3Q FY2012 EARNINGS CONFERENCE CALL

January 24 2012, 1400 HRS IST

Moderator

Ladies and gentlemen, good afternoon and welcome to the Zee Entertainment Enterprises Limited Q3 FY12 results conference call. As a reminder all participants' 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. Should you need assistance during the conference please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

At this time, I would like to hand the conference over to Mr. Kanwaljeet Singh from Zee Entertainment Enterprises Limited (ZEE). Thank you and over to you Kanwaljeet.

Kanwaljeet Singh

Ladies and gentlemen, thank you for joining us today. This conference call has been organized to update our investors on the company's performance in the 3rd Quarter of fiscal 2012 and to share with you the outlook of management of Zee Entertainment Enterprises Limited. We do hope that you have had the chance to go through the earning release and the result, both of which have been uploaded on our corporate web site www.zeetelevision.com.

To discuss the results and performance, joining me today is Mr. Punit Goenka – Managing Director and CEO of ZEE, along with the members of the senior management team of the company including Mr. Hitesh Vakil – President and CFO and Mr. Atul Das – President and Head - Corporate Strategy and Business Development. We will start with a brief statement from Mr. Goenka on the 3rd Quarter performance and will then open the discussion for questions and answers.

I would like to remind everybody that anything we say during this call that refers to our outlook for the future is a forward-looking statement and must be taken in the context of the risks that we face. We would also like to add that this call is purely for our analysts and investors and if there are any media companies on the call, we request them to please disconnect. I now request Mr. Goenka to please address the audience.

Punit Goenka Thank you, Kanwaljeet. I would like to welcome everybody to this call and appreciate your joining us for the discussion on the results of the Third quarter of fiscal 2012. Let's begin with details of some of the key financials of the quarter focusing on the **Financial Performance**.

The **subscription revenues** for the quarter stood at Rs 3.26 billion. While subscription revenues have recorded a higher increase, the reported subscription revenues reflect a growth of only 15.7% y-o-y, because of the change in accounting treatment of domestic subscription revenues, which are now being reported net of expenses. Subscription revenues have shown a very healthy growth of 12.1% q-o-q, which is like-to-like since the accounting changes were made from 2Q FY2012. During the current quarter, **domestic subscription revenues** stood at Rs 2.22 billion, while **international subscription revenues** were Rs 1.04 billion. Subscription revenues from international operations are up by 2.7% y-o-y and 8.2% q-o-q.

ZEE's **advertising revenues** during the quarter were Rs 3.96 billion, a decline of 10.1% y-o-y. In the corresponding quarter last fiscal, we had more cricket properties in sports which resulted in better advertising revenues. Overall, advertising revenues on non-sports business have declined, though marginally. This is reflective of the overall weakness in advertising spends combined with some market share loss. Advertising revenues have remained flat on q-o-q basis.

On the cost front, programming & operating cost in the quarter was Rs 3.42 billion as compared to Rs 4.15 billion in the corresponding period last fiscal, registering a decline of 17.6%. The major reason for the decline is that the corresponding quarter last fiscal had more sports properties as compared to this quarter. Employee cost increased by 6.5% over the corresponding period last fiscal. Selling & other expenses in the quarter were at Rs 1.24 billion, an increase of 5.7% over the corresponding period last fiscal. As a result, **Total Costs incurred by the Company in this quarter were Rs 5.39 billion**, showing a decline of 10.3% over the corresponding period last fiscal.

During the quarter, the Company's **operating profit (EBITDA) was Rs 2.16 billion**, a degrowth of 3.6% y-o-y. The **operating (EBITDA) margin for the quarter was 28.6%,** which has gone up from 27.2% in the corresponding quarter last fiscal in a fiercely competitive environment. Excluding sports business, the EBITDA margin stood at a healthy **34.0%. Profit before tax**

(PBT) for the quarter stood at Rs 2.24 billion, representing a decrease of 5.4% over the corresponding quarter last fiscal. During the quarter, provision for tax has been made at Rs 812 mn representing 36.2% of PBT. Tax rate during the quarter has been higher due to the impact of deferred tax and forex gain in India as against the profits in the international subsidiaries. However, on an annualized basis, tax rate is expected to be at the same level as in FY2011.

