

Q3 2012 Earnings Call - Eros International

Dt-14 Feb'12

Operator

Ladies and gentlemen, good day and welcome to the Earnings Conference Call of Eros International. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Anoop Poojari from CDR India. Thank you and over to you, sir.

Anoop Poojari

Thank you. Good afternoon everyone and thank you for joining us on Eros International Media Limited Q3 and 9M FY2012 results conference call.

We have with us Mr. Kishore Lulla, Executive Director of Eros International; Mr. Sunil Lulla, Managing Director; and Mr. Kamal Jain, Group CFO of the company. We will begin the call with brief opening remarks from the management, following which we will have the forum open for an interactive question-and-answer session.

Before we begin this call, I would like to point out that some statements made in this call maybe forward-looking and a disclaimer to this effect has been included in the conference call in invite sent out earlier.

I would now like to invite Mr. Sunil Lulla to make his opening remarks.

Sunil Lulla, Vice Chairman and Managing Director

Good afternoon and a very warm welcome to everyone present on the call. Thank you for joining us today to discuss Eros International Media Limited's operating and financial performance for the third quarter and nine month ended December 31, 2011.

I am delighted to share with all present that Eros International has delivered an excellent performance during the quarter and for the year-to-date, which is in line with our expectations and plan.

During the quarter under review, we posted record performance enabled by our robust business model aiding the company in being well-positioned to efficiently monetize its extensive catalogue and newly released content across a multitude of old and new distribution channels.

Eros International has witnessed one of the biggest event during the quarter which was the release of Shahrukh Khan's Ra.One, which was launched with 4,100 screens worldwide. The company showcased its marketing and distribution progress via our global branding campaign for the movie by dubbing it in multiple languages. Tying up with brands and extensively merchandising it, which has yielded excellent results for the company.

We also demonstrated our sustained ability to successfully generate new content with the release of other major films such as Rockstar and Desi Boyz during the quarter.

The year 2011 has been an outstanding year for the Indian film industry. As the sector has witnesses of super hits and blockbusters during the year. Four movies have crossed the Rs.100 crore benchmark with respect to the net box office collections. Compared with only two movies in 2010. In 2011, two of these movies, 50% belong to Eros International. Signifying a wider penetration in the market on account of our extensive distribution capabilities. This robust trend is else supported by the evident growth in the number of multiplexes, digitisation of theaters, overall increase in the average ticket price and the demand for quality film content.

India accounts for the highest ticket trail volumes in the world. We are an integral part of the ecosystem, of the entertainment sector and at the forefront of all opportunities which we continuously leverage. Given our distinguishes model involving co-production, wide spread marketing and distribution reach in India and across the globe.

Unparallel library of content, acquisition and distribution of Hindi and other Indian language films. Discussing the operational highlights of the company, Eros International has released a total of 61 films in the nine months period and 19 films during the quarter under review across Hindi, Tamil and other regional language films.

Major contribution to the performance were made from Hindi releases such as Ra.One, Rockstar, Desi Boyz, Zindagi Na Milegi Dobara, Murder, Ready and Mausam. Major Tamil films include release such as Engeyum Kadhal, Vedi, Avan Ivan, K0, Mankatha and Velayudham. I'm also delighted in sharing with all here that Eros International 2011 release late was critically acclaimed by receiving major awards at various award functions.

Apart from 2011 being a financially prolific year for Eros International, the performance of our movies were acknowledged over multitude of award categories. Few of the company's successful release like Zindagi Na Milegi Dobara, Rockstar and Ra.One won awards in key categories that totaled staggering 50 awards across all prestigious award ceremonies that include Filmfare Awards, Screen Awards, Apsara Awards and Zee Cine Awards.

Due to the surge in the demand for high quality content over DTH and cable TV we have witnessed an admirable growth in satellite licensing. We continue our pre-license content for movies which we had positive impact on the performance of Eros International during the period under review.

The emergence of movie channels across Hindi and regional languages is bound to further expand demand for quality content. Pre-licensing of movies comprises a major part of our de-risking strategy and we are well-positioned to capitalize on this buoyant segment given our superior product portfolio.

We continue to pursue various avenues to monetise our content via different digital platform, which is the key to adopting rapidly to and taking advantage of an environment where entertainment is shifting to the new digital distribution channels.

Such initiatives will enable Eros International to provide quality content to viewers globally who want to enjoy our catalogue content. Digital content can be screamed to viewers over the Internet at highly affordable download cost, thus minimizing piracy in the long run.

The -- modernizing digital domain has truly opened stairways to a new revenue streams making it convenient and cost effective to supply premium content to our viewers. Our digitized film catalogue has empowered us to meet such demands and thus expanding revenue streams that will truly make Eros International a pioneer in ever expanding and highly profitable digital arena.

Going forward, we have excellent visibility in terms of our future slate with over 50 films scheduled to be released over the next 12 to 18 months while our past slate has been aspiring the slate that we are building going forward is even more promising.

The company has added several high profile movies during the period under review including Kochadaiyaan starring Rajinikanth; Yohan Adhyayam Ondru, starring Vijay; and Go Goa Gone to name a few.

The existing films detail also includes movies such Houseful 2, Cocktail, Khiladi 786, some say Pyar Kar Le Tu and other regional language releases.

The company is also focusing on widening its product portfolio by adding Tamil and Punjabi movies by launching them on global scale, which will cater to a broader spectrum of the audience. Further leveraging un-tapped markets.

Over the next nine to 12 months we expect global releases of seven to eight high profile Hindi movies, two to three Tamil film releases and two Punjabi movies apart from a host of other films. Thereby giving us a real visibility for our FY13 financial performance. As we close the current year our Q4 FY 2012 will reflect the performance of Agneepath and Agent Vinod enabling us further build on our year-to-date performance and the financial year with record performance.

