

Q1 2012 Earnings Call - Eros International Media

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Operator

Ladies and gentlemen, good day and welcome to Eros International Media Limited Quarterly Conference Call. As a reminder for the duration of this conference 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's Q1, FY 2011 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. 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 included in the conference call invite sent out earlier. I would now like to invite Mr. Kishore Lulla to make his opening remarks.

Good afternoon, everyone. A very warm welcome to everyone present and thank you for joining us today to discuss the Eros International Media Limited's operating and financial performance for the quarter ended June 30, 2011.. Eros International has established itself as a leading global company in the Indian film entertainment industry, which has enable the company to achieve a reputable lead in the sector. It was an exceptionally positive start for the Indian Cinema this year. We delivered hit - and block buster movies. In a country where the entertainment is the most popular medium of recreation, and ticket sale volumes are the highest compared to the rest of the world, the company has leverage on the factor of opportunities.

To device a distinct business model with a more co-production, acquisition and distribution of other Indian language movies across multiple platforms such as theaters, television industry and media inside entertainment. The company has successfully evolved over the period of time and have difficult, healthy growth - in last few years. Building a strong 1,100 plus film library that can be exploited of course in various formats. Eros International's vast distribution network across the global - diversifying its reach globally in the next of the - industry. The company's vast content of the film library has enabled in deriving additional revenue--. Further decreasing about the - of the brand -.

I believe that our distinct business model backed by our unique approach - as revenues has facilitated an improved revenue predictability and greater sustainability in the business going forward. Such consistent progress is also attributable to a presence in the entertainment factor for over three decades which has enabled us to develop long term industry. Moving on to the operational development for our business during the Q1, FY 2012 we have released a total of 19 films -Hindi, Tamil and other regional languages which is a creditable number of Indian entertainment field. Eros International - successful in the quarter include wherein - and coming levels of -, - and Indian which contributed significantly to our revenues and profits. As in Ready with the blockbusters of 2011 and witnessed one of the biggest looking --. We also secured healthy satellite evidence from our catalog and underpinned our numbers from the previous --.

The success of the previously mentioned release in Rockstar due to the increased -- films and driven portfolio mix. But as gradually shifted towards high profile releases. Also the introduction of the digital asset management is speculated as with the structurally exploit the film content across various platforms in digital cinema, home entertainment, satellite box --. Given the increase in the demand for the quality content across different formats, we expect increasing, an increased contribution in the revenues and profitability from our digital film library in years to come. The increase in the subscription of DTH and digital cable contribute to a creditable growth in the satellite licensing segment. Major propagation on the number of movie channel across the Hindi and regional languages and the demand for the qualities film content as this Eros International on the forefront of emerging prospects.

Rising good ambitious on such prospects has enabled the company in further achieving the remarkable lead in augmenting experienced content library and structure in this concrete film segment profit. If you select for the mobile telecom, they're highly related to 3G networks that - a brand new platform for providing content over mobile devices. Eros International has well capitalized on these opportunities. So, the expansion of our film catalog rights, that include audio visual rights, be the television or the film content, and in the - of the distribution network in creditable element. We continue to extend our content to extending our foothold in this segment leveraging onto the changing dynamics telephony. Given the focused business approach and strategic capabilities of the company.

We are confident that the forth quarter will be equally exciting as we anticipate strong traction across all of the business segments. We are largely driven by the diversified movie - in Hindi, Tamil, Punjabi and Marathi, but including the Shahrukh Khan's Ra One, - Saif Ali Khan's Agent Vinod, Akshay Kumar'S Desi Boyz and Ranbir Kapoor's Rockstar. Moreover our such as establishment and the multiplex - in Q2 is currently under penetration of the as we anticipate the structural change and the industry follow. Furthermore factors that has augmented the inventory are going to be at the greatest ending capacity and increased influence in the international trends and developments has primarily driven us in our foothold under to our growth. I believe what they were on the forefront of opportunities and I will that businesses in the period, which is the best over long-term and of the several initiatives driven the company business approach

and strategy We look forward to four quarter with build I would now like to hand over to Mr. Kamal Jain, our Group CFO,

Kamal Jain, Group Chief Financial Officer

Thank you Kishore. Good afternoon and thank you all for joining us today. I'm glad to report the financial performance of Q1 2012. But we're under a review over the quarter a steady positive growth for Eros International. I'm glad to share with you that the quarter ending June 30th, 2011 until have witnessed a commandable top-line growth and great profitability. The significant improvement in the financial and operational performance during the quarter and we attributed to similar success --.

And other business assessments conducted which are currently yielding more encouraging business for the company. And we continue to focus on - our foundation and framework to achieve greater milestones over next several years and implement strategies towards exploiting opportunities across all our business segments. Let me now discuss the operational and financial performance for the quarter ended 30th, June 2012 and 2011. Our total income for FY2012, should attribute 16 due to 0.4 million. This translates to 26.8% increase over Rs.1,279.7 million in quarter 2011. I would also like to mention that the healthy performance witnessed since largely on account of FY2011 release.

And the box office successes is of movie which is Ready. So I believe on Tamil resenting the - Indian Kadai Henco. Moving ahead with respect to profitability for quarter one FY2012, EBITDA was at Rs.359.2 million compared to Rs.250.5 million in quarter one FY2011, indicating an increase of 47.4%. Our EBIT margins for the quarter stood at 22.8% versus - entering quarter one FY2011. This improvement in margin is primarily on account of the strong in e-media and satellite presenting lower debt cost amplification of the little distribution and the bundling of new releases it content from the existing catalog. Back to the quarter ended '11 stood at.

Rs.233.3 million. With netting a growth of 60.3%, when compare to Rs.145.5 million in Q1 FY 2011. The corresponding PAT margins were at 14.2% and 11.2% respectively. The company growth during the quarter is primarily on account of being the largest content aggregator back by the niche that we have and the -in respect of our opportunities. We are confident that our robust business model, innovative growth strategies and strong movie create across in the - which will provide a substantial business for FY2012. We strongly believe that the developments in the India media and entertainment sector will contribute to providers and tentative to be committed focused at creating immense value for all of our stakeholders and deliver consistent performance in the coming quarters.