Our Sports business remains on track as we have explained in our guidance earlier. We continue to invest in Sports with a medium to long term perspective. We do expect losses to continue in the sports business for some more time to come but we are hopeful of seeing a much more improved performance compared to fiscal 2011. The Sports losses during the quarter were Rs 100 million.

As of December 31st, 2011, the Company has a gross debt of Rs 728 million and **Net Cash of Rs 10.5 Billion**. Finance expenses in the quarter were Rs 182 million.

I would now like to cover the **business performance**.

During the quarter, **Zee TV** averaged 158 GRPs recording a relative share of 16.5% while in the *Weekday Prime Time band*, Zee TV averaged 83 GRPs recording a relative share of 17.7%. The channel delivered a weekly average of 15 shows among top 100 shows during the quarter led by the top rated fiction shows like Pavitra Rishta, Yahan Main Ghar Ghar Kheli, and Hitler Didi and the non-fiction show Dance India Dance - 3. Zee Rishtey Awards, telecasted on 18th Dec, garnered a very good rating of 4.2 TVRs.

The network's Hindi movie channel **Zee Cinema** averaged 120 GRPs during the quarter. The channel's packaging was changed on 8th October with Bbuddah Hoga Tera Baap. The quarter also saw the premieres of Double Dhamaal, Chatur Singh Two Star and Bin Bulaye Baraati.

Zee Marathi delivered an average of 168 GRPs during the quarter recording a relative share of 27% with 28 shows in the top 100 shows. The top fiction shows in the quarter were Dilya Ghari Tu Sukhi Raha, Pinjara, and Arundhati. The quarter saw the launch of Dilya Ghari Tu Sukhi Raha and Marathi Paul Padthe Pude and the telecast of Zee Marathi Awards, which is the most eventful and glamorous television award in Marathi TV industry.

Zee Bangla delivered an average of 427 GRPs in the quarter ranking a clear second in the Bangla GEC genre recording a relative share of 36%. In a key

Target Group of CS 15+ABC, Zee Bangla is the No.1 channel ahead of all competition. The top fiction shows during the quarter were Rashi, Keya Patar Nouko and Agnipariksha. The key properties launched in the quarter were the latest seasons of Didi No. 1 and Dadagiri Unlimited.

Zee Telugu averaged 312 GRPs during the quarter recording a relative channel share of 18.3%. Chinna Kodalu, Muddubidda and Pasupu Kumkuma were the top shows on the channel during the quarter. Zee Telugu's Zee Kutumbam Awards performed exceptionally well with an average TVR of 9.25. It has become the biggest event in the last 20 months on Telugu TV. **Zee Kannada** averaged 278 GRPs during the quarter recording a relative share of 18.8%, driven by popular shows like Radha Kalayana, Chi Sou Savitri and Yariguntu Yarigilla.

The key properties on our **Sports channels** bouquet during the quarter included telecast of *Pakistan Vs Sri Lanka series, Australia vs South Africa series, Zimbabwe vs New Zealand series* and *SAFF Championship*. WWE continues to be a strong property attracting audiences as well as advertisers. The forthcoming quarter would see the telecast of cricketing events like *Pakistan vs England series, Sri Lanka vs England series* and *West Indies vs Australia series*.

ZEE's **International operations** contribute a significant part of the Company's revenues. During the quarter, the Company undertook a number of initiatives to further strengthen its dominance. In America, after the successful launch of 5 channels - Zee Marathi, Zee Kannada, Zee Smile, Zee Business and Zing - on Dish Network, the Company also signed affiliate agreements with OTT/IPTV distributors. In Europe, ZEE became the first South-Asian broadcaster to successfully leverage digital product placements. While in APAC, the Zee Cine Awards was nominated at the prestigious 'Asian Television Awards 2011' in 'Best Entertainment – One off/Annual' category.