Agneepath released by Eros PLC witnessed a strong opening in the overseas market which had a weekend collection of Rs. 160 million.

We also expect a very encouraging contribution from the highly anticipated Agent Vinod which we believe will receive a good response given our ability to promote market and monetise such content. The potential in this sector remains huge we are at -- such opportunities. Eros we truly believe is at and lot of such opportunities.

While we are extremely pleased with the way our business has progressed over the past few years we are even more excited about our future in the medium to long-term. We are constantly witnessing a growth in new media platform often as mainstream the digital evolution will increasingly require content as a prime requisite to expansion. Our catalogue of over 1,100 plus films and unparalleled host of new releases gives Eros International a unique advantage within this industry.

The implementation of the number of initiatives within the company united that our well diversified business approach and our strategic capabilities means that we look forward to entering forthcoming quarter with a great optimism.

I would like to now to hand over the call to Kamal Jain who will take you through our financial performance. Thank you.

Kamal Jain, Group Chief Financial Officer -- India

Thank you, Sunil. Good afternoon and thank you all for joining us today. I'll take you through the financial performance of quarter three and nine months 2012 of the company which witnessed strong top-line and bottom-line performance.

In nine months FY 2012 Eros International reported a 25% growth in total investments to Rs.749 crores as compared to the corresponding period last year for quarter three FY2012 revenue stood at Rs.4,116 million, this translate to 45% increase over Rs.2,844 million in quarter three FY2011. The performance was driven by a number of permanent releases across all languages which witnessed strong contribution from theatrical and satellite segments. We released 19 films in the quarter, comprising of six in Hindi, 12 in Tamil and one other regional language film.

Major Hindi and Tamil theatrical successful witness -- successes witnessed during the quarter include Ra.One, Rockstar and Desi Boyz, Velayudham and Mambattiyan.

Moving forward to profitability. During the nine month period, EBIT improved by 23% to Rs.1,803 million with corresponding

margin at 24%.

In quarter three FY2012, EBIT was at 1,027 million with corresponding margin at 25%. In nine month FY2012, PAT stood at Rs.650.9 million during the quarter with PAT margin at 15.8%. This compares with PAT for nine months period ended 31st December 2011 which stood at 1,150.8 million with PAT margins at 15.4%. The performance is backed by the company's solid and market leading business model that efficiently monetize the catalogue content over a multitude of our platforms.

I would like to reiterate that the company's performance is best tracked on an annual basis rather on a quarterly basis. Given the nature of this industry, we believe that the company is on track to post robust performance for the full year in line with our internal expectations and plan.

Before I close, I would like to -- also like to highlight the strong balance sheet position of the company. We continue to have a good cash flow position and favorable net debt equity with a small net debt position of Rs.130 million as on 31st December 2011, which translate into a net debt-to-equity ratio of 0.02:1 as compared to negative 0.06:1 as on 31st December 2010.

As mentioned earlier, Eros International has notably -- its future movies slate with over 50 films scheduled to be released in next 12 to 18 months. Here I would like to emphasize that this movies slate is already substantially funded. And with the strong core business and complementary new initiatives, so we look to the future with confidence and optimism.

This bring us to the end of the discussion. We would now be glad to take your suggestion and answers any questions that you would like to discuss. Thank you.

Questions And Answers

Operator

Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions]. The first question is from Deepan Sankar from HSBC. Please go ahead.

Deepan Sankar

Good afternoon, sir. Congrats for the good results. I just want to understand that what are the movie releases we are planning in Q4, if we have -- don't have any much? Then are we planning any movie acquisitions during the Q4 of this year?

Kishore Lulla, Executive Director

Yeah. You see Q4 we had Agneepath which was internationally and Agent Vinod, but we also have Tamil releases and some Punjabi releases.

Deepan Sankar

Okay.

Kishore Lulla, Executive Director

And also the catalogue monetization, the 1,100 catalogue monetization.

Deepan Sankar

Okay.

Kishore Lulla, Executive Director

So, it's not just the monetization which will come from one or two high profile releases.

Deepan Sankar

Okay. So, we don't plan to have any movie acquisition such for distribution

Kishore Lulla, Executive Director

Yeah we could have that. There are many movies available but they depends upon the price and how much we could recover if it's profitable for Eros we would definitely do that.

Deepan Sankar

Okay.

Kishore Lulla, Executive Director

But even without doing that we are in line with our internal management expectation for the quarter.

Deepan Sankar

Okay. Sir and adding more on the movie visibility front, for FY14 also we have any further additions so far

Kishore Lulla, Executive Director

Yeah. We have a lot of visibility for FY14 and that should be announced once all technician teams and as well as the starcast is finalized. It is a bit too premature to announce release date for 2014 today.

Deepan Sankar

Okay.

Kishore Lulla, Executive Director

But definitely there are about 20 films already under consideration which have been nearly finalized but some like okay if the hero is finalized the heroine has to be finalized or the other starcast still finalized then only we announce.

Deepan Sankar

Okay. And overall on the cost front how is the cost of our movies production is moving and how do you see this going as also?

Kishore Lulla, Executive Director

The cost of the movie production is exactly where we were last year. Not the same model and the model what we have worked with the various talent across the sector. They are very, very happy with in fact sharing and the co-production model is working. So, that means the risk for the Group Eros is not much upfront and when the movie does well we share in the overflow with the movies. And most of the movies we did last year we did share the overflow with our talent.

Deepan Sankar

Okay. Okay. Sure, sir. I will come back if there are any questions.

Sunil Lulla, Vice Chairman and Managing Director

Sure.

Operator

Thank you. The next question is from Srinivas Seshadri from RBS Equities. Please go ahead.

