Earnings Conference Call Highlights

Shemaroo Entertainment Limited - Q1-FY27 Earnings Concall Highlights

Shemaroo Entertainment Limited (Consolidated)					
INR In Mn	Q1-FY27	Q1-FY26	Y-o-Y	Q4-FY26	Q-o-Q
Operational Income	1,317	1,395	(5.6)%	1,395	(5.6)%
EBITDA	(18)	(555)	NA	(872)	NA
EBITDA M (%)	NA	NA	NA	NA	NA
PAT	(81)	(458)	NA	(721)	NA
PAT M (%)	NA	NA	NA	NA	NA
Diluted EPS	(2.79)	(16.77)	NA	(26.38)	NA

Operational Highlights

- Revenue for the quarter reached INR 132 crores, a 6% year-on-year decline, following the successful completion of an inventory charge-off initiative spanning ten quarters.
- Digital media revenue declined 17% year-on-year, attributed to the deferral of select B2B syndication deals amid geopolitical uncertainty and the segment's inherently lumpy nature.
- Traditional media revenue grew 5% year-on-year, driven by the closure of select B2B licensing deals that offset a subdued advertising environment.
- EBITDA loss narrowed to INR 2 crores from INR 56 crores in the corresponding quarter last year, with normalized EBITDA excluding new initiative investments reaching INR 18 crores.
- The ShemarooMe Gujarati platform expanded its catalog by acquiring OHO Gujarati, adding over 22 original web series and releasing 10 new titles during the quarter.
- Digital engagement remains strong, with the company's YouTube channel portfolio garnering approximately 9 billion views, and the flagship 'Shemaroo Filmi Gaane' channel surpassing 70.7 million subscribers.
- Management maintains a target of healthy double-digit revenue growth over the next three years, intending to outperform broader digital media industry growth rates.
- The traditional media advertising outlook remains subdued in the near term due to the ongoing BARC ratings blackout and persistent macroeconomic pressures.
- The company secured worldwide digital and satellite distribution rights for the Malayalam thriller 'Kaathal - The Core' as part of its syndication strategy.
- A debt reduction plan is in place for the current financial year, though quarterly figures may fluctuate due to market volatility and geopolitical uncertainties.
- Operational efficiency measures implemented over the last three quarters are expected to yield visible margin improvements on a quarter-on-quarter basis.
- Management expresses confidence in achieving bottom-line profitability by the next financial year.

Key Questions & Answers

Q **What is the normalized EBITDA for the quarter, and what revenue threshold is required to achieve positive EBITDA without sacrificing growth investments?**

A Excluding the INR 20 crores invested in new initiatives, our EBITDA gain would have been INR 18 crores. There is no simple linear revenue threshold, as margin improvement is driven by a combination of revenue growth, operational efficiencies, and the mix of content monetization, where different segments carry varying margin profiles.

Q **How much of your content library remains under-monetized, and what strategies will improve asset productivity over the next three years?**

A Our library is fully utilized, evidenced by 9 billion views this quarter. While traditional media monetization has declined, our digital footprint across YouTube, Meta, and subscription platforms is on a growth trajectory. Digital revenue now accounts for roughly 65% of our mix, providing better futuristic predictability.

Q **What is your growth outlook for the next three years in terms of revenue and EBITDA?**

A We are aiming for a healthy double-digit growth rate. While the traditional media segment may remain flattish, we intend for our digital media business to outpace the industry's growth by a couple of percentage points.

Q **What is the update on your debt reduction plan and the timeline for achieving bottom-line profitability?**

A We have a debt reduction plan for this year, though exact figures are difficult to forecast due to geopolitical and ratings-related uncertainties. We are targeting to be EBITDA positive for the full year and are very confident that we will be bottom-line positive by next year.

Q **Why has the growth in your digital media business been in the 9-10% range recently rather than 20% plus?**

A We operate within the current industry context, which has seen lower growth recently. Furthermore, we prioritize profitable growth over aggressive scaling that would burn cash. We aim to balance growth with maintaining our balance sheet health while leveraging our leadership position in regional segments like Gujarati.

Q **How should we think about the margin hierarchy across your various digital revenue streams?**

A Margins are primarily determined by the vintage of the content. Monetizing legacy content that is already fully amortized yields the highest margins, regardless of the platform. Newly acquired content carries acquisition costs, impacting initial margins. Our goal is to mine existing, charged-off content while maintaining prudent investment discipline.

Q **When can we expect the OTT platform to reach break-even?**

A We are likely about two years away from a break-even point, which is consistent with the broader OTT industry. However, we are in a strong position with the Gujarati audience, evidenced by high retention and the success of our two-year subscription plans, which signals consumer trust and lifetime value.

Q **Are you planning to enter the 'short drama' segment given its current growth in India?**

A We are technically prepared and have the backend capability to accommodate micro-dramas. We are experimenting with the format, but we will not go full throttle until we have more clarity on the monetization sustainability of this content type.

Q **What is the update on YouTube monetization policies and your focus on short-form content?**

A Short-form monetization has not progressed as expected. Our current strategic focus is on connected TV and long-form content, which offer significantly better monetization metrics. We are focusing on driving consumption on platforms that provide higher revenue per view.

Q **Is the 20% EBITDA margin target you mentioned on a reported basis, net of all investments?**

A We aspire to achieve significantly higher margins, and a 20% EBITDA margin is a reasonable aspiration over the next two to three years. We are undergoing a structural shift as the business model moves from traditional media to digital, and our margin profile will improve as this transition matures.

Key Participants

- *No clearly identified external analyst participants were found in the transcript.*

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