In the quarter gone by, we have witnessed some gains and some losses in market shares of our channel portfolio. We are confident that we would regain the market share losses through our planned content lineup and continue to grow our business profitability in a sustained manner. During the quarter, we have been able to **maintain healthy operating margins**, partly due to lower sports losses and partly due to better cost efficiency measures. **Media Pro**, our joint venture for subscription revenues, has started on a good note and we are very confident of a robust performance going forward. With the digitization mandate being passed, it will further be able to create value for the business. We have already seen a robust sequential growth in our domestic subscription revenues. Also, our content focused approach combined with better monetization of subscription revenues, will contribute to Company delivering steady return in the year ahead.

With this, I thank you again for joining us and would now like to open the floor for the questions and answers session.

Moderator Thank you very much sir. We will now begin the question and answer session. Participants who wish to ask a question may press "*" and "1" on their touchtone telephone. Participants are requested to use only handsets while asking a question. Anyone who has a question may press "*" and "1" at this time. We have the first question from the line of Sachin Salgaonkar from Goldman Sachs, please go ahead.

Sachin Salgaonkar I have three questions, firstly wanted to understand a little bit more on the outlook for domestic subscription revenues under MediaPro. Obviously we had a good Q-o-Q growth this quarter, I was wondering if this trend will continue and related question is on Ad revenues also. So when do you see an inflection point coming when the weakness on Ad revenues reduces and we do see a meaningful uptick from there?

Atul Das The first part which is subscription revenues, we had several contracts which came up to renewal during the 2nd and the 3rd Quarter and if you remember once we had this new arrangement with MediaPro a joint-venture on the subscription revenue front, we had said that we will start seeing some traction from the 3rd Quarter onwards in terms of the growth and that's precisely what has happened. So we have had some of the contracts getting renewed and therefore an uptick in subscription revenues.

What I will like to highlight here is that Q-o-Q may not be a sustainable trend so one should not expect this kind of growth rate to continue on a Q-o-Q basis. But yes we have seen a good growth during the 3rd Quarter and probably we will estimate that going forward at least in the 4th Quarter, we should be able to maintain similar levels as the 3rd Quarter. Your second question was on advertising. If you could just repeat what exactly wanted to know.

Sachin Salgaonkar My interest was obviously, we have seen some weakness in Ad revenues and that has been continuing for few quarters. Obviously it is a function of economy but based on your understanding, when do you see this trend changing wherein we do see a meaningful uptick of Ad revenues in general for the sector?

Atul Das It is very difficult for us to right now give that kind of a guidance on Ad revenues because we have seen some slowdown there, which is difficult for us to make a prediction. Again between the 3rd and 4th Quarter we should not see much of a difference hopefully and then next year depending on how the economic cycle and the advertising cycle picks up, we will be able to update you on next year trends probably a month later, when we get some feelers from the market.

Sachin Salgaonkar This is helpful. My next question is on your flagship channel Zee TV, obviously we have seen some GRP improvements lately so wanted to understand how some of your new content is doing and should we expect the improvement and even rankings because I guess now we are a close number four and could we see that moving up further?

Punit Goenka Yeah Sachin, absolutely we're working rigorously on our plans for the next quarter and next following couple of quarters to gain back the GRPs loss so far. We are already seen that trend starting with "Hitler Didi" and with the launch of "DID Season 3" and with a pipeline of shows planned over the next 3 to 6 months, we do plan to regain a lot of lost ground and therefore even change in the ranking.

Sachin Salgaonkar My last question if you have any initial thoughts on buyback plans post March of 2012.

Atul Das No we cannot comment on the buyback plans post March 2012. Right now the buyback is on and we will decide once we finish the quarter, where we stand at that point of time.

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

Abneesh Roy My question is on the regional market, we have seen two clear trends, one is expanding market share in two genres of Bengali and Kannada while in the Hindi and Marathi we are losing share. So any regional insights are there, any successful tips you are getting from these two micro-markets which we can take to the other markets?