Srinivas Seshadri

Yeah. Hello. Thanks for taking my questions. My first question pertains to the cost side, this side we... this quarter we saw direct cost of about 294 crore just wanted to check if we can get some break up in terms of how much was the cost attributable to the large films versus say something in terms of catalogue acquisition or any other kind of cost? And also if you can give some kind of color on the overflow payments made during this quarter on the large releases?

Kamal Jain, Group Chief Financial Officer -- India

Thank you Srin. As far as operating cost for the quarter is concerned it's 292 crores as mentioned. Generally the breakup of that particular thing between the film wise since it's being a sensitive information to the trade I don't think we will be able to disclose that. We would like to stick to the information which has been published with the exchanges. Although having said that I think on annualized basis we definitely share our breakup of the cost between operating expenditures or I mean between amortization or the film right purchases.

So I think that I hope that answers your question.

Srinivas Seshadri

Yeah. But if you could just give some color in terms of apart from the big projects if there were any major direct cost which is not typically there in a quarter, is there anything unusual or...?

Kamal Jain, Group Chief Financial Officer -- India

No, there is nothing unusual as far as this particular quarter is concerned, it's most to do with the films which got released and a small bit of, little bit catalogue which is I think the overall revenue during the quarter for catalogue is about between 7% to 8% in this particular quarter. So, I think corresponding that revenue is coming from the catalogue which has got no cost attached to it.

Srinivas Seshadri

Okay. Great. And secondly Kishore if you can give some color in terms of say, I mean we have the release slate which you have given. So if you and if you take a typical big budget movie Hindi. If you can just give a broad kind of color in terms of how much do you budget for production and marketing that would be very helpful at this stage?

Kishore Lulla, Executive Director

Yeah. You see I think for the next full year we have a full visibility of seven to eight big A grade releases. Now in that we just don't talk about Hindi especially the movie like Kochadaiyaan which we announced it's a Rajinikanth's movie which is coming this year Q3 of FY13 and even Yohan it's Vijay's movie which is in Tamil.

So that's a global releases. So seven to eight big releases and the cost roughly of A grade movie is ranging average anywhere between 50 crores to 60 crores roughly.

Srinivas Seshadri

So is this the production cost or does this include marketing as well?

Kishore Lulla, Executive Director

No the marketing depends, the marketing is about anywhere between 10% to 20% of the cost.

Srinivas Seshadri

Okay of this 50 crores to 60 crores?

Kishore Lulla, Executive Director

50 crores to 60 crores that's the average cost. So some will cost 35 crores to 40 crores, some will cost 65 crores. So it's average comes to

between 50 crores and 60 crores, of these big releases. And about 8 crores to 10 crores roughly is the marketing cost.

Srinivas Seshadri

And the printing costs are separate?

Kishore Lulla, Executive Director

No including everything.

Srinivas Seshadri

Including the printing cost.

Kishore Lulla, Executive Director

Yeah.

Srinivas Seshadri

Okay, okay. Fine, thanks. Yeah and then the other thing is on the release slate just wanted to check on one particular movie which is this Boney Kapoor production.

Kishore Lulla, Executive Director

Yeah.

Srinivas Seshadri

Just wanted to check is this being slated for FY13 release or may happen in FY14?

Kishore Lulla, Executive Director

It is not sure yet for FY13. It's at the moment for year FY 2014, but in calendar year 2013.

Srinivas Seshadri

Okay.

Kishore Lulla, Executive Director

But we will have the full visibility on Boney Kapoor's dates of the stars and everything by the next quarter.

Srinivas Seshadri

Okay. Great. Yeah and just one question before I just come back for more questions. On Housefull 2 do you, I mean given that it is releasing in the first week of April. Do you expect to book the TV, Satellite and the International Rights revenues during this particular quarter?

Kishore Lulla, Executive Director

No. It's a fifth April release so...

Srinivas Seshadri

Okay. So none of the...

Kishore Lulla, Executive Director

Yeah.

Srinivas Seshadri

None of the revenues will come in this quarter.

Kishore Lulla, Executive Director

Yeah.

Srinivas Seshadri

Okay. Fine. I'll come back for more questions.

Operator

Thank you. The next question is from Jigar Shah from Kim Eng Securities. Please go ahead.

Jigar Shah

Good afternoon and congrats for good set of numbers for Q4.

Kishore Lulla, Executive Director

Thank you.

Jigar Shah

My first question pertains to the catalogue sales as you mentioned in your opening remarks that it is not necessary that all catalogue sales are happening from the new big movies. Can you give some idea in terms of the overall library which is not new? What kind of run rate you are achieving on a regular basis in terms of revenue?

Kishore Lulla, Executive Director

See if on an annualised basis roughly 15% of the revenues come from catalogue. And catalogue does contain movies from even 50s to even 90s and even the current movies which is two years old. So, it entirely depend plus assume that if the satellite syndication of the library, we normally license anywhere between three to five year rights to various satellite and when they become due, so that monetization keeps on taking place. Then you have licensing of the rights to the various new media platforms in India whether it's bundled rights to a telecom operator or a physical DVD or any other licenses for terrestrial television or cable licensing.

Jigar Shah

Fair. That is understood. But what I want to know is that this 15% I mean how do you ensure the growth in this other than the new movies which come up?

Kishore Lulla, Executive Director

Okay. So the growth is coming let's take different segments how the growth of the catalogue will get monetize. So the first the catalogue get monetize for satellites indication. So let's assume five years ago a particular movie to a satellite channel was sold at x price.

Jigar Shah

Right.