This brings us to end of discussion. We will now be glad to take your suggestion and answer any questions that you would like to discuss.

Questions And Answers

Operator

Thank you. Ladies and gentlemen we will now begin with the question-and-answer session. [Operator Instructions]. The first question is from the line of Sameer Shah from Valuequest. Please go ahead.

Sameer Shah

Good afternoon sir. Congrats on a good set of numbers.

Kamal Jain, Group Chief Financial Officer

Hello. Yeah, good afternoon.

Sir, can we have the break up of the top line in terms of what your said yet to come and..

Kamal Jain, Group Chief Financial Officer

Normally, the breakup is 35-40% theatrical and about 30% from satellites and the balance is international and -.

Analyst

Okay the first quarter also would be in the same.

Corporate Participant

Yes and the same reason, quarter wise it could be one or two.

Analyst

And what would be other interest constitute the 2.5 crores. Please explain what is other.

Corporate Participant

Yeah. Kamal can you explain now. See, other income is basically 2.5 crore as we know that is already mentioned and other one is basically the interest from the FMP - for the funds - balance on.

Analyst

So this will be a normal phenomenon now, the first quarter because the FMP would have a higher,.

Corporate Participant

No, it's basically because as long as the IPO funds are invested in FMP that interest will come in and once those funds will be utilized for the specific purposes.

Analyst

Right. And what would be between the standalone and consolidated, there is a 15 crore income.

Corporate Participant

Yeah

Analyst

So, this will be - or -.

Not all are all Ayngaran. We have other subsidiary as well. We have IQ, we have Ayngaran and we have other subsidiary as well so all other subsidiary is contributing that.

Analyst

Alright sir, thanks I'll come back.

Operator

Thank you. The next question from the line of Nirav Dalal from SherKhan. Please go ahead.

Nirav Dalal

Thank you for the opportunity and congratulation for the good set of numbers, sir if you could give me the cash investment and data on books.

Corporate Participant

Yeah, basically as we mentioned earlier as far as the investment in content CapEx is concerned, which generally remains in the range of 500, 600 - per annum basis so that is what is the plan for this year as well and this is already been mentioned in the annual report as well. As per the quarter is concerned, we are not mentioned - to the quarter.

Nirav Dalal

Yeah, and the cash on books investment and the debt on books.

Corporate Participant

So that's what we are saying, so as far as the debts are concerned. As far as this particular budget concern about gross net debt of about 80 crores is the net debt.

Analyst

Is a net debt.

Kishore Lulla, Executive Chairman

Yeah.

Analyst

Right, sir. And okay. Sir and, you have spoken about of negotiating about 24 projects in the last quarter conference call. You wanted an update on that.

Sorry.

Analyst

In the last quarter you have spoken about that you were negotiating for about at least 24 other projects. So, you wanted an update on, on the status on that?

Kishore Lulla, Executive Chairman

Yeah. I can, on that 24 projects, which we've --.

Analyst

Okay.

Kishore Lulla, Executive Chairman

We have nearly I think finalize about 5 or 6 out of that. The script I think and finalize on the outside of time line.

Analyst

Okay.

Kishore Lulla, Executive Chairman

Then we make the announcement in the

Analyst

Okay.

Kishore Lulla, Executive Chairman

As soon as they want the

Analyst

Right. Right sir. Sir and of the upcoming movies have you bought distribution right for any that the way you bought for Ready and Murder?

Kishore Lulla, Executive Chairman

Yeah. See that we always keep on mind that it depends on a lot of independent producers. Okay.

Kishore Lulla, Executive Chairman

Keep on making products. Now, when they finance themselves and we have to taken effects they keep on showing to our team this product.

Analyst

Right.

Kishore Lulla, Executive Chairman

And if we really like their product and if we like that, that we can really recover the money and it will not effect to our bottom line expense increase the bottom line we may set acquisition. So, that will be constantly be the strategy of the company. So, you will have projects which will be planned.

Analyst

Okay.

Kishore Lulla, Executive Chairman

Two years in advance.

Analyst

Right.

Kishore Lulla, Executive Chairman

That will be under integration we will be doing that. So, that will be one. And exactly the core production model. And then we would be always having acquisition model which will be in that quarter the film is ready for release.

Analyst

Right.

Kishore Lulla, Executive Chairman

We'll by that.

Analyst Kishore Lulla, Executive Chairman

You're welcome.

Operator

Thank you. The next question is from the line of Srinivas Sheshadri from RBS. Please go ahead.

Analyst

Good afternoon to management and congratulations on a good quarter.

Corporate Participant

Mr. Shesadri I'm sorry, we cannot hear you clearly sir.

Analyst

Yeah. Is it better?

Corporate Participant

Yes. Please go ahead.

Analyst

Good afternoon to management and congratulations on the quarter. I have a few questions. Firstly, generally the quarter has been extremely good for the industry and I believe after a long time, you've seen like a majority of movies for the industry are turned out quite well. So I wanted to get some sense on whether I mean - exertion of improved economic section for the industry. Or do you feel that to some extent, we perform a very extended cricket season like the audiences have come back to the theaters in a major way. And towards the rest of the year, we will see some normalizations in terms of the what you call the -the not so successful ratio coming back to more normalized level?

Corporate Participant

Yeah. I think a very good question. It's not just I think the movies, question is about the cost of the movie. So in fact, we - for a lot of - cost in 2009 and 2010, when the cost went down. Now all the movies which were produced from last year onwards to this has been made in a very good cost. So hence the Box Office figures you have seen for those movies, it has been a hit because the return to the producer or the distribution -- has been great on those movies.

And it is been in a row, 'Ready', 'Murder-2', you take 'Zindagi Na Milegi Dobara', or other movies have also returned good investments, good investment for the distribution office and the producers. I think this is keeping on growing because 'Singham' also becoming a big hit, now 'Aakarshan' which has released today also has opened in a big way which is a very, very good news for the industry and I think this will keep on continuing for the years. Hope so.

So you don't see any kind of what you call. For the - such well impact because of the cricket season coming to a close.