Punit Goenka What has happened in regional markets is that the universe of consumption of television itself has gone up in the last couple of years. So what we call PUT (People Using Television) has improved both in the Bangla genre and in Marathi genre, I do think in the Kannada genre also but that can be checked. My view on the regional business is that it is going to further go into fragmentation because each market is very different. If you look at

Maharashtra, for example, a large part of Maharashtra is actually not Marathi speaking which is getting added in to the TAM universe now and as and when those things happens, these scenarios will change. Similarly in Kannada if you look at the Kannada viewership of Karnataka is only 55%, 45% comes from Tamil consumption of TV or non-Kannada consumption of TV. So each market is different Abneesh, and it reacts differently.

Abneesh Roy My second question is again a follow-up on the subscription revenue, a 12% growth is quite good and Atul said that part of that is because of the renewal which Media Pro is doing. Could you give us some color on the DTH versus cable what is the trend and if you see the DTH Company which has reported, your own group company the subscription revenues are almost flat quarter-on-quarter but you have seen a 12% growth. So wanted to understand why there is a difference out here?

Atul Das As you know from the last quarter onwards we are not giving this split between the DTH and cable revenues and that is because the nature of a treatment of the revenues that we get from Media Pro, it is unfortunately not possible to disclose that in very granular details as we used to do earlier. But the point is that as you know the data on DTH gross subscriber additions is a public data and we have had in the 3rd Quarter about 3 million gross additions. So far the 9 month addition is about 8.5 million or close to that number in terms of subscriber additions done during FY12 from April to December. We have seen pretty much the same kind of growth trends except that we believe that there is slightly higher churn this time, this year around and therefore that will impact the growth on DTH revenues as compared to what we would have anticipated a year back. But what we will then finally follow through on the digitization, we still don't know there are various versions of how things will happen but assuming the digitization goes on track then obviously these numbers will only be better. So as of now we can't give you the split on the DTH versus cable but yes a larger part of the growth in this quarter has definitely come from cable as well I can tell you.

Abneesh Roy And in one follow-up on that, normally most of the cable renegotiation happens in April so does it mean that Q1 will see a far higher jump in terms of digitization and Media Pro, has the level of optimism of Punit gone up compared to what he shared in Q2?

Atul Das Optimism relating to?

Abneesh Roy Digitization phase 1 and phase 2 and MediaPro.

Punit Goenka My confidence level has definitely gone up on MediaPro's success possibility that's one part. On digitization it's still to be seen as you know TRAI extended the deadline for the comments to be submitted to the 30th or 31st of January so one is still to see whether the July 1st date is going to hold true or not. We are pretty confident that it will happen now. Timings could be a few months pushed back because of the readiness on the ground from the MSOs or LCOs on that aspect, that's the only base where people are not probably ready to the extent that is required, that's my view.

Abneesh Roy And Atul on the analog I asked whether the Q1 will see a leg up because most of the renegotiation happens in April.

Atul Das No it's a continuous process, I don't think it will be noticeable only in one particular quarter or something. But yes growth will continue is what our anticipation is.

Moderator Thank you. The next question is from the line of Nitin Mohta from Macquarie, please go ahead.

Nitin Mohta Thank you. My question is regarding the market share loss comment that you made earlier on the call, I just want to understand that a little better. Is it advertisers giving a lower yield to your channel or is it consolidation and sticking to probably the top two channels in every genre or just thoughts over there?

Punit Goenka It happens in both the ways. The total volume of business also has gone down and the value of the business also has gone down, so the combination of two things. Does that cover your question?

Nitin Mohta Somewhat if you can just give the light in terms of if quantification is possible otherwise.

Punit Goenka It is difficult to share.

Nitin Mohta Secondly I can understand on the regional market, is it just better content from some of the competitive channels or is it based spending more on selling and distribution that seeing them gaining the viewership share?

Punit Goenka At the end of the day it has to be about content because distribution can only get you sampling. After that consumption will only happen if the content is good and I don't think we can generalize this to the entire market, it is only in Marathi that we have seen some market share loss but rest of all our regional markets we have gained market share over our competition.

