



Zee Entertainment Enterprises Limited

CONFERENCE CALL

January 21, 2015, 1400 HRS IST

Moderator

Ladies and gentlemen good day and welcome to the Zee Entertainment Enterprises Limited Q3 FY15 Earnings Conference Call. As a reminder all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing * then 0 on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kanwaljeet Singh. Thank you and over to you sir.

Kanwaljeet Singh

Thank you Inba. 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 THIRD quarter of fiscal 2015, and to share with you the outlook of the management of Zee Entertainment Enterprises Ltd. We do hope that you have had the chance to go through the earnings release and the results, both of which have been uploaded on our corporate website: www.zeetelevision.com.

To discuss the results and performance, joining me today is Mr. Punit Goenka, Managing Director and CEO of ZEE, and Mr. Mihir Modi, Chief Finance & Strategy Officer.

We will start with a brief statement from Mr. Goenka on the third 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 address the audience.

ZEEL TELECONFERENCE January 21, 2015**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 2015. Let's begin with details of some of the key developments of the quarter focusing on the Financial Performance.

ZEE's advertising revenues during the quarter were Rs 7.43 billion, recording a growth of 8.5% yoy. Advertising growth on the non-sports part of the business is in mid-to-high teens.

The total subscription revenues for the quarter were Rs 4.46 billion. During the current quarter, domestic subscription revenues stood at Rs 3.45 billion, while international subscription revenues were Rs 1.01 billion. Though the reported domestic subscription revenue reflects a growth of 4%, like-to-like growth is in low double digits. The difference is due to accounting changes necessitated by change in TRAI's content aggregator regulation. In case of international subscription revenues, due to change in arrangement with operators across international territories, the reporting of subscription revenue for the current year has undergone a change and hence previous year figures are not comparable with that of current period. On a like to like basis the international subscription revenue has grown in high teens in rupee terms.

On the cost front, programming & operating cost in the quarter was Rs 6.46 billion. Total costs incurred by the Company in this quarter were Rs 10.1 billion.

During the quarter, the Company's operating profit (EBITDA) was Rs 3.53 billion, recording a growth of 21.5%. The operating (EBITDA) margin for the quarter was 25.9%. Profit After Tax (PAT) for the quarter stood at Rs 3.07 billion, recording a strong growth of 43.5%. PAT margin for the quarter stood at 22.5%.

As of December 31, 2014, the Company has a gross debt of Rs 24 million and Cash & Cash Equivalents of Rs 17.23 Billion.

I would now like to cover the Business Performance.

During the quarter, Zee TV undertook a brand makeover. The channel sported an all-new brand packaging that resonates with the channel's core ethos of bringing hope to its audience. Zee TV recorded a relative share of

17.9% among the top 6 Hindi General Entertainment Channels. The market share was even better in the Prime Time band, where Zee TV recorded a relative share of 20.9%. Zee TV was the No.3 channel in the genre during the quarter. However, during weekday prime time band, the Channel is at No. 2. The channel delivered a weekly average of 10 shows among top 50 shows during the quarter led by the top rated shows like Kumkum Bhagya, Jodha Akbar and Jamaai Raja. New shows launched during the quarter were Satrangi Sasural, Maharakshak Aaryan and SaReGaMaPa Li'l Champs.

ZEE's Hindi Movie Cluster led the genre with a relative share of 30.8%. The key properties on Zee Cinema during the quarter were Lage Raho, Double Mazaa and Shanivaar Ki Raat Sitaron Ke Saath. This quarter saw the premieres of Entertainment, Satyagraha and Raja Natwarlal on Zee Cinema. &pictures saw the premieres of Mad About Dance and Manjunath.

During the quarter, Zee Marathi extended its lead as No.1 channel in its genre. The channel recorded a relative share of 51.8% amongst all Marathi GECs. The channel delivered a weekly average of 7 shows among top 10 shows led by top fiction shows like Honar Soon Me Hya Gharchi and Jai Malhar. New launches planned during the forthcoming quarter include Kanyadaan.

Zee Bangla is one of the leading players in the Bangla GEC genre. During the quarter, it recorded a relative share of 35.7%. The channel leads the non-fiction genre with 75% market share. The channel is the slot leader in 4 out of 14 prime time bands during the quarter led by the top rated fiction shows like Raage Anuraage and Rashi, and top rated non-fiction shows like Dadagiri Unlimited 5 and Sa Re Ga Ma Pa.

During the quarter, Zee Telugu increased its relative channel share to 24.1%. The channel was the slot leader in 4 out of 10 prime time bands during weekday primetime for the quarter. Overall, the channel has become a close no. 3 in Telugu GEC space.

Zee Kannada increased its relative share to 14.8% during the quarter. Zee Tamil recorded a relative share of 4.8% during the quarter.