Kishore Lulla, Executive Chairman

I think I just can say at the time of the IPL, see if suppose next year the IPL is between March and April we'll not have any releases during that season or the World Cup whenever it comes. But I think the industry has understood the cost factor versus the recoverable factor. So they are planing their movies keeping the cost in mind. So if you can keep that factor in mind and plan your movies and don't overspend on the movie. You will always make money in the movies.

Analyst

Right. Okay. And the second question was mostly with the FY13, I mean obviously we are kind of coming to somewhere close to dollar may be around FY12. So just wanted to get some sense in terms of, if specific progress I think may be the number of I mean what you already lined up in FY13 so far in terms the home Bollywood release.

Kishore Lulla, Executive Chairman

I think in the big Bollywood we have already tied with eight big movies, eight movies that already been tied up which we have announced. They are all up coming releases, so I think we are way ahead in time of movies, and the choice of the movies which we have. That is great, it's all about the cost factor we are looking at, so which one to choose at which cost.

Analyst

And when you are talking about the - are you talking about the FY13 releases or anything that's?

Kishore Lulla, Executive Chairman

FY12 is all done, we have unless we have an acquisition which will come across in that quarter if we like something, we'll just acquire it. But FY12 fleet is totally been different, and in fact 60% of the fleet of FY13 also already has been defined, the balance 30 to 40% which has to be defined in the next two or three months.

Analyst

Okay. So we are looking to release at least eight big movies

Kishore Lulla, Executive Chairman

Yeah. It should be same as this year if not more.

Analyst

Okay, okay. Right. And secondly sir, if you could also talk about I mean what is the plan for the regional freight for the rest of the year, particularly for like global release which includes India so and so...?

We have about three to four Punjabi releases this year and we also for Marathi. And we're also looking at one or two Telugu releases.

Analyst

Okay. And all these will be India releases as well?

Kamal Jain, Group Chief Financial Officer

Yeah. India, global. It will be globally.

Analyst

Okay. Thanks sir. I'll come if I have more questions.

Kamal Jain, Group Chief Financial Officer

You are welcome. Sure.

Operator

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

Jigar Shah

Good afternoon Mr. Lulla, good afternoon Kamal.

Kishore Lulla, Executive Chairman

Good afternoon.

Jigar Shah

Congratulations on really good quarter one and also on producing very entertaining movies for --. And my question -pertains to the two acquisitions which you did here, which is more pertaining to the quarter two. The Ready and Murder 2, now in this we do not know exactly what is your share, so can you throw some light on that?

Kamal Jain, Group Chief Financial Officer

Sure. See I think as we said that we develop our freight in for the future, and when we look at, we always look at the movies if they are available for acquisition. So, in this case these movies are acquired by an exhibitor and Mr. - in Delhi as we acquired these movies about three to eight month before. We came and did some alliance or -- whereby we needed our international distribution across the -- Eros International distribution network is the best. Within India we have some good distribution network and we also have some - joined and for that how do we add value to each other And we became partners in the project and the acquisition. And that was about four to six weeks prior to the release. And we are expert at international rights, and we're expert at some India rights we think. And we share the profits with him. that is because we did invest in the movie well in advance. So therefore, naturally the profit sharing majority in his favor, so it's on a 60-40 basis, 60% profits in the movie of India has been taken by him and 40% by us.

And we are on that distribution commission. That's the kind of things we have.

Analyst

That we would grow highly when we say it was 60% - that also at least due from because from distribution has. So second question is about the report which we come across in the media relating to your sale of satellite rights for Zindagi Na Milegi Dobara and Ra.One, it is in the region of 30 to 40 crores. So is it true and it is true, or is this something which is good revenue that you would coordinate or how would you use that?

Kishore Lulla, Executive Chairman

I would differ from exactly telling that how much because we are governed by our with this that we can not disclose the exact number of the price and the telecast which we've given them. But I would say that satellite revenues are becoming larger and larger for us. Because of the revenues with the satellite broadcast is getting from the construction from DTH and as well as the advertising going up. As I always said also in my conference call that roughly 25 to 30% of the cost is to historically come. But because of your cost which we've obtained at quite a reasonable level. We have because of more than 30%.

In some cases about 40% of our cost from the satellites distribution of the movies. I hope that was -.

Analyst

Yeah. I think this is good idea. Then that the connected sound on that given this kind of and given this that the start of the year we did more that you will do quarter. Then also will it mean that your overall targets for the year of 30%, 35% kind of growth. Are you going to see some kind of improvement in that? Are you revising the target? Okay. I would just say to that. We will online with the expectation of the analysis conferences which we compete in market for sure.

If there is any revision definitely we will come back to the market.

Analyst

And one last question. This is year ago that, Disney has now fully active acquiring UTV and that means Eros has the largest another company which is -. Now the point is whether, if you are offered to work together is by playback studio. Would you look at such possibilities in the future? Sure, always, we always look at that how we do with enhance the shareholder value and how do we increase the work of the company. I think the UTV acquisition that very excellent, very good move for Eros. In particular if you look at the multiples for what is next bid for UTV.

It's about 32 multiple for the future.

Analyst Analyst

Many thanks and wish you all the best.

Kishore Lulla, Executive Chairman

Thank you very much.

Operator

Thank you. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy

Sir, congrats on good set of numbers. I have got some strategic questions. We have seen a lot of slowdown in terms of ad revenues for the broadcasters. So how do you see from a one year perspective satellite because whenever you have slowed down in the company, they would like to cut down on cost. So I wanted to understand in terms of satellite rights. In the past slowdown, how has satellite rights behaved and going forward for a one year perspective.

I'm sure you would have already tied up. So over a one year perspective, how the satellite rights behave?

Kishore Lulla, Executive Chairman

Sure, excellent question. I think for the FY12, all over has been already locked to the looking. But, If you look at the broadcaster point of view, the TRPs of the movies is increasing and we can sure I think should be on our website from where the TRP of how the movies are increasing. And TRPs are driving also the subscription revenues for the broadcaster. So the broadcaster not just looking at that may be some of this program, some of them must not be driving so much of the ad revenue. But overall revenues in the industry is going down and the subscribers are going down.

The digital subscribers are going up. So that's always they want, what is the biggest in India, is it Cricket, movies, Cricket and movies join the TRP and Reality TV shows, these are the three the big things and broadcast, I've not seen any concern by the broadcaster. We are looking at time of lot of over FY13 also. Some of the FY13 has also been tied up. So we're also looking, when we're talking to them, in fact I have not seen any concerns as far as the pricing on the front.