Kishore Lulla, Executive Director

We have seen about 30% to 40% growth in that revenue in a particular movie, let's assume that movie got sold in 1 crore five years ago. And when the re-licensing of that same movie is coming now, we are selling it for 1,50,000,00. The same movie five years ago let's assume was sold to terrestrial television right for 10,00,000 or 15,00,000 we are selling it for 20,00,000, 25,00,000. Then the same movie is getting monetized through DVD, now DVD has not grown that much, it has in fact plateaued, the VCD has fallen down.

But what has grown is the digital media. So, we are monetizing that movie whether it is the song or a scene or a full movie in on mobile or on Internet or on licensing to different platforms as far as the digital cable is concerned as well. We are getting revenues. Then also on DTH as what. The various companies are coming forward and taking that licensing rights. So, that was never there five years ago. So, we are going forward also in next five years you will see various new platforms also opening up and that will enable us to in fact monetize our catalogue much better than what we were doing five years ago.

Jigar Shah

Okay. Considering that you are building a digital asset management platform plus this digitisation of the cable TV would also saw the overall improve the revenue of the broadcasters, where do you think this 15% of our revenue contribution can progress to what level over a period of one year, two years, three years? I don't need the exact number just... ?

Corporate Participant

I agree. See it will -- we should not just talk about the percentages. What definitely I can say that the revenue how we were every year is growing on basis. But the turnover percentage of the company not 15% but depending upon the new slate which is growing also that turnover of the company will keep on growing even for the new slate and as well as the catalogue. Now that number in the next five years whether it is 20% or 25% will also relatively depend upon the new film growth. Of the company. But definitely year-on-year basis that revenues will grow.

Jigar Shah

Okay. The one last question that I want to understand is you did explain about the visibility for FY13 and little bit about FY14. Now given that we cannot really compare every year you can't have Ra.One or Rockstar over large movies. How you think FY13 will be different and how you can still grow because apparently -- at least apparently the very big starcast movies are not there Although there are big movies but not the Khan's nor the big ones.

Kishore Lulla, Executive Director

Okay. I'll really I think in this year in fact I think Kochadaiyaan, the movie of Rajnikanth is going to be even bigger than Ra.One. See if you historically take any collections of Rajnikanth movie, last was Robot. Robot has grossed more than Ra.One or even equivalent to 3 Idiots.

Jigar Shah

Okay.

Kishore Lulla, Executive Director

So starring Rajnikanth... it should not be constitute yes, Hindi slate is not about just the Khan's it is all about the portfolio of the film slate and how do we deal the business and how do we make money on that slate. That is the whole idea, right?

Jigar Shah

Right.

Kishore Lulla, Executive Director

So it's about seven or eight movies. So, if you take Rajnikanth's Kochadaiyaan that is a very high profile movie which will be releasing

in the Q3 of 2013. And even Yohan, Yohan is a Vijay. So Vijay is like the Salman Khan of South. And it's being directed by Gautham Menon. So that's the big slate. And again our costs are quite low. So therefore the way we have planned our six, seven... seven big releases this year in FY13, plus we will be adding on. There are about 10 to 12 big projects which have not been bagged by any studio yet.

Jigar Shah

Okay.

Kishore Lulla, Executive Director

They are available yet. So whether the Salman's project or other projects. So, we are in consent talks with these projects. So, it's not about bagging the project at any cost, it's about bagging the project at the right price for the company.

Jigar Shah

Right, right.

Kishore Lulla, Executive Director

Okay. So that is where we are always aware that the cost if your purchase price and the costing is right, you'll never go wrong.

Jigar Shah

Correct, correct. So for the Rajani and the Vijay movie, will everything flow into India Books, or the...

Kishore Lulla, Executive Director

Yeah of course India Books it's under Eros.

Jigar Shah

Okay, okay.

Kishore Lulla, Executive Director

The global release is under Eros.

Jigar Shah

Okay.

Kishore Lulla, Executive Director

Ingram is international operations. So you would see that, but this Kochadaiyaan was announced under Eros and as well as Vijay's Yohan.

Jigar Shah

Okay, great. Many thanks and all the best.

Kishore Lulla, Executive Director

You're welcome.

Operator

Thank you. The next question is from Raunak Nagda from Valuequest. Please go ahead.

Sameer Shah

Hello?

Kishore Lulla, Executive Director

Good morning.

Sameer Shah

Yeah. Hi. This is Sameer here. Just two questions. One is this strike that is planned by the film fraternity, the service tax is it going to impact us in anyway?

Kamal Jain, Group Chief Financial Officer -- India

Yeah. See as far as the service tax is concerned, as you can already see there is many activities going around within the industry and all that. But as of now if you see the service tax is basically not a cost to us because it's a pass-through because we are selling most of our rights for example satellite licensing or whatever. We're collecting the service tax from the channels and passing it on to the department. So I don't think there is... it has got any cost impact. And as far as the other rights are concerned I mean I think there is no impact of service tax on us.

Sameer Shah

And on the theatrical?

Kamal Jain, Group Chief Financial Officer -- India

Yeah. And there is no impact on theatrical as far as the service tax is concerned.

Sameer Shah

Okay. So the theatricals won't get impacted?

Kamal Jain, Group Chief Financial Officer -- India

They won't get impacted. Yeah.

Sameer Shah

Okay. Second question is there was ForEx loss last quarter.

Kamal Jain, Group Chief Financial Officer -- India

Yeah

Sameer Shah

Whereas we don't have too much this quarter. So, if you can just explain what...?

Kamal Jain, Group Chief Financial Officer -- India

Yeah see this quarter on net-net also there was no major loss on the foreign exchange because of the foreign exchange outstanding debtors as well. So, it is got netted off in terms of lowered as compared to last particular quarter plus this particular quarter we had opted for the accounting standard which has come in December for amortizing the foreign exchange cost for that particular quarter which means therein any capital item where in you have some foreign exchange you can always amortize along with the cost of the films. So, that is how we have taken it up.