Moderator Thank you. The next question is from the line of Shobit Khare from Motilal Oswal Securities, please go ahead.

Shobit Khare Two questions, one is you mentioned on the domestic cable revenues, just wanted to check approximately what percentage of our contracts have renewed and what kind of increase we are seeing with MediaPro in terms of like-to-like and second is in terms of your operating cost excluding sports I'm saying there is a quarter-over-quarter jumped of around 10%, while last 2-3 quarters it was flat. So is it more seasonality or we should expect further increases as you probably invest more in programming etc?

Atul Das I will first take your second question. Your question is that sports business costs have gone up.

Shobit Khare Non-sports operating cost.

Atul Das Non-sports, yes the costs have gone up slightly and therefore if you look at the non-sports margins, we have seen some decline there from a 36.5% last quarter which is 2nd Quarter of fiscal 2012 to 34% this quarter. So there has definitely been some impact on the cost of non-sports business.

Shobit Khare The second question was on the cable subscription, just wanted to check what percentage increase we have seen in the renegotiated contracts and what percentage approximately already we have got renewed?

Atul Das Unfortunately, we cannot give all those details in this stage but the overall change in our revenues is reflected in the domestic subscription revenue that we report.

Moderator Thank you. The next question is from the line of Manvi Agarwal from Quantum Advisors, please go ahead.

Manvi Agarwal I have a question, if you can give us from a three year view if a Rs. 100 as our programming cost then you do your IRR calculations would it be on a serial to serial basis you do by individual IRR or total budget of programming I need a specific IRR, how would you approach in as a businessman?

Atul Das Individual programming cost is not really linked to a certain return. We target a return on the overall, not on the individual program basis. But on an overall channel basis, each channel's profitability is monitored and there are return requirements, more importantly because we are very large network so the return requirements are measured on the portfolio approach. So as you can see in our operating margins, which are in the zone of 25 to 28%. This quarter it was 28.6% and that includes some of the channels which are not making money, like sports, and other channels which are very profitable. Therefore we disclose the non-sports margin separately.

Manvi Agarwal And second related question is that over the next longer term as competition further intensifies and the mode of delivery of content becomes online, mobile wherever the case maybe, how would your overall return on your programming investments move over a longer period of time?

Atul Das It is all a factor of how the consumer wants to consume the content. We are in the business of producing and marketing content. We will ensure that the content is made available to the consumer in whichever mode he wants to consume. Our content is available for consumption online, our content is available for consumption through other devices like mobile or iPad or such other devices. Our focus will be to ensure that we create the best content which is liked by the consumer and therefore it will not matter so much which device that he consumes. So our return requirements more or less as of now will not change dramatically unless of course we see changes happening in the environment.

Moderator Thank you. The next question is from the line of Vikash Mantri from ICICI, please go ahead.

Vikash Mantri Just wanted a feeler of our subscription revenues on the domestic front. We have seen a very robust growth, is there any element of one-off in this one or we can go ahead and project on this number and b) in terms of international subscription revenues can we give a dollar growth or the same currency growth because naturally it looks like there is the rub off of the forex movement in that number. That is my first question; second question is on the investments in content. After the Q2 results we had talked about increasing on investment in content on both movies and programming hours, how successful we had been with that and going forward what is our strategy in terms of investments in content to regain our market share?

Atul Das On the subscription, Vikash, we did say a few minutes back that there is no one-off element as such in our revenues but there have been several contracts with our customers that have got renewed at better levels and therefore we have seen the uptick and I did mention that we should not assume that 12% quarter-on-quarter growth will continue in the same manner. Of course growth will continue, but I would say that a big step up has happened now but it may not be happening in the future at least immediately in the 4th Quarter which could be more in line with the numbers that we have seen in the 3rd Quarter. So a 12% Q-o-Q may not continue for every quarter but of course the growth will continue. The second question you had on international, on the common currency basis the growth would have been about 2 to 3% in international business. And to third question, I will request Punit to respond on the programming cost.