Analyst

Sir, in initial part you've said Cricket whenever it comes IPL and whenever it comes the Q1 of next year there will be two months of again some kind of a, I mean slowdown for the industry.

Kishore Lulla, Executive Chairman

Yeah.

Question is structurally why can't we take risk, and release movies in those timeframe. You and exhibition coming together. Have you really thought about that, and concluding that there will be a lot of audience available during IPL also.

Kishore Lulla, Executive Chairman

We do that -- normally we have done that during that. But they will be a small budget movies. So, anything between 5 to 7 crores, then there is a 40, 50, 60 crores budget movies the money is riding high. So, obviously you have 5% doubt in your mind that in fact will the Cricket effect you, so you do not want to even take 5% risk whereby after the Cricket let this big blockbuster movie will have such a huge weekend we would all will definitely go up. The majority of your clearing in the first weekend itself. So, hence it is the question of whether you really want take at risk in that six to eight weeks.

So you can better experiment with the smaller movies and thereby you can in fact make more money on your return on the investment with smaller movies.

Analyst

So you plan to do that, right?

Kishore Lulla, Executive Chairman

Yeah, yeah. We do that, and we'll plan to do also. We'll plan, we have planned actually and some movies for that month with the small movies.

Analyst

So, this time it will almost like a complete washout and in fact IPL also disappointed because of mini-World Cup or the et cetera, et cetera. So it was - you'll then try -- to see inside?

Kishore Lulla, Executive Chairman

No. We have planned already, we have planned some two, three movies in that - months which are less than 5 crore.

Analyst

Sir, I see your EBIT margins really expanding quite well in FY11 also and Q1 also so structurally where does EBIT margin stabilize and in the last two month movies doing quite well, don't you think again the cost pressures will increase because - feel that why should only the producer make all the money.

Corporate Participant

I think the EBIT margin we are not going to - I think have a increase in our EBIT margins for the annualized basis. On the annualized basis I think our margins will remain the same as our last year as 2011.
And why is that?

Corporate Participant

See, as I always say we should not look at Eros in a quarterly results basis, because in a quarterly results some times revenue and what cost have been booked in the - I think we say the management is planned. We will be very much online with the expectation what the market is expecting and the margins, the market is expecting the - of 2011.

Analyst

Can you guess the pipeline of movies for FY12, but you said if some good acquisition comes, you will be open to that, how is the activation cost of good star movies, how is that trending, is it trending up significantly.

Corporate Participant

No, I think there is a lot of product in the market and there are four or five good distribution networks, so I think the market already know that which are the distribution efforts we should go with and Eros has got an excellent distribution network flow. When it comes to the acquisition we are not in a competition gain. We do not want to pay more - if somebody is paying extra. It is all about its alliance, works together and we are totally a bottom-line driven country. So we do not want to have an acquisition where that drives our top line and not our bottom-line. So, as long as that movie makes sense and if it contributes to our cash and bottom-line, we will acquire.

Analyst

And lastly coming to one more structural question on the industry and coming back to the UTV evolved over the longer time frame do you think that this industry will be dominated by the MNC players? And how do you see the UTV evolved maybe in particular impacting you not in terms of valuation but in terms of competitive Indian from a long term prospective?

Corporate Participant

You see the competition came in 2009, see any every studio getting into India.

Analyst

Yeah.

Corporate Participant

And paying heavy prices and then lot of players burnt the hand and the cash on the balance sheet. I think the market the work of competition level by 2010. If you see the way India will plan out in the next five years because you have five or six major players, like how it is in Hollywood studios and three and four million makers studios, controlling the distribution network. So, you have to -which has got 1,200 movies in least across all languages. So, you have six or seven big players, these six or seven big players will relieved about 150 to 200 movies each. I think that's how I see it.

How is it currently? How many..

Corporate Participant

We though it is about 70, the 70

Analyst

Yeah.

Corporate Participant

And then in other players, some are very big in sales, some are doing different things. I think this will get consolidated in the next two or three year or four year.

Analyst

Sir, one last on the VFX some color, how much close you are looking at, I mean in the medium to long term prospective?

Corporate Participant

I think at this business VFX business is of our co-production, which we have. The other plan at just our order book is full for the next six months. That is all the co-production which we are clearing on. It's all about saving cost for the co-production again and also working with the co-production building the competitive edge so that we can increase the quality of production we are not standing from-.

Analyst

But normally the outsourcing gives the -- I wanted to understand save money?. Outsourcing what happened, you cannot even your child Who did Harry Potter, Titanic and big movies. Now when in-house, we are trying to build that in-house competitive as Rajnikanthji or Shahrukhji is working with us. We cannot buy that for money. The is not available outside if you give them \$1 million. If you work with Eros, you can get that kind of that at a chapter rate, that benefits the core production joint venture.

I think the idea was back, which we clearly demonstrated in our movies now, you will see them in the movies when also when actually I could have got some special effects of the movie. We are waiting for cost and also got the scale in the movie.

Analyst

Okay. Thanks and all the best.

Kishore Lulla, Executive Chairman Operator

Thank you. The next question is from the line of Nihar Shah from Enam Holdings. Please go ahead.

Nihar Shah

Good afternoon, sir. Most of my questions have been answered, but I just had a couple of more. Recently, agreement with all the theater owners sort of expired in at the end of June and I believe that a competition commission doesn't allow use to now negotiate those contracts as an industry together also together. Just wanted an update on what the latest negotiations are and do you see any difference in terms of your sharing any of the major theatrical chain owner, the multiplex owner?

Kishore Lulla, Executive Chairman

Not at all. In fact, we have always had very good relationship with all the office which is so and So I think we are nearly finalized all over terms with all over executives differently and they're not at all different on what we have done for last year.

Nihar Shah

So it would roughly remain within the same ballpark?

Kishore Lulla, Executive Chairman

That's right. That's right.