So, that's why you can't see there is any major impact on the foreign exchange.

Sameer Shah

Okay. Okay. And sir last question, what is parents advance right now in the book?

Kamal Jain, Group Chief Financial Officer -- India

It's about 150 crores.

Sameer Shah

Okay. This is gross?

Kamal Jain, Group Chief Financial Officer -- India

Yeah, yeah this is gross.

Sameer Shah

Okay. Okay sir. Thank you.

Operator

Thank you. The next question is from Sahil Sethi from Segal Value Consultant. Please go ahead.

Analyst

Hello?

Sunil Lulla, Vice Chairman and Managing Director

Hello. Good afternoon.

Analyst

Yeah good afternoon. Can you tell me what is the revenue generated from YouTube ?

Sunil Lulla, Vice Chairman and Managing Director

YouTube?

Analyst

Yeah or Dailymotion?

Sunil Lulla, Vice Chairman and Managing Director

We don't publish this information publicly.

Analyst

Okay.

Sunil Lulla, Vice Chairman and Managing Director

So we'll not be able to share it what is not shared publicly with the exchanges.

Analyst

Okay. Thanks a lot.

Sunil Lulla, Vice Chairman and Managing Director

You're welcome.

Operator

Thank you. The next question is from Mayur Gathani from OHM Group. Please go ahead.

Mayur Gathani

Hi. Good afternoon everyone. Sir I wanted to know the budget for this Rajinikanth movie, which is scheduled for...?

Sunil Lulla, Vice Chairman and Managing Director

Budget for the Rajinikanth movie is less than definitely what I've told you, 50 crores to 60 crores.

Mayur Gathani

It's less than that?

Sunil Lulla, Vice Chairman and Managing Director

Yeah.

Mayur Gathani

And this is Rajinikanth, it's a Rajinikanth starrer movie but it's an animated stuff right?

Sunil Lulla, Vice Chairman and Managing Director

No no. It's a full real action, live action movie. In fact, it is using the technology of performance capture which Hollywood is using at the moment, which was used in Avatar.

Mayur Gathani

Okay. So, basically has Rajnikanth shot for this movie?

Kishore Lulla, Executive Director

Yes, yes of course.

Mayur Gathani

Okay. Because I was under the impression that Rana would be the first movie he would be shooting post his illness.

Kishore Lulla, Executive Director

You see this is prequel to Rana. This -- the script was ready so he decided because Rana had a lot of action sequences and because of his health he recovered that so fast, he didn't wanted to shoot for Rana.

Mayur Gathani

Okay.

Kishore Lulla, Executive Director

Because of the action sequences. So, after this movie releases in the FY13 Q3 of this year, we are planning to release September-October roughly. So, after that the Rana shooting will begin or may be before that one month.

Mayur Gathani

So, Rana will be released in FY13.

Kishore Lulla, Executive Director

FY13 next year.

Mayur Gathani

FY13. Okay And sir regarding the iPad application that you had released last quarter, do you talk about it any material contribution from there? And how it is significant currently?

Kishore Lulla, Executive Director

See Mayur that application was a marketing application, free application which was launched.

Mayur Gathani

Okay.

Kishore Lulla, Executive Director

You would hear that in the first week of March, there will be a big initiative from Eros which we launched on digital platforms all across the globe, which will be about the monetisation. So we'll be announcing that in the next two weeks.

Mayur Gathani

And sir regarding the guidance you stand to -- a bit 20%-30% of growth for FY13 also?

Kishore Lulla, Executive Director

The internal management guidance, whatever the internal management is looking at definitely a growth of about 20%.

Mayur Gathani

And quarter four also like you said 20% for this year as well, so you sustain that?

Kishore Lulla, Executive Director

Yeah.

Mayur Gathani

Will -- on the fact that there has no major release for quarter four I mean just continuing with the gentlemen's question before. And...

Kishore Lulla, Executive Director

See if you look at the Eros model and the contribution, it's not only from the new releases which comes, correct? There are...

Mayur Gathani

Yeah. I...

Kishore Lulla, Executive Director

On annualised basis, you will have certain revenues which will be deferred from the Q3 to Q4. It will be on the slate, its on the contracts with the satellite indication, with the new slate and the delivery of those old slate. So the revenues get recognized between the quarters as for the context we have for the monetisation whether its for the catalogue or the new movies.

Mayur Gathani

Okay, sir. But you just said that, the quarter four... I mean Housefull will release in first week of April and you will have no impact of revenues...

Kishore Lulla, Executive Director

Correct.

Mayur Gathani

Because you might have sold some rights by now...

Kishore Lulla, Executive Director

Yeah. Maybe the music rights which... the music will release in March so you'll recognize part of that whatever you release as per the accounting policy, what the group is following.

Mayur Gathani

Okay. Fair enough. Thank you very much, sir.

Kishore Lulla, Executive Director

You're welcome.

Mayur Gathani

Yeah. Thank you.

Operator

Thank you. The next question is from Amit Kumar from Kotak Securities. Please go ahead.

Amit Kumar

Yeah. Thank you so much for the opportunity. Starting with the couple of housekeeping questions. How much is the loans and advances for films given by Eros as of end 3Q?

Kishore Lulla, Executive Director

As far as loan and advances are concern for this -- as of this and December 2011 the number is about 490 crores as against 660 crores as of September 2011. So, just a drop of almost 170 crores which is the high profile releases during the quarter.

Amit Kumar

490 crores.

Kishore Lulla, Executive Director

490 crores.

Amit Kumar

Okay. My second was with respect to Ayngaran. We have seen Ayngaran profitability has been very low as a matter of fact this quarter probably Ayngaran has made a lot. Looking at the minority interest, what is really the future plan for scaling up Ayngaranor how are we really looking at that business.

