe with the combination of great content in a very attractive price point there will be a gradual change in consumer behaviour towards paying for quality content reflecting in growing subscription revenues.

In addition to getting revenues directly from our consumers, we are proud of the partners and alliances we have built in place. Our partners and alliances extend across original equipment manufacturers like Micromax phones and Sony TV, telecom and internet service providers such as Vodafone and ACT Fibernet and finally payment wallet partners such as Paytm, Mobikwik and PayU to name a few. These partners view us as the single best option to provide them with premium and original content in local languages, which can be used as a differentiator for urban mass India. For example, a Micromax phone bundled with ALT Balaji app can be a unique differentiator for a phone manufacturer when competing with other OEMs on technical specifications that are now become more or less standardized.

Telecom service providers are begin to lose revenues from playing voice services and now need to boost up their revenues are providing data services and video consumption has it seen by global trends is the biggest driver for data consumption. Our service like ALT Balaji helps to drive video consumption given the long form periodic and habit forming content that is available on the app. Finally with the whole wave of demonetisation and growth in digital payments coupled with the fact that prices for using internet to the consumer have been dropping, wallet companies are also seeking reliable long term partners to grow their business and a subscription service like ALT Balaji fixed their need. Over the course of the next few quarters we expect these partners in many more new partners to grow significantly. Our digital business is went on two main hypothesis, will consumers watch long form entertainment content and more importantly will consumers pay, with the limited time we have been live and pleased to report that we are seeing positive reaction on both these fronts and will continue to grow.

To give you some numbers the total amount of minutes watch since we went live has been 160 million units, the average user spent 70 plus minutes per active session clearly indicating that episode and content is eye catching and habit following. In terms of customer acquisition, we have had 2 million installs of the app within the first few weeks and at present over 5 million downloads of which there have been a healthy conversion rate into paying subscribers. We are very pleased with the initial response to the ALT Balaji app as well as the ALT Balaji website and I am confident that it will only get better as we go forward and more shows to our service. I will now hand over to Sanjay, our Group CFO to give you an update on the other two businesses in the group as well as Q1 financial performance. Over to you Sanjay!

Sanjay Dwivedi:

Thanks Nachi. Q1 FY2018 has been a good quarter for the business both on the operating side as well as financially. Coming to the TV business, we had a very good quarter with eight shows on air and had 240 hours of programming at an average revenue of 3.35 million per hour. This quarter Naagin 2 one of our popular shows came to an end and we have very successfully replaced it with Chandrakanta thereby continuing to provide content to the channel for that particular marquee slot. We have now been producing high impact fiction content for the weekend 8 p.m. to 9 p.m. slot on colors since November 2015. We were one of the first content



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producers to innovate and launch a fiction based show in the weekend slot and by continuing to dominate in that category we are able to maintain consistency and stability in our performance. In addition to Chandrakanta, we launched a new show for Star Plus this quarter as a part of the channel's effort to develop an afternoon slot for the original programming. We commissioned a show called Dhhai Kilo Prem, a show based on an overweight couple who help each other, overcome their personal and social issues. The show has been well received and continues to do well in its slot.

Going forward we see our TV production business continue to provide high impact fiction story telling on a grand scale. Our mythofiction serials such as Chandra Nandini or daily soaps such as Ye Hai Mohabbatein continued to be slot leaders and providers with good visibility for the ensuing quarters. In addition we continue to develop content for the three slots that we have one as a part of the DD slot model auction held last year. We will look to launch these shows during this year. In addition to DD, we see great demand for our existing DC channels and in the month of July one of our long running daily soaps on Zee TV Kumkum Bhagya launched a new spin off show called Kundali Bhagya. This is clearly an indication of the success of the content and the characters of the original show thereby creating an hour long daily show for the viewers in the most important 9 to 10 p.m. slot. Kundali Bhagya has had a very positive start and has had one of the highest openings for weekday fiction show not only in 2017, but also since 2016.

Coming to the movie business, we had two releases this quarter, Half Girlfriend and Super Singh. In line with our stated policy to reduce volatility and any negative impact of theatrical performance on our Q1 business, we execute a number of pre-sales deal across music, television, digital and overseas rights. We continued to remain judicious with our investment in the movie business and are only taking on projects where we are able to pre-sale a significant percentage of cost even before we commissioned the production. During the quarter, we progressed on the corporate reorganization of Balaji Telefilms. As part of the reorganization we are merging the film production business of Balaji Motion Pictures Limited and BOLT Media into the parent, listed company Balaji Telefilms. This will allow us to streamline group structure, centralize and consolidate content creation in a single unit while bringing down corporate and other overheads. The court convened meeting of the shareholder has held successfully on May 24, 2017 and we are now awaiting final notification from NCLT this is expected in the coming quarter.