Nihar Shah

My second question was on an earlier question, you had answered that satellite is now sort of -- you have already tied up for satellite contracts, you are now able to recover anything between 35 to 40% of your fleet cost to satellite drive. Given that your this year's cost are about 500 and 600 crores as the investment planned in sort of content, is it fair to assume that about 35 to 40% of this has already been tied up in terms of satellites, right?

Kishore Lulla, Executive Chairman

That's right.

Analyst

Okay. And my last question is just for a sort of data points. Can you sort of help me out with some of the revenue and cost concentration has been, you'll not say your top five releases in a year, what's the revenue contribution of your top five releases and what's the curve cost associated with it?

Kamal?

Kamal Jain, Group Chief Financial Officer

Yeah. See, generally if you see we have some movies, as - movie which is a large cut movie around Indian, medium which is about small grade movies. So, we generally divide our movies like this into three categories.

Analyst

Okay.

Kishore Lulla, Executive Chairman

You see about the large movies generally contribute maybe about 50 to 60% of the product line with the overall revenue.

Analyst

Okay.

Kishore Lulla, Executive Chairman

And the balance in -- further if you look at it about 85-15 ratios what we have which maintain between Hindi and the other languages.

Analyst

Okay. And 85-15 is?

Kishore Lulla, Executive Chairman

Hindi and regional languages.

Analyst

And regional languages. Okay, great. Thank you so much.

Kishore Lulla, Executive Chairman

You're welcome.

Analyst Kamal Jain, Group Chief Financial Officer

Okay. Thank you.

Operator

Thank you. The next questions is from the line of Satish Kothari from ICICI Securities. Please go ahead.

Analyst

Good afternoon sir. This is Vikas Mantri here. Just wanted an update on the broadcasting channels current comfort with buying satellite as given the weak advertising environment ahead. And also have the plans of Viacom18 to launch the Hindi movie channel film industry in that way?

Kishore Lulla, Executive Chairman

In fact I answered this question above.

Analyst

I would have missed it sir. Just..

Kishore Lulla, Executive Chairman

We don't think new traction into all basically the broadcasters this years rate has been very -and the next years rate in fact we are in the talk with the different broadcasters and we have not seen any concerns on this I think or the way the industry is going. The TRPs of the movies are getting delivered. And the broadcasters, we are not just looking at the advertising revenue. We are also looking at the subscription revenue and cricket and movies and reality TV shows are driving their growth. So, in fact they need the best key market movies. The Wirecom 18 channels I think will definitely help the Indian film industry because eventually they will need more and more movies for their movie channel, so it will increase the demand for our movies as currently broadcasting the film focus.

Analyst

We have heard about the Wirecom saying that they have build up significant inventory already in the last quarter in terms of close to spending around Rs. 2 billion. So, that's mid through in terms of most aggressive Wirecom making has been in that front?

Kishore Lulla, Executive Chairman

I really don't know how much money they must have spend. But they are quite active in the market and both from this.

Analyst Kishore Lulla, Executive Chairman

You are welcome.

Operator

Thank you. The next question is from the line of MayurGathani fromOHM Group. Please go ahead.

MayurGathani

Hi good afternoon everyone. Sir regarding the situations of the library, I understand the contract is been given to Prime Focus. And what is the time span of this deals, sir? And what is the amount that we are spending on this?

Kishore Lulla, Executive Chairman

Actually the time frame is about two years.

MayurGathani

Okay.

Kishore Lulla, Executive Chairman

But amount specifically - on Prime Focus that is not very substantial.

MayurGathani

Not very substantial. So this includes our content as well as the future ones that are coming up in this. When we doing the negative, we have the digital files and the

Analyst

Okay. And thank you. Sir, do we co-produce a movie, we acquired the movie, all in the later stages. Do we only distribute movies as well?

Corporate Participant

No I think, this acquisition or production we don't have just pure distribution deal that we are doing on territory. Normally it should go through a whole distribution. So I think if your question is whether we own the content? Yes we do own the content.

Analyst Corporate Participant

Yeah. That's right.

Analyst

Okay sir. Thank you very much.

Corporate Participant

You're welcome.

Operator

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

Amit Kumar

Hi. Thank you for the opportunity. Most of my questions have been answered. Just one point. We have this new media and digital that we're talking about. At this point of time, how large are they? I mean if you look at the quarter, we are talking about 155 odd crores of revenue, 30,35 crores of EBIT.

How large would these be as a proportion of our revenue and our bottom line. And where do we really see this going? What sort of traction are we seeing on this side?

Corporate Participant

Yeah. I think we would say income about 5 to 7%. But I think that in the years to come, you will say the new media

Amit Kumar

But what would be these number suggest. I mean this audio cinema rights. If you put a number around 120 - how much would we have gained in this particular quarter, or what's our expectation for the year?

Corporate Participant

Kamal do you want to take that or I can comment it?

Corporate Participant

Yeah Amit I what we discussed about the whole thing, basically if you look at the overall what we talked about the overall catalog monetisation out of 103 - we wanted to do with 15 to 20% is already catalog monetization has. So the little monetization is also part of that only which we 5 to 7%. So what I'm saying that whatever kind of the new plant what is started in terms of monetization will same, is basically being part of the same amount which is about 37%.

Okay, Sir, this 5 to 7% is what you're saying will currently.

Kishore Lulla, Executive Chairman

Yeah, yeah. For this quarter but if you look at the early annual deal roughly, 15 to 23% will come from catalog and that 15 to 20% which will come from catalog in India and the catalog in India is growing because more and more DTH is growing cable is coming, when we have the 3G, we have internet monetization for different sources and due to the other different that you contribute and there will be, it will be that all of bills is not just one

Analyst

Sir, exactly what I'm trying to understand better other that division into internet and 3G et cetera in India today they are very small.

Kishore Lulla, Executive Chairman

Yes.

Analyst

And they are very small in terms of base and obviously, then very small in terms of your monetization fees. So what kind of growth are we seeing, so if you are looking at net of 20%, 20-30% growth in our top line overall, this particular segment what kind of growth do you see in some of the segments or essentially trying to understand what are the potential to look at from these segments in other two-three years?