Kishore Lulla, Executive Director

See Ayngaran is basically international and why there is a loss because the amortisation policy we're writing off everything in the first year itself of Ayngaran.

Amit Kumar

No, but doesn't -- I'm sorry to interrupt on that. Doesn't and when consolidating doesn't Ayngaran also follow the same amortisation policy as Eros does?

Kamal Jain, Group Chief Financial Officer -- India

Yeah as on consolidation follow the same policy as what Eros does on the consolidation level. But like Kishore has mentioned, if you do not have some major release in that particular quarter and you have amortisation just coming from some you will have certain bit of losses, but you need to look at that on annualised basis rather looking on quarterly basis I would say.

Amit Kumar

Okay.

Kamal Jain, Group Chief Financial Officer -- India

Having said that, I think there are almost 45 to 50 international releases from Ayngaran, which happens every year so which I think the plan in that. And as mentioned earlier, I mean the certain bit of high profile global releases we are doing now in Eros like -- and Yohan all that. So I mean that will be like strategically it will be planned accordingly.

Amit Kumar

Sir, the overseas distribution for those would be done by Ayngaran?

Sunil Lulla, Vice Chairman and Managing Director

That's right. Yeah.

Amit Kumar

Okay fair enough. That's it from my side. I'll come back. Thanks.

Sunil Lulla, Vice Chairman and Managing Director

Thank you Amit.

Operator

Thank you. The next question is from Srinivas Seshadri from RBS Equities. Please go ahead.

Srinivas Seshadri

Yeah hi. Thanks for taking my question again. First is on the entertainment tax is there any clarity under the GST regime now whether it will be included as a state tax or it'll be merged with the central GST tax?

Kishore Lulla, Executive Director

I think there is no clarity yet. But I think the clarity will come in the next two or three quarters but I think it will be beneficial. If the central GST comes so you would have actually we would gain from it. Because the net will increase and our share from the net from the exhibitors will increase as well.

Srinivas Seshadri

Right, right.

Kamal Jain, Group Chief Financial Officer -- India

Just adding to that the latest update on that is basically on the GST front earlier the entertainment tax for us to be a bring into the GST net and it was to come at a rate of between somewhere around 14% and 16% and it even the all the taxes like service tax and all used... was supposed to subsumed and all that.

Then later on it came into the negative list and now it is still in draft stages. The entire I mean association and the film build and all everything have put it up across to the government to remove it on negative and then it has to comeback into GST.

So I think there is a high possibility that it will become part of GST and then other all costs get subsumed. So, A) entertainment tax may comedown from 30% average country wide may to down to 16%, so that is an advantage and B) I think the service tax and other costs get subsumed too. I think that net-net will be an advantage to the industry.

Srinivas Seshadri

Right. Right. And just, so as of now it would be part of the state subject, the way the current situation?

Kamal Jain, Group Chief Financial Officer -- India

That's right as of now yeah.

Srinivas Seshadri

Okay. And on the parent advances just wanted to understand what level of funding will you maintain going forward? Because you've seen this come off quite a lot or earlier it used to be around 300 crores now it's at around 150 crores.

Is the intention to kind of completely become independent of parent advances or is there any funding level which you are thinking about?

Kishore Lulla, Executive Director

You see I think we would naturally go on -- basis that how a company would be with a -- they are selling the rights. So, it's normally how the company deals with the others say 10% to 20% advance and they send the rights and the balance on delivery, correct. Ideally when the advances go down there is a policy we would like to follow that whenever the film is contracted 10% to 20% advance should be given and balance should be given on delivery and which is a great sign that the Indian company is getting independent on it's own cash flows, this is not dependent on the parent for the cash flow.

Srinivas Seshadri

Right right. And how much would be the receivable position from the parent company for transfer of the international rights and the end of the quarter?

Kamal Jain, Group Chief Financial Officer -- India

For this December 2011 I think about 43 crores.

Srinivas Seshadri

Okay. 43 crores.

Kamal Jain, Group Chief Financial Officer -- India

Yeah.

Srinivas Seshadri

Okay. All right. Yeah, thanks. That's all from my end I'll come back if I have more.

Sunil Lulla, Vice Chairman and Managing Director

Yeah. Thanks.

Operator

Thank you. The next question is from Avinash Nahata from Aditya Birla. Please go ahead.

Avinash Nahata

Yeah. Thanks for the opportunity. My question is regards to when you are saying that A grade movies the cost is something around 50 crores, 60 crores there would be certain cases where the major star cast has loaded upfront and there would be certain cases where they would a profit sharing model right?

Sunil Lulla, Vice Chairman and Managing Director

That's right.

Avinash Nahata

So how do we understand this 50 crores, 60 crores because in some cases it would be the entire star cast cost is uploaded I mean how to understand this?

Sunil Lulla, Vice Chairman and Managing Director

Yeah. Avinash is this just the average cost I talked about, let's assume Eros is doing about eight new A grade releases. Some cost would be let's assume 40 crores for example I am just giving and then the star cast would say okay, that's the first five... they will get up to 5 crores and then the revenue share starts, right? Some movie would be costing you 55 crores like that the star cast will take only 10% of that. So there is no uniform way of doing business. It is every case is different and it depends upon at the time when we are striking the deal with the talent or with the director or the production house that how we are structuring the deal. What we have seen in the last five years is that, the average. So, last average... this year average will come out to about 55 crores to 60 crores and that's how we have planned it for the next year also the slate cost what we have got, which we have frozen is between 50 crores to 60 crores.

Avinash Nahata

So just to understand once again. When you're saying 55 crores in a case where there is both upfront as well as a profit sharing involved. So, this is on a prospective basis you will say that I had given 20% as a upfront and there was some sharing set all that put together is 50 crores.