Post the quarter end on July 20, 2017, the company and its Board of Directors considered and approved a strategic investment of Rs.4130 million by Reliance Industries. This investment is through a preferential issue of 25.2 million equity share at a price of 164. This allotment is subject to necessary shareholder and other approvals and is expected to be completed in August. This transaction marked a landmark even for the Indian OTT industry and is expected to further accelerate the growing trend of media consumption on the go. The proceeds from the transaction would be utilized to further speed up content development initiatives and allow ALT Balaji to create an unassailable leadership position in the market. Finally moving to the financial performance of the quarter, this is the quarter where we begin to account for the content and marketing expenses for ALT Balaji, even we launched the app on April 16, 2017. Our consolidated revenue from operations were at 1446 million growth of 23% as compared to Q1



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FY2017. This growth was primarily on account of increase from the television business. We launched ALT Balaji on April 16, 2017 and this quarter sees the first impact of the content and marketing spends for ALT being accounted for. We expect to be in investment phase for this business vertical for the next two to three years and to allow for like comparison the consolidated number have also been given excluding ALT Balaji. We are following a 24-month policy to expand our content spend, 75% of the cost in the first 12 months and the remaining 25% in the next 12 months. The consolidated EBITDA was at negative Rs.148 million; however, if we have to remove ALT Balaji from the consolidated EBITDA we delivered an EBITDA of 1645 million for the quarter. Q1 FY2018 PAT at negative 234 million versus negative 2 million in Q1 FY2017, however, Q1 FY2018 PAT excluding all Balaji stood at 57 million versus 5 million in Q1 FY2017. Overall value of investment as of June 30 stood at 1,445 million and this excludes the funds being raised from the preferential allotment expected to be completed this month.

Moving onto the standalone performance the revenue from operation was at Rs.943 million versus Rs.536 million in Q1 FY2017. The improvement was largely on account of producing so that a higher realization and a clear focus on producing high-impact programming. EBITDA for Q1 FY2018 came in at Rs.160 million versus Rs.43 million in Q1 FY2017 and we have also managed to improve the margin, which currently are at 17% versus 8% in Q1 of FY2017. Profit after tax for Q1 FY2018 was Rs.90 million versus Rs.58 million in Q1 of previous year. Current year tax includes a one-time impact of Rs.22 million pertaining to earlier year. Pending the merger of BOLT and the movie production business of BMPL, we continue to provide for taxation at normal rates. 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. Ladies and gentlemen we will now begin the question and answer session. We will wait for a moment while the question queue assembles. The first question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kuria: My first question is regarding is ALT Balaji, so I think you have mentioned that the total app download has been about 4.2 million, so can you share what has been the monthly active user or the pay subscribers that we have as of now?

Nachiket Pantvaidya: Right now I think we have released the figure of gross bidding that you would have seen, so this is the mix of subscribers who subscribed for one month, subscribers who have subscribed for a year, some who have done it over a quarter, you can derive a range, if you take Rs.30 as the average cost that we are doing then this inflates into a large number, which is not the real number, which is around Rs.666,000 paying subs, so the paying subs ratio for us has been not that high, but it has been a healthy 2% to 5% we are converting that and if you do the maths from whatever we are releasing you will know. All we are trying to avoid is giving you a false highly inflated subscriber number, basis just say that it is 20 million billing and Rs.30 ARPU that is not the way it works. Our number is between 2% and 5% conversion and our gross value that we have released is for between a year and a month, so that works out to a number, which we will convert between 2% and 5% on our downloads.