Kishore Lulla, Executive Chairman

Yeah, I think we have got thing and we've got a CEO in Turkey has average Media Company and also the CTO of Nokia has joined us in the digital division. The whole business plan of the division has been developed and in the next two or three years, but in the next one or two quarters we'll really get more clarity, is that how the Indian market is developing as far as the new area is concerned. And there will be various new initiatives which will be launched by the company which you'll come to know. And we'll be able to right the market that how we will see the growth in these various digital movie the initiative.

Analyst

So sir, this year there is also the too much delta, by the end of the year we should have more clarity on how the future plan is, right?

Kishore Lulla, Executive Chairman

That's right. I think by November, December we have really this clarity on how the growth will come over.

Analyst Kishore Lulla, Executive Chairman

Yeah. So that 2.5 crore is on account of the reversal of that you saw basically, on the resignation of one of the debtors. And the balance amount is basically coming from the arrangers short FMPs.

Analyst

Okay, okay. And finally I think you mentioned the next debt figure of 80 crore. Is that, can you just give us a broad idea of your gross debt and gross cash position?

Kishore Lulla, Executive Chairman

Yeah.

Analyst

Because your view, because your net cash of 100 crores in the last quarter.

Kishore Lulla, Executive Chairman

Yes.

Analyst

And end of March.

Kishore Lulla, Executive Chairman

Yeah, yeah. So this is, so the gross debt about 200 crore. I just...

Analyst

Okay.

Kishore Lulla, Executive Chairman

Which is more or less same the as of last Q1 FY2011.

Analyst

Okay.

And then there is a cash of both 80 odd crores. And then there is an FMP which is going on. So there is a net debt of about 80 crores.

Analyst

But like why - why 180 crores of delta between the last quarter and this particular quarter whereas this the incremental cash gone?

Kishore Lulla, Executive Chairman

No. Because this there is a quite a bit of advances and advances and investment which has happened in s - CapEx on this particular quarter. And then when there is a release of Zindagi Na Milegi Dobara which has happened in the quarter two to investment of that would have been there in the March quarter also, right? Because the movie would have -so definitely would have, shooting would have already been completed, the movie would have just been in post production?

Kamal Jain, Group Chief Financial Officer

Yes, basically as we said the generally the cash flow right way to look at for any film. Generally the average cash factor is six months wide because of the 10% of overall cash will be on the signing of the film and 40% we pay around during the production of the film and the balance 40 to 50% we pay on the delivery. So, the delivery of the film is sort of the that's what the efficient thing come to the cash flow and so basically average calculated over the six month or so. That's how the cash happens toward the end of the release of the film basically.

Analyst

Okay. Got it. Sir, that's it from my side. Thank you so much.

Operator

Thank you. The next question is from the line of Avinash Mahadev from Aditya Birla Money. Please go ahead.

Avinash Mahadev

Yeah. Hi Kamal, hi Kishor.

Kamal Jain, Group Chief Financial Officer

Hi.

Avinash Mahadev

Question pertains to one is revenue recognition, if assuming that all our satellite rights are sold on a pre-sales basis, pre-theatrical release. So it would essentially mean all satellite revenue would be recognized in the month in this

Kamal Jain, Group Chief Financial Officer

Yeah. Yeah. Generally on the revenue recognition as far as the satellite rights are concerned, where we do the deal it's whatever amount

we take as an advances to such an advances from the customers and as far as the revenue booking is concerned happens only in that particular quarter, when we delivered the physical tapes to satellite channel which can happen one or two weeks or three weeks after the theatrical release of movies one month of --that.

Avinash Mahadev

Okay. So theatrical revenues can be split between months but satellite essentially would be recognized the month of release of theatrical, right?

Kamal Jain, Group Chief Financial Officer

Yeah. On the physical delivery of the tapes to the--

Avinash Mahadev

Correct.

Kamal Jain, Group Chief Financial Officer

That particular quarter.

Avinash Mahadev

What is the advance from Eros PLC standing as on books 30th June?

Kamal Jain, Group Chief Financial Officer

It's around 200 crores.

Avinash Mahadev

200 crores. And which you can help me what was little bit higher than that about 230-240 crores. So we've been seeing this advance has been decreasing for a period of time so that does essentially means that you no more require that advances your return on cash flows are moving through content creation.

Corporate Participant

It's not like that basically if you see the advances from PLC, it is absolutely - transaction the way like we treat our any other monetization scene. So for example if we do the content selling deal with television channel we take an advance of 15-20% from them. Similarly whenever we do any overseas - as we have relationship agreements, we get the advances against the same deal. So more or less if you see whenever we deliver the film to overseas, though the

Analyst

But the contracts what we have with Eros Plc is we give them 100% of for international distribution right.

Corporate Participant

Absolutely.

Analyst

Whichever film we produce.

Corporate Participant

Absolutely.

Analyst

So the content value standing as of now is more than what it was 1.5 two years back so during the IPO, I think this advance was something to the tune of 400 crores plus.

Corporate Participant

Yeah so basically.

Analyst

So right now what happens is you are the value creation of films is large and this advance is less without changing the other metrics of the contract.

Corporate Participant

No it's not like that actually when Eros India started the investment was founded by Eros Plc

Analyst

Right.

Corporate Participant

I mean Eros India started so all content which we bought it basically showed advances at a credit losses completely for the acquisition difference and then that got set off as and when we made the sales of delivery of those films. How it

Analyst

No, I understand. My question is if holding 400 crores of your advance.

Kishore Lulla, Executive Chairman

Yeah.

Analyst

And at that time, our content was X. Now is the content is while 1.2X and your advance is 0.5 without changing the other contractual terms, so actually we are benefiting -- that's what I want to understand.

Kishore Lulla, Executive Chairman

Yeah, you see to answer your question, these are against the specific projects, the money which has been given the These start getting delivered, but balances keep on going down and our internal cash flows are getting better and better and then it goes to and basis on the cost of the allocation of which will be then the will keep on sending money which is a near position and which are what already allocated. I think these

Analyst

Okay, we have mentioned in your release that we'll be looking for increasing our portfolio on in category in difference. So what would be near category divisions today's price would be? The cost of actually?

Kishore Lulla, Executive Chairman

As you know, between 40 to 50 crores.

Analyst

Okay, that's 40 crores. That's all from me.

Kishore Lulla, Executive Chairman

You're welcome.