Punit Goenka On the programming costs I think we are on track on what we had said earlier that we are going to be investing heavily in both programming as well as in acquisition of films. For acquisition of films I'm sure you are aware that *Don 2* and *Agneepath were* the two latest films that we acquired and we will continue to acquire even more films as and when they come up for the bid. On the content side our plans are on track for Zee TV. We will end this last quarter anywhere between 29 to 30 hours of content from our current 27.5 hour level and our plans for next year as of now is being worked upon on about 35 hours or 36 hours of content.

Vikash Mantri Punit, if I may just check with at least in terms of our competition where it's Star or Sony, the aggression in terms of investment in content both on movies front and the programming front has been higher than us, so do we intend to change that kind of momentum?

Punit Goenka Vikash, we can share with you the line-up of movies for next year that competition has and what we have and you can be judge of who is more aggressive there. Last year I agree with you that our competitors were more aggressive on the movie acquisition. On the content side, I don't think there is any reason to say that we are not as aggressive as others because our line-up of content is quite good. We have had several failures in the last year therefore we have not been able to take the number of hours up because first we have to get the prime time shows right which is the most important part, only then we can start supplementing through other content slowly.

Vikash Mantri Just on the buyback, we have done close to 210 odd crores of the 700 crores buyback. In the period that we have done this buy back we would have generated more cash than we have done the buy back, so our dollar share it is still rich with cash. Do we intent to exhaust the entire 700 crores or what is the thinking behind that?

Atul Das Vikash**,** this question was asked little while earlier and we said that we really can't give out the numbers as to how much it will end up with. Everyday based on availability and certain price point we are continuing our buyback and even in this quarter we have done about 54 crores of buyback during this quarter. We don't have a certain target in mind, we have a shareholder's approval to go up to 700 crores and of that we have done about 200 crores so far. I'm giving very broad numbers here.

Moderator Thank you. The next question is from the line of Amit Kumar from Kotak Institutional Equities, please go ahead.

Amit Kumar Sir we just talked about that we had plans to increase our programming hours. Could you just give us some sense of what kind of programs we will be launching and just an associate question, there was talk of a stunt-based action program that you are planning to launch about two quarters back, any progress on that?

Punit Goenka Our content pipeline is largely the soaps and dramas with non-fiction programming as we normally do..

Amit Kumar My second question pertains to a little bit on the financial side. Your subsidiaries and we do this analysis where since we subtract the standalone finances from consolidated and that gives a broad idea of the subsidiary financials. Your subsidiaries seems to have gone into losses after three quarters of recent strong profitability, it is just about 55 odd crores positive to about 5-10 crores negative, so I'm just trying to understand exactly what is going on here.

Hitesh Vakil This is just the timing difference right now, at the end of the Q3, some properties have been bought and consumed for which there is an enduring benefit which will accrue in Quarter 4, so that's why this has happened plus

Amit Kumar Why the operating level of profitability in the standalone entity has gone up sharply while your subsidiaries have gone down sharply, could you please explain that one more time?

Hitesh Vakil Certain properties have just been launched and which have been expensed fully in those quarters and for which the revenues will accrue in the 4^{th} Quarter.

Amit Kumar These properties are in subsidiaries and what kind of properties are we talking about?

Hitesh Vakil Programming and films and various other sporting rights.

Moderator Thank you. The next question is from the line of Siddharth Goenka from JM Financial, please go ahead.

Siddharth Goenka Sir, I missed your gross debt and net debt position number in your opening remarks, can you please give us the details?

Hitesh Vakil The gross debt was Rs 72.8 Cr and cash and cash equivalents are Rs 1,124 Cr.

Siddharth Goenka Any particular reason for taking debt as we already have a strong cash balance?

Hitesh Vakil Yeah it has been taken on the foreign books where we get quite competitive borrowings, particularly for sports, so it doesn't make sense for us to remit fund at a higher cost.

Siddharth Goenka So what is their cost of debt?

Hitesh Vakil Very competitive, Libor plus nominal.

Siddharth Goenka How much has been the volume decline in the FMCG sector for the whole television industry, just to give some sense?