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- Yogesh Kuria:** This 2% to 5% conversion is, 2% to 5% of total downloads, app downloads?
- Nachiket Pantvaidya:** Correct.
- Yogesh Kuria:** This is sort of monthly additions that we are doing?
- Nachiket Pantvaidya:** No it is not, so that is what I am trying to tell you that some of them actually take annual packs, some of those subscribers are with us for the whole year since they have subscribed, so in theory if they subscribe on May 1 then they take it till May 1 next year, but some of them have also opted for say TVOD, which has been buy the Tamil show only for Rs.30, so the nature of subscriber varies, so we do not want to – if you were to give out some numbers they will look a little inflated at this point in time because we have had a lot of subscribers who are coming in and sampling us early, I think it is very prudent to look for one more quarter when we have a consistent subscriber with where I will be able to come and tell you these are all loyal subscribers who are coming month on month. Right now because of the initial euphoria, we have got a very, very positive, very good surge of subscribers, so I can only tell you that on over a year's period we will stabilize anywhere between 2% to 5% on a conversion rate of download and 5% of the higher side and not below 2.5% ever. So that is the guidance to be offered.
- Yogesh Kuria:** So is it possible to this is the app download figure of 4.2 million, this is as of June 30, so is it possible to share what is the figure as of now?
- Nachiket Pantvaidya:** Well again informally of course it is a, loosely putting it has gone well past 5 million right now, I do not want to – the issue that we face and I think that is something that we got to be strict about is that when we give you app download numbers we do not want to give you a number, which is fluctuating, so on a steady base app download number, it has crossed 5 million, it has gone closer to the 6 million mark, but let me just tell you that out of this 5 million plus number there is a little less than a million that comes through web traffic, which is not strictly an app download, so that is the composition and we are seeing increase in web traffic as we go on.
- Yogesh Kuria:** Sure that is helpful. Secondly it is regarding the marketing spends I think the spends even the quarter was about Rs.20 odd Crores, so what should be this sort of run rate that we are likely to continue in this coming....?
- Nachiket Pantvaidya:** Run rate will be much lesser, I think the first quarter run rate was high for two reasons, one is of course we launched remember on day one with six shows and then have continued to launch more than one show every quarter, so if you look at our total year, then we are putting a disproportionate number of shows in Q1, so of our total 30 show ambition plan, we have got already somewhere close to 10 to 12 shows including the kid shows launched in the first quarter, so therefore it is more towards launch, I think as we go ahead this will rationalize to something much, much simpler, it will probably be every quarter the run rate will be less than half of the first quarter and we will reach that point of deciding how much that run rate will be after we spend in this quarter. We are expecting a surge in that run rate in the Diwali quarter, but the last quarter of the year maybe very, very conservative as we gather momentum.



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- Yogesh Kuria:** Sure that is helpful and lastly regarding the funds inflow that will be getting from Reliance Industries, so has it been decided how much of that flow to ALT Balaji, do we have any plans on that?
- Sanjay Dwivedi:** We intend to invest closely around Rs.300 to Rs.400 Crores in ALT Balaji and we will be taking a call how we want to do it, whether we want to do it in a staggered way or one lump sum amount, which goes into ALT immediately. So that we will take a call in the ensuing board meeting.
- Yogesh Kuria:** It might be little early, but any change in the plans we have for ALT Balaji in terms of you talked about the ambition of about doing 20, 25 shows, so would there be any change, would there be any accelerated roll out?
- Nachiket Pantvaidya:** No as of now I think at least in year one we are sticking to our business plan, it is business as usual for us. We are also keenly focused on ensuring that we get the returns on revenue on the shows that we put out. Having said that I think our ambition to scale up the volume and the quality of shows will really come into play only next financial year because development for the next financial year will actually start now. So most of the shows that we are going to put out in this financial year have already been developed, have been scripted are in someway on the floors. So I think the changes in both volume and in quality of the shows that we envisage will start only appearing in the next financial year.
- Yogesh Kuria:** Sure Sir. Thanks a lot for all these and all the best.
- Moderator:** Thank you. The next question is from the line of Rushabh C from Enam Holding. Please go ahead.
- Rushabh C:** I have just couple of bookkeeping questions, what is the current cash balance on the book?
- Sanjay Dwivedi:** You mean to say the investments which we carry onto the balance sheet?
- Rushabh C:** I just want to know currently on the balance sheet how much cash do you have and then I also want to get a breakup of the Rs.100 Crores that you have invested in ALT Balaji, what is the split in terms of content like, how much have you spend towards content and then how much have you spent towards marketing and tech and everything?
- Sanjay Dwivedi:** Currently we have around Rs.140 odd Crores of cash onto the balance sheet (investments in mutual funds) . In total we have deployed in ALT is Rs.152 Crores and of which we have spend around Rs.100 Crores in ALT and roughly 70% of that gone into content and marketing.
- Rushabh C:** So you have deployed close to Rs.152 Crores in ALT of which Rs.100 Crores has already been utilized?
- Sanjay Dwivedi:** Correct.