Operator

Thank you. [Operator Instructions]. The next question is from the line of Srinivas Seshadri from RBS. Please go ahead.

Srinivas Seshadri Operator

Mr. Seshadri, I'm sorry. We cannot hear you clearly, sir.

Srinivas Seshadri

Oh, I see. Okay.

Operator

Mr. Srinivas Seshadri, are you there?

Srinivas Seshadri

Sure, I do. So you want to leave some or

Operator

The next question is from the line of Riya Alanchandani from Shanti Asset Management. Please go ahead.. Ms. Riya Alanchandani from Shanti Asset Management. Please go ahead. Your line has been unmuted.

Sir there is no response from this line. [Operator Instructions]. The next question is from the line of Sandeep Bhandari from Edelweiss Capital. Please go ahead.

Analyst

Sir just one question I have on the numbers. I can see 20% growth in the revenue, and if I just take of further income because as a function of our SMP --. So if I take my PBT, it has not gone in the same way it should have been, the sense if I just - 13, 14 crores, and if I just knock of 8 crores from that, so if the growth if I just see is not that significant, right?

Kamal Jain, Group Chief Financial Officer

Yeah.

Analyst

So it's just 8%, so there is margin pressure or what is it?

Kamal Jain, Group Chief Financial Officer

No. Basically if you as Kishor have mentioned earlier in terms of the films that we have done like big films like Ready and all that. So there is an some kind of association with the other partners so that both cost also has a built-in there. There is a revenue and there is a cost attached would seem, right? Plus this particular quarter we had more films I

Analyst

But that would have given us the revenue or you're saying the next quarter will show that..

Kamal Jain, Group Chief Financial Officer

Yes, yes.

Analyst

Right? Okay. That's what I have sir, thanks.

Operator

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

Jigar Shah

Hi. I have just follow-up question. Some days back you released a note that the Zindagi Na Milegi Dobara has collected about 108 crores. Now, it is still running in the theaters, so can you give us some idea in terms of what the theatrical income from that has gone up to. And I mean, given the kind of response which you've seen for a lot of films it is your production or the production? Where do you see Ra-One expectation building in, can it go the level of 3 Idiots?

Kamal Jain, Group Chief Financial Officer

I cannot make forward-looking statement that how much Ra-One will do. But yes, I always desire that it does better than 3 Idiots, why not. We always hope for that. And I think the movie has turned out very well. But the time will only prove how much it does.

Analyst

Right. And would you be able to give the numbers for Zindagi Na Milegi Dobara?

Kamal Jain, Group Chief Financial Officer

Yeah, Zindagi Na Milegi Dobara including the international and India gross at amount at net Box office is 145 crores.

Analyst

Okay. Thank you so much.

Kamal Jain, Group Chief Financial Officer Operator

Thank you. The next question is the follow-up from the line of Mayur Gathani fromOHM Group. Please go ahead.

Mayur Gathani

Hi. Thank you. Sir, I wanted to know what will be the budget for Ra-One, if you could share that?

Kamal Jain, Group Chief Financial Officer

We had an arrangement with Red Chillies, Shahrukh Khan that will be basically sharing up the revenues. Eros contribution will

not be more than 100 crores to the budget.

Mayur Gathani

I mean, we would not able to tell, is it a 50-50 thing are so?

Kamal Jain, Group Chief Financial Officer

Yeah. You see because we've also --the NDA and in NDAs, I cannot actually disclose what is the deal with Shahrukh Khan. As I said, there is a talk on the budget for Eros contribution Eros will contribute around 100 crores.

Mayur Gathani

So Eros side is 100 crores. Right?

Kamal Jain, Group Chief Financial Officer

The total budget for the movie, from our side. where by the economics of the movie has to work. Now, if the budget goes over more than 100 crores that actually will fund it and but Eros is maximum cap at 100 crore?

Analyst

I'll just repeat, that I understood correctly. If assume the budget of the movie goes to 120 crore and Eros is going to spend 100 and it actually is going to spend 20 crores?

Kamal Jain, Group Chief Financial Officer

Yeah. We have to spend.

Analyst

Okay. And it also you want to spend 100 and that - towards - some - crores ?

Yeah. We have to spend.

Analyst

Okay. So basically then what kind of a JV is this, because the money max, majority the money will spend by you?

Kamal Jain, Group Chief Financial Officer

Yeah. Look the JV is simple that this is our investment. And against that investment we have a certain return. As faster that certain return it is a 50-50 deal.

Analyst

Okay.

Kamal Jain, Group Chief Financial Officer

So let's assume for example if you are saying it's a 100 crores let's assume the budget is 105 crores or 110 crores. Now up to 100 crores investment, Eros will get a certain investment back what is impact, it could be 1 or it could be 10, and also that 10 and - everything it's a 50-50 deal. So let's assume with the movies of 200 crore share.

Analyst

Right.

Kamal Jain, Group Chief Financial Officer

So the balance we have in - and Eros mix that 50% and 50% goes to -. Now if we'll spend more on the movie that over budget comes out of from their share.

Analyst

Okay. And it should also include all the marketing expense everything?

Kamal Jain, Group Chief Financial Officer

Marketing expense we have lot of done that and the prints expenses will be on top of that.

Analyst

Okay. That's on top of that.

Kamal Jain, Group Chief Financial Officer Analyst

Okay. And sir I mean you're trying to venture into Bengali and other regional languages also what is the time for that sir?

Kamal Jain, Group Chief Financial Officer

Yeah. We've finalize Bengali, we've finalized Marathi and on some Telugu script. Bengali we've identified three actually producers which we are working on hopefully we should be able to do that in the next quarter.

Analyst

Okay. If I'm correct, the last year in FY11 you release around 70, 75 movies.

Kamal Jain, Group Chief Financial Officer

No. 77 movies.

Analyst

Yeah. And this year also it's going to be similar or..?

Kamal Jain, Group Chief Financial Officer

That's right. About same, about different liquidity.

Kamal Jain, Group Chief Financial Officer

Bollywood with 14, 15 and. Would be 14-15 as.

Kishore Lulla, Executive Chairman

Yes.

Analyst

Okay. Fair enough and good luck, sir. Thank you.

Kishore Lulla, Executive Chairman

You are welcome, thanks.