Atul Das We don't have the data right now with us.

Siddharth Goenka So I mean just drawn, it will be in single digit or if you can give some sense?

Atul Das We will have to take that data, we don't have it particularly for FMCG sector on this basis.

Moderator Thank you. The next question is from the line of Rohit Dokania from B&K Securities, please go ahead.

Rohit Dokania In the last con call, Punit had said that the non-sports costs will probably increase by 14 to 15% for the full fiscal, whereas in the first nine months it just increased by about 10%, so would you want to revise that or how should we look at that cost for this fiscal FY12?

Punit Goenka The reason for that is because we had planned for a number of hours to go up even by end of this fiscal which has not happened. But there are going to be several launches in this last quarter itself ,so the difference of 14 to 15 maybe very marginally lower, not significant.

Rohit Dokania I was going through your balance sheet and the revenues attributable to the rest of the world barring India is about Rs 1,070 crores, now our international subscription revenues about 410 crores and the syndication revenues would be about 100 crores. So what is this rest of the amount that 570 crores that are from international operations, is it Ad by any chance?

In that case you would have got a favorable movement of the currency and still our Ad revenues are down by so much so it a real cause of worry or how are the international markets performing in terms of Ad growth if you could throw some light on that?

Hitesh Vakil For a limited purpose of Ad growth if you're asking, then it is definitely doing better than all other but it is still not that significant.

Punit Goenka Advertising revenue in this whole thing is a very small amount, if the 1,000 odd crores that you are talking about then advertising will be a small part.

Rohit Dokania So what would majorly constituted because international subscription of 410 crores, I'm talking about the last fiscal basically and total sales in the syndication is about 110 crores so that makes it about 520 crores, we are still left with 550 crores. What actually this 550 crores is?

Hitesh Vakil We don't have the exact breakup at this point of time but usually international has got three streams of revenue, that is advertising, subscription and syndication which will account for within that.

Rohit Dokania No issues Sir I will take this question offline.

Moderator Thank you. The next question is from the line of Pratish Krishnan from Merrill Lynch, please go ahead.

Pratish Krishnan Just one question overall on the Hindi GEC market in terms of competitive intensity. We have seen some of the channels re-launching or revamping the programming, should we assume that the overall GRP for this space probably can expand or should we assume a further fragmentation of the segment itself?

Punit Goenka The Hindi GEC pie has not expanded significantly over the last year or so, it is predominantly the same. The number would be in decimal points so I don't think that market is expanding that significantly and I do not expect that will change anytime soon, it will get only changed once TAM goes from the current panel to that it covers the complete country's panel, so which is a long time away.

Pratish Krishnan Would the increase in the digitization of the cable network, the implementation of these two can probably help in that?

Punit Goenka Digitization is something that the industry is doing but TAM has its own roadmap of how they cover towns and cities. If you look at the latest panel which has come out, they are covering, about 60 million universe now?

So out of the total 130 odd million cable and satellite homes, TAM is only addressing about 60 million. So understand the ratios are different from that perspective, the moment they cover the entire 130 million, the entire way television will be consumed will be different.

Pratish Krishnan Maybe I will take this offline thanks a lot.

Moderator The next question is from the line of Mithun Soni from GeeCee Investments, please go ahead.

Mithun Soni I needed a little good flavor on advertising revenue and our outlook on the same. You had said that there is a good amount of our inventory is what we do presales, so if we're going to see the contract we sign in for the next financial year and if our GRPs are down, how do you see that impacting us for the next year and so on?