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- Rushabh C:** That 70% of 100 is towards content?
- Nachiket Pantvaidya:** Correct.
- Rushabh C:** Okay, thank and just another question is this fund infusion by Reliance that should get completed by... you are looking that completion to happen by August right?
- Sanjay Dwivedi:** Absolutely.
- Rushabh C:** In terms of movie business, what is the capital employed over there in our investments?
- Sanjay Dwivedi:** Currently there are only two movies on flow, so our total outlay for the upcoming movies is not more than Rs.50 odd Crores.
- Rushabh C:** So total Rs.100 odd Crores will be what you are looking to spend in the movie business also?
- Nachiket Pantvaidya:** Both combined.
- Rushabh C:** Both combined Rs 50 Crores?
- Sanjay Dwivedi:** And there are other advances which we have locked, which we either will get commissioned into a project or we will take the advances back, so we are re-looking at the motion pictures what we want to do.
- Nachiket Pantvaidya:** To clarify the overall movie exposure would be at Rs.50 odd Crores.
- Rushabh C:** Rs.50 odd Crores. Thanks.
- Moderator:** Thank you. The next question is from the line of Ronak Shah from SJC Capital. Please go ahead.
- Ronak Shah:** Just wanted to understand, you have done ALT now for three months, three four months, what has been the most effective customer acquisition strategy that you have seen in terms of putting out ads or kind of acquired users through social, what has worked best so far for you and what is the plan going forward?
- Sanjay Dwivedi:** What is our unique and differentiating point in our customer acquisition strategy is that we are the only players offering three free episodes on social media, so our proposal to the consumer is that you get to watch 30% of our content free on social media and only if you like this content, do you need to actually download the app, on the app you get another two episodes free and only after that the consumer pays, so essentially our pact with the consumer is I will give you half of our show free. If you like half of our show, only then does he or she need to pay and that has been the most appreciated and most widely funneled consumer acquisition plan. Actually it is no marketing plan or it is not the ads that we put out, but the content that we put out in its whole that serves as the marketing tool for drawing consumers in.



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- Ronak Shah:** Is there any plan to move to a premium model where essentially the users who do not pay, so the users who are watching the first three episodes or the first five episodes, is there a plan to monetise that part through ads at all or is the plan going to be the keep it completely ad free?
- Sanjay Dwivedi:** The plan right now is to keep it completely ad free, the only kind of logos if you ever see on the app or in an advertisement will be of our partners like Micromax, so no ads definitely, but there might be some logo saying now available on Micromax phones and that is the only distribution-led push that we will give on an app.
- Ronak Shah:** When you give the number for Rs.2 Crores of gross billing, so for example if I download the app on an iOS device, there will be a percentage that you payback to apple as well right?
- Nachiket Pantvaidya:** Correct.
- Ronak Shah:** 30%, 35%, So is the Rs. 2 Crore number, does that include the apple payout or the android payout?
- Sanjay Dwivedi:** It is a gross number and then it gets chopped by various guys inside by taxes, also we have got some downloads through partnership, so that is the gross number; it is not a net number.
- Kartik Sankaran:** I would like to clarify not too many of our consumers are paying through the apple option and lots of them are paying through the debit card, credit card route or wallets.
- Sanjay Dwivedi:** Or wallets.
- Ronak Shah:** Got it, understood and just one last point of clarification, you mentioned that you have 125,000 users who have seen at least one full show, so my guess would be you cannot watch a full show unless you are a paid subscriber, so that I guess is the quantum base of your paying user base right?
- Sanjay Dwivedi:** Well yes and of course the number will be more than that because a lot of people had watched three episodes and all so that is the quantum base you are right, not lesser than.
- Ronak Shah:** Thank you.
- Moderator:** The next question is from the line of Ravi Purohit from Securities Investment Private Limited. Please go ahead.
- Ravi Purohit:** I have two questions, one was Amazon Prime recently launched their first I think Indian content in that sense and the kind of money Amazon and Netflix are planning to kind of spend versus what we are spending, so how do you really see this space kind of competing with each other, although it is still early days, but just your thoughts as to?
- Sanjay Dwivedi:** Well, there are two aspects with the competitive scenario; one is that factually we are right now the number one repository of original exclusive digital content in India, so we have understood



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the ecosystem. We will deploy our investments to ensure that there are 25 plus shows on air in this year. We have already started planning the second season of two of our shows. So we believe one is that our ability to execute and bring out large scale content is a big competitive advantage one. Second, our competitive advantage lies in the fact that we actually have a good partnership with YouTube, by which we are able to devise a unique opportunity for our consumers to sample our content before paying.