Kishore Lulla, Executive Director

That's right. No, only the balance backhand is not built in. So let's assume that every movie whatever we have commissioned doesn't perform at the box office. That is the cost 55 crores. If it performs let's assume it as 200 crores my cost of this 55 crores can go up to 80 crores. Right? Even if I made 150 crores.

Avinash Nahata

Okay so what you're saying is the upfront portion is the average is 50 crores, 55 crores?

Kishore Lulla, Executive Director

That's right. Yeah.

Avinash Nahata

Okay. so it will go on depending on the performance?

Kishore Lulla, Executive Director

Yes. If tomorrow let's assume one movie to 300 crores but may be some of the cases I don't have to share anything but some of 70% of the cases I'll have to share the way we are going forward. And that way we are derisking the model and patterns. The present cost if we keep it to that we have practically zero risk element because we are preselling the satellite rights, and other rights, international rights so the company does not have any risk at all.

Avinash Nahata

Okay this is understood. Thanks. One more thing is since the previous analyst asked that question on the advances from your Eros PLC has come down from 300 crores to something around 150 crores.

Kishore Lulla, Executive Director

Yeah.

Avinash Nahata

So, is there because we had certain terms and with the PLC when the advances were at those high levels.

Kishore Lulla, Executive Director

Yeah.

Avinash Nahata

Does it mean that the terms also change because the funding requirement is much less so you can go for more profits from I mean transferring the right at a higher price to the PLC?

Kishore Lulla, Executive Director

No You see the terms, you see the agreement is for next five year then we came. So, that it is all about the sharing of the cost. So, the 30% of the cost is get transferred to PLC and that PLC pays that. Now it was the cash flow. When PLC raise -- sent the money to India that time they were doing them projects on behalf of PLC. When we listed we wanted a clarity between India and PLC. So, hence that kind of -- arrangement whereby the cash flow which was provided will get exhausted business thereby when you sale it -- to someone you get about 20% advance and the balance from the delivery of the product. So we will follow that and this agreement is for five years.

Avinash Nahata

And when is the five years ending as on?

Kishore Lulla, Executive Director

So it's from...

Corporate Participant

2014.

Kishore Lulla, Executive Director

2014.

Avinash Nahata

Okay. Fine. Thanks gentlemen.

Kishore Lulla, Executive Director

You're welcome.

Operator

Thank you. The next question is from Himani Agrawal from Subhkam Capital. Please go ahead.

Himani Agrawal

Thank you, sir. Thank you for taking my questions. Sir my first question is I wanted to know are there were satellite rights and the music rights for Agent Vinod resold?

Kishore Lulla, Executive Director

Yes.

Corporate Participant

Yeah.

Himani Agrawal

So can you quantify that if possible?

Corporate Participant

We have already -- about more than 55% from these two rights of the cost of movie.

Himani Agrawal

Sir my second question is in Q2 when we released the films slate we had two movies one is IPL and Gangbang. However in Q3 in the films slate that you have given in the press release, I didn't get this two movies is there something wrong is there a delay or something that we have?

Corporate Participant

You see the script of these movies have not been finalised yet fully.

Himani Agrawal

Okay.

Corporate Participant

So, hence the release date was not finalised, hence we have given only definitive films slate which the script has been finalised.

Himani Agrawal

Okay sir. Thank you. Sir my next question is these are basically bookkeeping questions. Interest cost this quarter has gone up even if you look at the nine months interest cost going upto 11 crores whereas in FY11 this number was little lower and we got the number that debt equity ratio has gone down sir. So, could give some more color on the interest cost?

Kamal Jain, Group Chief Financial Officer -- India

Yeah basically the interest cost is gone up during this particularly period. Basically because strategically we have decided to sit on little higher liquidity to maintain the growth and momentum point on debt and so that's how there are little more points on that and that's how the interest cost is more, but if you see on net debt basis, we are down continuously and I think this particular quarter I mean period end, we had net debt of hardly 13 crores. So which has been -- the debt equity ratios mere on 0.02:1 which is literally debt fee actually if you ask me.

Himani Agrawal

Okay sir. Sir my last question is, is it possible to give the breakup of the minority interest that we have this quarter?

Kamal Jain, Group Chief Financial Officer -- India

In the sense yes, minority interest relates to all our subsidiary which is there with respect to Ayngaran mostly.

Himani Agrawal

Okay.

Kamal Jain, Group Chief Financial Officer -- India

Yeah.

Himani Agrawal

Okay. Thank you. That's all from my side.

Kamal Jain, Group Chief Financial Officer -- India

You're welcome.

Operator

Thank you. The next question is from Sakshi Malhotra from Eureka Stock and Share Broking. Please go ahead.

Sakshi Malhotra

Thank you for taking my question sir. I wanted to know in your new data that CapEx that we planned to do for FY12 into Eros and Ayngaran?

Kamal Jain, Group Chief Financial Officer -- India

Basically the overall CapEx has been mentioned earlier also is about between 1,100 crore in next two years I mean 1,000 crores to 1,100 crores. So, about 10% to 15% off the overall CapEx close to regional films and the balance close to around Hindi films and all that. So, that may go little bit higher because of the high profile Tamil films particular I mean quarter, I mean this FY13 and all that. So, it may go up to 15%, 20% of the overall investment.

Himani Agrawal

Okay. And for FY13 if I'm correct we've done something in the range of 500 crores to 550 crores

Corporate Participant

Yeah we've done about 536 crores and...

Himani Agrawal

536 and sir for FY11 can you give me the same breakup for Eros and Ayngaran? Will it be in the same range?

Corporate Participant

I mean that's what I mentioned as about 15% of overall.

Himani Agrawal

Yeah. And sir can you explain the expensing policy for Tamil movies? Is it the same that follow for the Hindi movies?

