“Shemaroo Entertainment Limited
Q3/9M-FY25
Earnings Conference Call”
17th January, 2025

ANALYST:

Mr. Anuj Sonpal – Chief Executive Officer - Valorem Advisors

SHEMAROO ENTERTAINMENT LIMITED

MANAGEMENT : **Mr. Hiren Gada – CEO**

: **Mr. Arghya Chakravarty- COO**

: **Mr. Amit Haria - CFO**

Shemaroo Entertainment Limited
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Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '25 Conference Call of Shemaroo Entertainment Limited, hosted by Valorem Advisors.

As a reminder, all participant lines will be in 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 Ms. Nupur Jainkunia from Valorem Advisors. Thank you, and over to you, ma'am.

Nupur Jainkunia: Good afternoon, everyone, and a warm welcome to you all. My name is Nupur Jainkunia from Valorem Advisors, we represent the Investor Relations of Shemaroo Entertainment Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the 3rd Quarter and nine months ended of the financial year 2025.

Before we begin, a quick cautionary statement. Some of the statements made in today's con call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now, I would like to introduce you to the management participating with us in today's Earnings Call and hand it over to them for their Opening Remarks. We have with us Mr. Hiren Gada – CEO; Mr. Arghya Chakravarty – COO; and Mr. Amit Haria – CFO of the company.

Without any further delay, I request Mr. Amit Haria to start with his opening remarks on the financial highlights. Thank you, and over to you, sir.

Amit Haria: Thank you, Nupur. And good afternoon, everyone. Welcome to our Earnings Call for the 3rd Quarter and nine months ended financial year 2025. Let me first start by giving you some of the key financial highlights, after which our CEO, Mr. Hiren Gada, will give you some of key operational highlights.

For Q3 FY '25, the revenue from operations stood at INR 164 crores, which was a growth of 5.4% on a Y-o-Y basis. EBITDA loss for the quarter was INR 42 crore and net loss reported at INR 37 crores. For nine months ended of the financial year 2025, the revenue from operations stood at INR 481 crores, which declined by 5.4% Y-o-Y. EBITDA loss stood at INR 82 crore, and net loss was reported at INR 80 crores.

With regards to new initiatives, in Q3 FY '25 the expenses amounted to around INR 13 crores, while for nine months ended for the financial year 2025, it was about INR 36 crores. And if you were to adjust for this investment, the adjusted EBITDA from existing operations in Q3 and nine months would have been approximately INR 29 crores and INR 46 crores, respectively.

Digital media revenues for the 3rd Quarter stood at around INR 71 crores, up by approximately 25% Y-o-Y, while for nine months ended for the current financial year, it was INR 195 crores, which grew approximately by 14%. Traditional media revenues for the 3rd Quarter stood at around INR 94 crores, which declined by around 6% Y-o-Y, while for nine months ended for the current financial year it was INR 286 crores, which was a degrowth of approximately 15%.

I now would request our CEO, Mr. Hiren Gada, to give you operational highlights for the period under review.

Hiren Gada: Thank you, Amit. And good afternoon, everyone. This quarter, we experienced a subdued festive season advertising trend, marking one of the lowest levels in recent years due to sluggish consumer demand. Both digital and traditional advertising revenues continued to face significant pressure. Although we saw growth in viewership across our own digital and traditional platforms, monetizing this growth proved challenging in the current weak advertising market environment.

Our traditional B2B syndication business also remained under pressure due to deferred deal closures, which was a consequence of the ongoing transitional shifts in the media industry's various players over the past few quarters. However, we remain optimistic that these deals will materialize in the coming months. Despite the challenging advertising environment, we are pleased to report a revenue growth driven by the strong performance of our digital B2B syndication business.

The company's margins were impacted by ongoing accelerated inventory charge-offs, a strategic initiative that we began last financial year. As you all may already know by now, these charge-offs are purely accounting adjustments and do not reflect our business performance. Excluding the effects of these charge-offs and the deferred deal closures, we delivered healthy operating metrics during the quarter, highlighting the strength of our underlying fundamentals.

We continue to remain focused on strengthening our balance sheet and driving operational efficiencies, positioning ourselves to unlock the intrinsic value over the long term. Further, in our digital segment, ShemarooMe continues to gain traction, particularly with our Gujarati content offerings. This quarter, we released 14 new titles, including movies, web series, and plays, expanding our content portfolio. Noteworthy premieres include the blockbuster movie, Jhamkudi, which was the highest-grossing Gujarati film of 2024; Raado; Udan Chhoo; and the release of original web series, Santakukdi.

On YouTube, Shemaroo FilmiGaane has achieved a remarkable milestone of crossing 70 million subscribers, reflecting our growing digital footprint and audience engagement. During the quarter, we launched a new DTH service called Deiveegam, a Tamil Devotional service available on Tata Play. This launch represents our continued efforts to expand our offerings and cater to diverse audience preferences. Our general entertainment channels continue to perform well, achieving a viewership share of around 7.6% in the overall Hindi GEC genre.

With that, I open the floor for the Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Yash Kukreja from Equitree Capital. Please go ahead.

Yash Kukreja: Sir, my first question is, what has been the inventory write-off in Q3 and also nine months FY '25? And how much are you planning to do in Q4?

Hiren Gada: So, while Amit gives you the exact number, but I will give you just the closing numbers, which gives you an idea of the trend, but this includes additions and purchases also, but I will just give you a sense. So, in last year, which is December 2023, we were at INR 727 crores 12 months ago. And that was the starting point for the charge-off. March, we had brought it down to INR 682 crores. The last reported balance sheet, which was a September six-month number, we were at INR 618 crores. And as of December, we stand at INR 589 crores.