Unlike competition we do not have one free month, half our content is free throughout the year. The consumers respect the fact that it is almost like only if you look the content you have to pay for it, that is second. Third is we believe that compared to couple of names that you mentioned, our pricing is something that is not a stumbling block for consumers, it is less than a rupee a day, very, very well positioned in terms of pricing and lastly most importantly I think we have the best range of content, so we have got a content that upgrades the TV viewer like a show starring Ram and Sakshi. We have got classic retreated for today's time like Sarat Chandra Chattopadhyay's Devdas or Wililam Shakespeare's Romeo and Juliet being made into gay love story for today and we have got what we called badge value or artistic programming, which is represented by text case, which were going into shooting for the next episodes in August and our new show Bose, which is shot by Hansal Mehta starring Rajkummar Rao. So our belief is that our understanding of Indian audiences over the last 20 years is pretty much detailed and exhausted. We have been leaders in the segment when Television measurement was restricted to four cities and was largely urban when it was restricted to 20 cities and even today when it is largely a rural phenomenon. So I think that intrinsic value of content creation that we bring to the table is something that irreplaceable.

Ravi Purohit: So second question was we have raised about Rs.400 Crores or Rs. 425 Crores by... we are raising from Reliance Industries. So how many years or how many months of content creation does it take care of or is it going to be exclusively spent on content or it is going to be content marketing all in...?

Sanjay Dwivedi: See at any point in time, 70% will always be in content, but to answer your question at the current plan, the way we are going I think it will take care of us for a long time however, my thrust is on the fact that we will have to be more and more aggressive in the market and we will have to scaleup our plan to produce even more content looking at the initial success and looking at the initial parameters at that we are seeing in terms of viewing, we are in the process of modifying our current plans to scale it up even further.

Ravi Purohit: One question on we diluted at the Balaji Telefilms level, why not it ALT Balaji as in since that is where the focus and that is where all the money is going to go, so was there some differentiated thought there or just thoughts in the structuring of the deal?

Nachiket Pantvaidya: Primarily this is where the investor wanted to come in.

Ravi Purohit: The investor wanted to come in the parent company level not at the sublevel.



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- Ravi Purohit:** Okay fair enough. Thank you. I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Ankur Periwal from Axis Capital Limited. Please go ahead.
- Ankur Periwal:** Hi, a few questions from my side. Starting with the TV content business, now year-on-year numbers are looking very impressive in terms of growth as well as the realization improvement. But quarter-on-quarter, there is a marginal decline in terms of profitability, is it purely because of new content, which you mentioned in the earlier comments coming up or is there show by show change also, which is impacting profitability?
- Sanjay Dwivedi:** Ankur the way you have to see TV business I mean if you see EBITDA level. There is no drop, it is just the composition of the shows, which changes the kind of revenue margin. The more weekend shows you have it pushes the top line however it does give me the same kind of margin because it is a shorter tenure of kind of period. The longer format shows typically yield a better margin.
- Ankur Periwal:** Sure fair enough. Sanjay ji in the longer run let say on the annual basis, do we expect our margins overall to improve going ahead or the growth will be largely driven by volume?
- Sanjay Dwivedi:** We should maintain the margin.
- Ankur Periwal:** Okay fair enough. Now second question on the movies business, you did mention that we do plan two more movies, one whether these movies will be on a co-production model, which we had highlighted earlier and second, as per you how it will impact profitability because earlier also movie business has been slightly disappointing in terms of the operational performance?
- Sanjay Dwivedi:** These two movies, one is Veerey Di Wedding and one is Laila Majnu, Laila Majnu is a very low budget movie and Veerey Di Wedding we will be doing coproduction with somebody else. So we have kind of de-risked the full model and we are also doing pre-selling for those. Beyond these two movies, we do not have any projects right now which we think will be taking in the motion pictures business.
- Ankur Periwal:** Okay so the capital employed in this business will remain restricted to Rs.50 odd Crores. That will be a fair understanding?
- Sanjay Dwivedi:** Yes both the movies will not have an outlay of more than Rs.50 Crores.
- Ankur Periwal:** Okay fair enough and the last Nachiket one question on ALT, with Jio coming in now, what is the management stance on the distribution part of it. Will we still be available or we are still okay to do a deal with let us say other telecom operator or other platforms or will it be Rreliance Jio specific, if you can put light on that?