Corporate Participant

See Tamil is into Ayngaran so Ayngaran has about 90% amortization 90% amortisation policy. And, it consolidated level the amortisation policy is at about 60% on year one, I mean 72% is over the cost with what we write-off in year one totally and the balance over a period of nine years. So, that's a difference...

Himani Agrawal

So... on consolidated level we do 72%.

Corporate Participant

Revenue only...

Himani Agrawal

And for Tamil movies, we do around 90%.

Corporate Participant

In Ayngaran. Yeah, so on consolidate level it comes...

Himani Agrawal

It comes to about 72%. Right. And, so can you give us the expected, in which quarter would you be expect the big Tamil movies to release as an Rajinikanth and Yohan?

Corporate Participant

As mentioned earlier its quarter three of FY13.

Himani Agrawal

Quarter three. Both the movies?

Corporate Participant

Yeah.

Himani Agrawal

And after that they begin shooting for Rana if you guess correctly?

Corporate Participant

Yeah.

Himani Agrawal

Okay. Thank you so much. That's all from my side.

Operator

Thank you. [Operator Instructions]. The next question is from Amit Kumar from Kotak Securities. Please go ahead.

Amit Kumar

Hi. Thank you once again. I think there was one question we use however discussed what all revenues -- the catalogue revenues come from satellite and digital new media et cetera, et cetera. Could you just very very broadly give us a sense that what percentage of the catalogue revenue comes from this is -- this point of time in terms of cable and satellite, mobile, digital new media and home video. Within this 15% what would be the major component and at least the primary component?

Corporate Participant

Yeah. Primary component would be satellite syndication and DVDs and everything. Digital component is very low at the moment but you would see in the future the digital components will increase. but also the satellite component will increase but the only revenue which can fall is DVD and VCD.

Amit Kumar

Okay. When you say that primary component is cable and satellite what would be its share within this catalogue revenues?

Corporate Participant

So you ask me in terms of percentage I think majority about 60% to 70% comes from cable and satellite. And DVD and home video and all those sides and the balance comes from the new media rights and all.

Amit Kumar

Okay fair enough. Fair enough. Sir just wanted to get a sense. I think you also talked about these couple of movies which are not really bagged by studio right now and that's an option which will be there with Eros. What will be the costing of these movies versus the movies that we are doing on our own. So you said our own productions or co-productions average costing is around 50 crores to 60 crores because at least for a couple of these movies the kind of prices that we have heard are really astronomical?

Corporate Participant

I don't know about others but we definitely have not paid that much amount for any big movies. So, it's all about structuring the deal, how do you structure deal with the production house. So, there are many movies which are open now it which all entirely different that how, you structure the deal at that time. We are not going to go and pay big prices in competition just to chase top-line.

The mantra is basically at bottom-line and how do we stick to that and other also in terms of that we already seven to eight releases the big high profile this is already tied up for the year FY13. So, whatever comes it would be good for us and it should account receivable a good profit margin.

Amit Kumar

Fair enough. Thank you so much.

Corporate Participant

You're welcome.

Operator

Thank you. [Operator Instructions]. The next question is from Sandeep Raina from Edelweiss Securities. Please go ahead.

Sandeep Raina

Hi sir.

Kishore Lulla, Executive Director

Hello.

Sandeep Raina

Sir just two, three quick questions. I just want to know what is debtor in the books right now December ending?

Kamal Jain, Group Chief Financial Officer -- India

The debtors in the books as of December is about 140 crores.

Sandeep Raina

Okay, which has come down 200 odd crore.

Kamal Jain, Group Chief Financial Officer -- India

200 crore in September, yeah.

Sandeep Raina

Okay. Sir one question actually. See I'm looking at if you just watch TV and all that I'm looking Players coming and maybe DesiBoyz and Rockstar also, but most of them I'm not able to see any ad. Was it not pre-sold or what was the case?

Kamal Jain, Group Chief Financial Officer -- India

So most of it has been pre-sold.

Sandeep Raina

It's sold, but it's not seen on the TV. So I was just wondering is it not pre-sold or something?

Kamal Jain, Group Chief Financial Officer -- India

No it's pre-sold totally, it's pre-sold to Sahara.

Sandeep Raina

Okay, it's sold. Okay. And second thing is that just want to know from the profitability what we have done in like 65 crores when we have done for the quarter excluding --, I just want to know what has come from not movie. So what is that number?

Kamal Jain, Group Chief Financial Officer -- India

Sorry not come from... not movie?

Sandeep Raina

Not comes from movies yeah basically?

Kamal Jain, Group Chief Financial Officer -- India

Everything is movie.

Sandeep Raina

No when I say I want to know catalogue basically?

Kamal Jain, Group Chief Financial Officer -- India

Catalogue as I said earlier as far as this particular quarter is concerned about 8% is coming from the catalogue and the overall till period nine months about 12% is just come from catalogue.

Sandeep Raina

Okay. So normally for their 12% you're saying should be coming from the catalogue part of it?

Kamal Jain, Group Chief Financial Officer -- India

Yeah I mean between 10% to 15% is what right now which is what we are collecting from catalogue.

Sandeep Raina

Okay. That's it from my side. Thanks very much.

Operator

Thank you. Ladies and gentlemen, that was the last question. I would now like to hand over the conference back to the management for their closing comments.

Sunil Lulla, Vice Chairman and Managing Director

Yeah. It gives us immense pleasure to interact with you on a regular basis and address your questions and comments on Eros International. We hope to have your valuable support on a continued basis as we move ahead. And if you have any further queries, we will be able to address outside this forum as well. On behalf of the management I once again thank you for taking the time to join us on this call. Thanks a lot.

Operator

Thank you very much. On behalf of Eros International, that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.