Amit Haria: So, roughly INR 29 crores is an incremental amortization, which includes the addition of content as well.

Hiren Gada: Yes. So, we have brought down the inventory by roughly about Rs. 130-odd-crore in a 12-month period. But this includes addition also, so this is the net of inventory.

Amit Haria: What was your second question, sorry?

Yash Kukreja: And I have two bookkeeping questions. So, second is, interest cost has increased in Q3. So just wanted to understand what is the debt level as of December? And are we sticking to the guidance of reducing the debt by INR 100 crores in next two years?

Amit Haria: So, debt for December is INR 331 crores.

Hiren Gada: So, in September, again, we were at INR 338 crores, we are at about INR 331 crores. And I mean, our effort to reduce it by INR 100 crores over the next two years is definitely fully on, and we are committed to reduce that. And I would say, we have reasonable visibility. There was, as we shared in the opening remarks, deferral of a few television syndication deals. And once those kind of materialize, a substantial portion of that would go into the debt repayment part. So, we are confident of reaching that near about their number in the end of FY '26.

Yash Kukreja: So, sir, your debt as of September was INR 338 crores, and as of December it is INR 331 crores, so we have reduced by INR 7 crores. Is that correct?

Hiren Gada: Yes.

Yash Kukreja: So, sir, then interest cost has also gone up, so how would you explain that?

Amit Haria: We have taken temporary borrowing for acquisition of content during the quarter. And on account of debt, there is an incremental interest cost which has been incurred.

Hiren Gada: So as we shared, I will just take a step back, as we shared last quarter also that there was some content availability at some good prices which we had picked up during this last about three, four months, some of which we had to resort to some additional borrowing which has, through subsequent cash flows, we have repaid by, it could have been a temporary two-month or three-month kind of borrowing, which has been kind of repaid back. So, the debt levels have been maintained, but in the interim the number would have gone up and therefore there is a higher interest cost payout on that account.

Yash Kukreja: And sir, my last question is, there has been 23% jump in the employee cost in Q3. So, sir, as per our previous communication, most of our senior level hirings were done, so wanted to understand if this was a one-time expense or will this continue?

Amit Haria: It is a one-time expense on account of the annual PLI or bonusing which happens generally at the Diwali time, around that time.

Yash Kukreja: So, sir, just wanted to confirm, our employee cost will be around that INR 30 crores only?

Amit Haria: Sorry?

Yash Kukreja: Sir, wanted to understand if our employee cost will be around that INR 30 crores figure only for the remaining year?

Amit Haria: Yes, it should be around that figure.

Hiren Gada: Yes, it should be around that figure, yes, in the next quarter.

Moderator: Thank you. The next question is from the line of Ayush Jalan, who is an individual investor. Please go ahead.

Ayush Jalan: Sir, you had initially guided for FY '25 spend on new initiatives at around INR 60 crores to INR 65 crores. We are currently at around INR 36 crores. So, do we stick by that guidance, or would you reduce it right now?

Hiren Gada: I mean, our aim is to be probably in the range of about INR. 50 odd crores, between INR 50 crores and INR 55 crores. And we are confident. So, my sense is that we will be about INR 10 crores lower on the investment than initially what we had estimated at the beginning of the year.

Ayush Jalan: Okay. Thank you, sir. That was my only question. Wish you all the best for the future, sir. Thank you.

Moderator: The next follow-up question is from the line of Yash Kukreja from Equitree Capital. Please go ahead.

Yash Kukreja: Sir, could you help me with the operating cash flow number as of nine months other than December?

Amit Haria: For the nine months ended, there is a net positive cash flow of INR 7 crores, because of which the debt has come down compared to March levels,

Yash Kukreja: Got it.

Hiren Gada: But this also includes the investment --

Amit Haria: Investment in the content.

Hiren Gada: Extraordinary investment in content. If you were to add that back, it's upwards of nearly about INR 50 odd crores range.

Amit Haria: So, on the account of operational business we are positive by INR 7 crores, including the investment in new initiative, content, etc., everything.

Yash Kukreja: Sir, and any update on that GST matter?

Amit Haria: So, we have updated in the earnings, the financials that we have released. However, the update is that we have got the show cause notice, and the company has firmly replied with the relevant authorities denying such claims. We are waiting for further course of action with the department.

Yash Kukreja: And sir, my last question is, as you mentioned that demand has remained subdued in the previous quarters, so sir I wanted to understand that our digital segment has been growing, so what is the client profile there that is helping us or that is contributing to this growth, like what segment is there?

Arghya Chakravarty: So, Yash, the growth in digital segment has been largely driven by our digital syndication business. The demand stress on advertising continues to be there, both on TV and on digital. Digital may be slightly lesser than TV. TV is seeing serious cultural demand. But the growth has been driven largely by the content that we syndicate to digital platforms. So that's where the growth has come from.

Yash Kukreja: And sir, my last question is, so considering the write-off, how do we look at it like in the next year, so how are we going to write it off? Like what is the target?

Amit Haria: We had mentioned that this additional write-off or the extended write-off that we are planning is planned till FY '26. So it would be on the same lines.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Hiren Gada from Shemaroo Entertainment Limited for closing comments.

Hiren Gada: Thank you, everyone, for participating in the Q3 earnings call. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company, please reach out to our IR Manager, Valorem Advisors. Thank you.

Moderator: On behalf of Shemaroo Entertainment Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.