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- Sanjay Dwivedi:** So we are business as usual as a matter of fact if you read the press, there was a note or report on us doing the Vodafone deal and we are available on Vodafone play option before we are available on Jio as a matter of fact. We are in close talks with the other telecom operators and my guess is that this will be a fair play across all the telecom operators, it will be on the business as usual model and we will try and gain maximum access to the 160 million odd 4G consumers that are there in India both in prepaid and postpaid world. So to answer your question yes there is a fair business as usual policy towards the way we are dealing with telephone companies.
- Ankur Periwal:** Okay fair enough and on the content front how quickly, do you think for we can scaleup from the current eight, nine shows probably almost 10 shows now?
- Sanjay Dwivedi:** So we will do 25 to 30 more shows this year and meet our commitment years. Going ahead I think there are two major trends that we will have to look at one is that we have to understand the expanding audience base. The internet target audience base is changing so much both in terms of socioeconomic class as well as geographical spread that we need to device our strategy that straddles a larger number of people using internet. So to give an example, the person my driver did not have internet when we started off our business, but post the telecom drop, he started watching ALT for example and he watches a Tamil show on ALT. So there are newer consumers coming in every day and I think that will change its composition of our output both qualitatively as well as quantitatively in the years going ahead. What I am essentially saying is that changing internet trends is the major driver behind scaling up that should happen from March 31, 2017 this year financial year is pretty much locked up.
- Ankur Periwal:** Okay done. Thanks a lot. All the best.
- Moderator:** Thank you. The next question is from the line of Ronak Shah from SJC Capital. Please go ahead.
- Ronak Shah:** Hi thanks for the followup. So, if I heard you correctly I think you mentioned the content investment in ALT is about Rs.70 Crores is that right?
- Sanjay Dwivedi:** Till now but I think on yearly basis it will be 70% of Rs.140 Crores-Rs.150 Crores that is about...
- Ronak Shah:** Got it so and what is the content investment has been so far in all?
- Sanjay Dwivedi:** Close to around Rs.25 odd Crores for the quarter.
- Ronak Shah:** Rs.25 Crores?
- Sanjay Dwivedi:** So basically for Hindi content we are producing we will be anywhere between Rs.55 and Rs.60 lakhs and for non-Hindi content it depends of the language, but it is not crossing Rs.15 lakhs per hour.
- Ronak Shah:** Got it okay and then the other question was I mean right now your obviously producing content for the likes of the Zee, Star etc for TV now as we know Zee also has some fairly ambitious plans



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on the digital side as well as HotStar already launched would you be open to making web shows for them if that demand came across say in six months or year down the line?

- Sanjay Dwivedi:** Yes we are always open to business suggestions depending on the merit of the opportunity.
- Ronak Shah:** Right I mean where I am coming from here is that to kind of directly be completing them with your customers so just wanted to kind of understand what management things about that as we kind of get or this bigger part of the business?
- Nachiket Pantvaidya :** Sorry directly completing with consume customer meaning would you just kind of elaborate on that?
- Ronak Shah:** Right now you produce content for which goes on television obviously show there is no competition there, but if Zee were to come to you and tell you that okay can you make web series for me which goes onto my own customer pacing app platform, which would then obviously be competition for ALT.
- Sanjay Dwivedi:** No how would that be because actually 70% of my content has not made by Balaji Telefilms. So I just new view them as a producer
- Ronak Shah:** Okay that is fine and just the last question I had was you mentioned obviously there is no exclusivity or anything with Jio and you are open partnering with other telco so if a telco, if Micromax were to come to you and pay you let us say Rs.30 for subscriber ballpark for putting the app onto the smart phone, is that kind of partnerships something you would be open to do or you looking at some of your pure customer paying for prospective.
- Sanjay Dwivedi:** Sorry are you saying that Micromax will pay me to put on? I will have the guy who does that deal. It does not work that way. The distribution segment will not so if my user rate is Rs.33 a month, it is unlikely that I will get that Rs.30 return from anybody to embed. The distribution segment works on a revenue share bases so typically your revenue share models range anywhere from 1.5% revenue sharing to 30% revenue sharing. In case of larger deals which involve more than 500,000 consumers, the ARPU varies depending on the volume.
- Ronak Shah:** Got it that is it Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Atul Thakker from Individual Investor. Please go ahead.
- Atul Thakker:** Hi just two questions. One is do you have percentage of the viewership on mobiles, PC, tablets etc., would you have something on it for ALT?
- Nachiket Pantvaidya:** Well right now is a small fraction so I mean the mobile number of handsets sold are an insanely large number I mean I do not have how much...?
- Sanjay Dwivedi:** Are you trying to say how much..?