Thank you. [Operator Instructions]. The next question is from the line of Rajiv Ghosh from Wealth Management. Please go ahead.

Rajiv Ghosh

Good afternoon, sir. Sir, I just wanted to get some illustration about the revenue potential of Zindagi Na Milegi Dobara. I guess it should be something like, box office should be something like 70 crores to you or something less than that?

Kishore Lulla, Executive Chairman

I didn't get your question 70 crores is

Rajiv Ghosh

Is approximate revenue that you can get from Zindagi Na Milegi Dobara?

Kishore Lulla, Executive Chairman

You see, the movie has done about 145 crore gross, out of which about 35 crores gross is international and about 110 to 115 crores gross is in India.

Rajiv Ghosh

Okay.

Kishore Lulla, Executive Chairman

And out of the 110-115 crores, gross if we take out the entertainment tax and everything from that and then is not box office and after the net box office, we have the revenue share with the share which is the multiplex But normally, I get about 45% aggregate of the net box office.

Rajiv Ghosh

And what was the cost of the movie ?

Kishore Lulla, Executive Chairman

I cannot actually say that actual cost of production because we are driven by the Production Council which has gone through various revenue share and revenues of the various actors that we do not want to have the actual cost out of movie. But it is the A class movie cost and it will be between 40 to 50 crores.

Rajiv Ghosh

Okay, sir. Thank you, sir.

Kishore Lulla, Executive Chairman

You are welcome.

Operator

Thank you. The next question is from the line of Arjun Ashar from Arjun Ashar Capital Management. Please go ahead.

Arjun Ashar

Sir, my question was how do you manage to commercial risk especially for a big budget movie like Ra.One? Do you. Of that risk come with the various partners or how do you do it?

Corporate Participant

Yeah, you see if you look at Ra.One, just assume the budget is 80 crore to 90 crore, right, which is the highest budget. You have, as I said earlier 30 to 40% of the cost has come from the satellite and then the international of Shahrukh Khan movie is very high. And then you will see the box offices, box office of whether it's 3 Idiots or whether it's My Name is Khan, on different movies in India. So, when you are commissioning the project you'll know that 100%, we are not going to lose money on this project. So we are 100% sure that there is not a single would be loss However impact we have to see, how much upside we'll get from Ra.One.

Analyst

So, annual distributed it further down between or the holding the entire -.

Corporate Participant

No, we satellite music has been communicated. And there are various executive internationally also, like internationally it has been syndicated. And in India as well various subject to - take minimum guarantees from single screen theaters. So there is a lot of - strategy.

Analyst

Multiplex compared to.

Corporate Participant

No, multiplex -, multiplex and some time you can do - appointed for the distributor in the - where the multiplexes is also there, whereby they will okay, in minimum guarantee.

Analyst

Correct, Ra.One?

We do it for lot of our movies and depends upon how much offer we are getting and if the offer is good, we always -.

Analyst

Okay, do you intend to do from Ra.One section. And my last question was what is the type of insurance we take to protect us from the - various kind of - so what are these completed in form of insurance.

Corporate Participant

Yeah every film. Later into production on a production also we had an insurance and also on the distribution loss as an insurance. So for any reason that is any mishap which can happen, you are totally correct.

Analyst

Okay. Thanks a lot.

Corporate Participant

You're welcome.

Operator

Thank you. The next question is from the line of Riya Allamchandani from Shanti Asset Management. Please go ahead. The line for this user is disconnected. The next question is a follow up from the line of Mayur Gathani from OHM Group. Please go ahead.

Mayur Gathani

Yeah. Thanks for taking it once again. Sir I had one query. I understand even Red Chilly Entertainment has a VFX unit of their own. And Eros has also has a VFX unit of their own so who was - to the majority look and where is the money flowing for that because RA1 would majorly constitute of VFX. And

Corporate Participant

In fact, actually the VFX is - and even today, there are three or four more production which are doing the work for RA1. Because there is so much work on

Mayur Gathani

Okay. And basically when you turn back to Red Chillies and Eros for that basic done.

Corporate Participant

That's right.

Mayur Gathani

To a great extent it will be a - in order of budget the movie is --

Corporate Participant

Always, always. We never get attached with any single movie. We get attached only with one which is the bottom line of the company. That is the most foremost important point cash in the bottom line.

Mayur Gathani

Excellent sir. Thank you.

Corporate Participant

You're welcome.

Operator

Thank you. [Operator Instructions]. The next question is from the line of Deepak Madhavdas, Stock Broker. Please go ahead.

Deepak Madhavdas

Hello sir, very good evening to you. This is Deepak Madhavdas from Hyderabad. Hello?

Corporate Participant

Yeah.. Hello?

Kamal Jain, Group Chief Financial Officer

Yes. Good evening.

Analyst

Yes sir. I congratulate for your robust results that you have just two days back. Sir, most of the things are covered as like in Hyderabad and other places, there are lot of rates and other things which take place in basically the marketplaces, then how do you cope up with the regional things and another things?

Kamal Jain, Group Chief Financial Officer

Rights are not that happened. So, we have one as for distributors normally would take the distribution rights... if the rights happen, we would cover the distribution in--.

Okay. Thank you. And just last question sir. Sir, we have declared very good results for the March ending also. And we have declared good results for the June quarter also. But unfortunately it's no dividend has been declared.

For the March, April, the full year was not over. But if the company intending to declare the interim dividend for this year?

Kamal Jain, Group Chief Financial Officer

I think the Board is considering that in the next Board meeting, we're going to take it that. And definitely there is agenda on the Board to declare dividend and end of the -.

Analyst

Okay. Thank you so much sir.

Kamal Jain, Group Chief Financial Officer

You're welcome.

Operator

Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the floor back to the management for closing comments. Please go ahead.

Kishore Lulla, Executive Chairman

It's really gives me the immense pleasure to interact with you on regular basis, and to address your questions and comments from Eros International. We hope to have your valuable support on continued basis as we move ahead. And if you have any further queries, we are available outside of this forum is right. On behalf of the Eros International management, I once again thank you for taking the time to join us in the call. Have a good day. Thank you.

Operator

Thank you gentlemen of the management. Ladies and gentlemen, on behalf of Eros International Media Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.