The key properties on our Sports channels bouquet during the quarter included telecast of Pakistan vs Australia cricket series, Pakistan vs New Zealand cricket series, Sri Lanka vs England cricket series, UEFA Champions

League, Asian Games 2014, WWE Survivor Series, FIH Champions Trophy and ATP World Tour Finals among others. The forthcoming quarter would see the telecast of events like South Africa vs West Indies cricket series, WWE specials, UEFA Champions League, UEFA Europa League, ATP Tour, WTA and I-League. The sports business revenues in the third quarter of FY2015 were Rs 2,476 million, while costs incurred in this quarter were Rs 2,746 million.

ZEE's International operations constitute a significant part of the Company's revenues. The highlights of the International Operations during the quarter were as follows:

In Americas, Zee TV continued to garner the highest viewership share among South Asian networks. ZEE also created a separate Zee TV Caribbean feed for the Caribbean market.

Zee TV Russia currently ranks among the top 10 Movie Serial Genre Channels in Russia.

Zee TV Middle East aired its first entirely UAE produced Hindi drama series named "Parwaaz", from Nov 2014. For the launch month, the original airing of Parwaaz got the highest ever average rating for any show in 2014 among South Asian viewers. Zee TV and Zee Cinema continued to be the Number 1 South Asian channels in their respective genres in the UAE. Zee Aflam continued its successful run as the Number 3 movie channel in All Arabs target audience in Saudi Arabia. It achieved its highest ever viewership in the month of December 2014.

In APAC, Zee Variasi garnered its 2-year highest viewership among Malay TG. Recent launches in this territory, Zee Bioskop and Zee Nung, have gained popularity within a short period of time and are available on multiple platforms.

Television industry had a good quarter as far as ad spends are concerned. The festive season saw robust growth, which moderated slightly post the festive period. We had a good quarterly performance, reflecting the industry wide trend. On the domestic subscription front, we grew in low double digits during the quarter. On a sustained basis, we are growing in the high single digits on domestic subscription revenues. Implementation of digitization in the remaining parts of the country will push the growth

momentum further. As a result of our consistent performance, we continue to operate at a healthy operating margin.

The quarter saw a lot of activity on the subscription front. Broadcasters have started testing a-la-carte pricing model in the market which will test the true monetization potential of the content. We are hopeful that this trend will pick up going forward, and will result in consumers actually paying for the content that they want. This trend is also expected to have positive ramifications on the industry ARPU. On the business fundamentals, I believe that creation and acquisition of excellent quality content remains core to our business and we continue to channelize investments to strengthen this core. We continue to explore growth opportunities in our core and allied businesses.

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. Ladies & gentlemen, we will now begin the question-and-answer session. Our first question is from Abneesh Roy of Edelweiss. Please go ahead.

Abneesh Roy

Sir my first question is, if I see the line item, "Other Sales and Services" that is a bit volatile. It was extremely high in Q4 of last year and that is even higher in this quarter. So if you could give us some predictability and what do we really track as part of the syndication revenue - film distribution? So that's first one. Similarly Sir, "Other Cost" is up sharply this quarter by 25%, so if you could take us through that.

Mihir Modi

Sure. So Abneesh you are right, that line item is indeed very lumpy and therefore to that extent unpredictable. And you are right in saying what we park there is indeed syndication revenue, the film distribution revenue, the film production related revenue, so that's what causes the lumpiness in it. It is indeed very high, I think I would like to point out two things there - one is that it came as a part of a few series that we had, including England-Sri Lanka, Pakistan-Australia and another Pakistan-New Zealand series. It also had some film distribution revenues sitting in there. It has some non-live event syndication that we have done also sitting in there. But what I would also like to mention is that some of this is bottom line neutral in a

sense that we have had to spend some money to get this, it is more of an opportunistic short-term move and that drives the lumpiness.

Abneesh Roy Sir, that does not really help. These sport properties we have in every quarter. Similarly, the movie distribution we will have in every quarter. So going ahead because in last three quarters we have had this impact twice, so are you now able to have more sustainability in this part of the business?

Mihir Modi I am afraid that the nature of the business is such that sustainability here is not possible. All we can say is yes we track it very-very closely. Therefore from an internal management perspective the only way to do it is to focus on it more closely.

Abneesh Roy Sir on the subscription revenue side we have done quite reasonably well. In domestic, from a high single we are now low double-digit growth and international, from a low single we are in high teens. So international, is that a one off this quarter and domestic can it go further going ahead?

Mihir Modi There is indeed a one off I would say in both. International had some catch up revenues because of the agreements that we signed a little later in the year, which was during this quarter. Similarly, even for domestic there is a small amount of catch up revenue which is sitting in there. If you see our nine month growth in domestic subscription versus prior year, it is in high single-digit range and that is what we expect the full year to be as well.

Abneesh Roy Sir, in my previous question other expense was also asked, is that 25% YoY, if you could answer that part. Also, other expense and selling expenses?