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- Atul Thakker:** What is being viewed currently in the first four months, how much of it was consumed on mobiles?
- Nachiket Pantvaidya:** 80% mobile in India and that number internationally which currently small fraction of total business is more like 30%-40%, there is more large screen viewing internationally.
- Atul Thakker:** Okay and the second question was the previous person asked was, the deal is with Jio and you start selling to Jio or Jio gives you a deal wherein they are 10 million customers and this is embedded on the Jio service and they charge the consumer directly and pass on a small fraction or whatever a bit fraction to you would such a deal be doable?
- Sanjay Dwivedi:** Well we have to evaluate the specifics of the deal as and when we come to it. A couple of guidelines for us doing deal as we need ownership of the consumer and by no way should be IP or our show be compromised in terms of either piracy or confusion in ownerships. As long as these two conditions have met, we evaluate each deal on its own merit.
- Atul Thakker:** But this in case I mean there would not be a case of piracy, but share it or some other apps could be used to change in that anyway I mean even if I do it on Vodafone I could do it. So piracy would not be a big thing but here you would that big subscriber number.
- Sanjay Dwivedi:** No we are always working, so our deal with Vodafone which is announced in the press right now or does work on the lines of us coming on Vodafone play which is their app. You can see on Android, its iOS implementation will happen in a week's time that will give you an idea of how we are working in this market. We recognize the fact that data is probably very important for telcos in India and video is the way that data gets consumed the most and therefore these synergies will help us draw in a larger audience base. More importantly, we are producing for mass India and today nobody has digital content for mass India, which is exclusively made for rotating platforms and therefore more and more telcos or more and more organizations are saying that I will give you this large base you will be mentioned 10 millions, some people say 20 millions, some say 30 millions and they see that this large base is something that appreciates your Hindi content or appreciates your Bengali, appreciates your Tamil content and therefore we would like you to be part of our plans to sell data to them and use data from these large base of consumers. So you are right if such a deal comes up will definitely evaluate it.
- Atul Thakker:** I thought the synergy was from the Reliance's side I mean they have invested money and you know they have also got that cable, which links up to the TV and the mobiles, so probably there could be a huge synergy for you and Reliance.
- Nachiket Pantvaidya:** First ask the people or the management of the Reliance, so I am sure you will get the answer.
- Atul Thakker:** No I am sure you would have talked about it, when they invested. Anyway I am very happy for about it. Thank you.



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- Moderator:** Thank you. The next question is from the line of Ritesh Dhoot from Individual Investor. Please go ahead.
- Ritesh Dhoot:** Thank you Sir. A quick question regarding ALT subscription I just wanted to know what percentage of customers who have subscribed to ALT and their term has expired have actually renewed the subscription till now?
- Sanjay Dwivedi:** Till now our first three months is over and our drop of rate has been as low as 10% simply because we extended the same offer.
- Ritesh Dhoot:** Okay so basically 90% of people have renewed the subscription.
- Sanjay Dwivedi:** Have been retained at the same price and I am putting the caveat to you that is because we just extended their early bird offer.
- Ritesh Dhoot:** Yes okay thank you.
- Sanjay Dwivedi:** The fact that we see kind of change the prices around that will be in the same rate so I just want you to be clear of that.
- Ritesh Dhoot:** Sure thanks.
- Moderator:** Thank you. Ladies and gentlemen that was the last questions. I now hand the conference over to the management for closing comments.
- Sanjay Dwivedi:** Thank you all for joining us on this conference call. If you have any further enquiries, please feel free to reach out to the company. Thank you.
- Moderator:** Thank you on behalf of Axis Capital Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.