Atul Das If our market share is lower obviously it impacts our Ad revenue take up from the market so there are two elements to the growth, one is overall how much the market is expanding in itself and within that then how much is our market share and you have to also keep in mind that the market share includes the combined total market share which represent the GEC market share, the regional market share, the sports market share and other English and niche market share. So it is not really driven only by a factor where today we have a little lesser market share on Hindi GEC, that's not the only determinant of our revenue growth. Since we have a very diversified and a strong portfolio in that sense our portfolio is more resilient to these kind of market share changes in any one particular genre or anyone particular channel. But given that if you lose market share then it definitely has an adjustment factor which can have a lag effect of maybe two months, three months, sometime one-month depending on how the things are. So it is more important to see how the first overall macroeconomic situation is in terms of overall Ad spends which itself has been fluctuating through the year in terms of the lack of visibility on revenue growth. We started out with a situation where we were anticipating about 12 to 13% growth which has not obviously materialized from macro ad spent perspective. I answered this question at the start of the call was that we will probably be able to see much better in a couple of months as to how the next year looks like. As of now I think the trends which we have seen in the 3rd Quarter should continue to persist in the 4th Quarter is what we believe. But as far as FY13 is concerned, we will be able to get a much better sense in the couple of months as to what growth may be like.

Mithun Soni If that is the case then how would you rate your performance versus the industry as a whole, would you say the 10% decline what you have seen year-over-year or is it flat, is it same for the rest of the people as well or the rates are just on the inventory what we had sold in the last moment which didn't get its dues.

Atul Das 10% that you see a decline as far as the 3rd Quarter is concerned is a combined de-growth which includes all of our businesses, including sports also. Sports as you know is very event driven, so last year we had more cricketing properties in the 3rd Quarter and therefore the decline in sports is also larger and we have mentioned in our opening speech also that while on non-sports also we have seen a decline but that is marginal but including sports it's a 10% number. So yes, we would have seen some market share loss this year, no doubt about it. But it will not be very dramatic because the slowdown in ad spends definitely is visible on television as per our estimates.

Mithun Soni And one data point I needed was, in the analog cable like total about 130 cable satellite homes, what will be our reach in terms of all the channels put together or in general?

Atul Das You can't define a reach for all the channels put together but let's say the flagship channel which is Hindi GEC has complete reach so it reaches all the Hindi speaking markets, almost at a 100% level, even though it may not be measurable because TAM doesn't cover all the towns. But as far as our penetration of channel is concerned it is available in almost every small town, village, and area

Mithun Soni Would it be in the range of about 60 million households, would that be a fair estimate?

Atul Das It is difficult again to give a number because as far as the Hindi speaking market is concerned it will be 100% as I said and there is definitely a good amount of penetration even in non-Hindi speaking markets. If you go in the south for example which is not a Hindi speaking market, in large part of those homes, you will still find Zee TV being there.

Moderator Thank you. We will take a final question from the line of Amit Kumar from Kotak Equities, please go ahead.

Amit Kumar I just wanted to understand that the finance cost has gone up quite substantially. Could you just give me the quantum of one-offs in there and if you could just qualify the one offs also exactly what is it on account of?

Hitesh Vakil No there are no one offs as such, it includes the kind of ForEx losses on conversion and realignments.

Amit Kumar So given the fact that rupee has appreciated back, would this be reversed?

Hitesh Vakil So in 4th Quarter if rupee is improving then definitely the expense would be reduced.

Amit Kumar And what are the line items on which basically there is a translation?

Hitesh Vakil Basically it is the debtors, like all foreign subsidiaries particularly sports business and our English Channel having debtors sitting in India or the funds waiting for remittances out of India are subject to ForEx fluctuations and also there is a difference in Euro to GBP and GBP to dollar in international subsidiaries which accounts for the ForEx losses.

Amit Kumar Is that also a reason for losses in foreign subsidiaries because of their debtors in India?

Hitesh Vakil Not really, that is marginalized with a gain also in cost, so ForEx fluctuation is not so severe on international subsidiaries.

Moderator Thank you. I would now like to hand the floor over to Mr. Kanwaljeet Singh for closing comments.

Kanwaljeet Singh Ladies and gentlemen, thank you for joining us. We hope to have the transcript of the call on our website www.zeetelevision.com soon. We look forward to speak to you again at the end of the last quarter of fiscal 2012 or even earlier on one on one basis.

Moderator Thank you. On behalf of Zee Entertainment Enterprises Limited that concludes this conference.

Note: This document has been suitably edited for ease of reading.