Mihir Modi Other and selling expenses have a few items sitting in there which are not strictly comparable YoY. There is an element of placement for our new channel launches. As we keep cleaning up our balance sheet there is an element of impairments sitting in there. So that is driving the spike.

Abneesh Roy Sir it is up 16% quarter-on-quarter so if you could take us, carriage fee quarter-on-quarter won't have differed right, because new channel comes in Q4. Has it already come?

Mihir Modi Just to clarify, you are referring to the admin selling and other expenses line right?

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Abneesh Roy	Correct.
Mihir Modi	Okay, so there the quarter-on-quarter delta is essentially some impairments that have happened and some provisions that have happened.
Abneesh Roy	Is it possible to give some color on that impairment and provisioning?
Mihir Modi	Impairment is a smallish amount there, the larger part is subscription related provision.
Abneesh Roy	Okay. One last one to Punit, the new I&B Minister has said that the advertising inventory should be market driven and in that context if you see further rate cut has also started. What is your sense of next year and is Q4 also looking better on the back of these two? And in the past you have said that Hindi GECs are proactively cutting down inventory to 12 minutes in order to maintain quality. Now with more demand and regulators also taking a favorable view, is there a possibility that we might go beyond the 12 minutes in the Hindi GECs?
Punit Goenka	So Abneesh I think you have to take his comment in context of the entire conversation that he was having. It relates largely to news business which has resorted to paid news, etc. because of inventory cuts and so on and so forth. My personal view is that Zee Network will remain at 12 minutes, we will not expand the inventory beyond 12 minutes because that will only help us to get better value going forward rather than discounting by adding more inventories.
Abneesh Roy	And on the ad outlook sir with the rate cut happening how are you seeing next year for the industry?
Punit Goenka	What rate cut are you referring to Abneesh?
Abneesh Roy	Interest rate cut which has started and now will accelerate only, so from the discretionary the BFSI interest rate sensitives like auto, real-estate, and consumer durable; taking that into account.
Punit Goenka	I am an optimist so I would expect the industry to only improve in terms of ad rates. If you take this year has been 11%, hopefully next year will be a little higher than that.

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Abneesh Roy Sir Q3 was also 11% for the industry?

Punit Goenka It is slightly higher.

Moderator Thank you. Our next question is from Vivekanand Subbramanian of HDFC Securities. Please go ahead.

Vivekanand Subbramanian My question pertains to the robustness of ad revenue growth that we are seeing excluding Sports. So I was wondering can we sustain this trajectory ahead of industry growth as well as the television industry growing faster than the nominal GDP growth rate. Are we already seeing some benefits of television advertising being cheap and hence advertising growing at a faster pace to catch up with reach metrics of other media?

Mihir Modi Sure indeed. We have observed that television advertising spends are growing at a much faster pace than other big category of spend which is print. So to that extent yes we are seeing the benefit of that shift happening. In terms of it growing faster than GDP, I think over mid to long-term horizon that will be the case. In short-term that may or may not happen because the basket of GDP growth is very different from what a television advertiser basket is. So in the last couple of quarters that may have been a little off given that FMCG spends have been or rather FMCG growth has been lower. But if we look at a reasonable period of time say about three to five year time period it indeed reflects the shift and the other element of it being higher than GDP growth that you spoke about.

Vivekanand Subbramanian Okay. Pressing on this a little further, now the FMCG industry is expected to benefit substantially from raw material prices cooling off as some of them are linked to crude and there is a sense that some part of this saving will get redeployed on product launches and incremental advertising. And secondly, there are certain categories that are emerging now in a prominent manner in television such as ecommerce. So in that context do you really think that television ad growth could be at a higher trajectory in the years to come?

Mihir Modi Indeed. Like Punit mentioned earlier to the other question I think we are clearly optimistic about the television ad spend growth across the industry driven by the factors that you mentioned which is that FMCG itself is seeing reduced pressures on its raw material cost with the crude, etc., of course newer categories coming in which are slush with money like ecommerce. So

we believe that the advertising spends on television will continue to grow at a healthy pace.

Vivekanand Subbramanian Okay. Lastly, ecommerce as a category, how big would it currently be on television and where do you think it could end up in the next two to three years?

Mihir Modi It is in the top 5 to 10 advertising categories in the country. I think as ecommerce takes over, this will only grow. So it has grown almost double over this year versus previous year. We believe that it should continue to drive the ad spend growth in the industry.

Moderator Thank you. Our next question is from Nitin Mohta of Macquarie. Please go ahead.

Nitin Mohta My question was actually on some of the new channel launches that international broadcasting group are planning in India, so even as the economic outlook improves how do you see the fragmentation? Last time when the economic cycle was good we saw the entry of “Colors” and the resultant loss in market share for some period of time. So would like to know your thought process and what are your plans to prevent that from happening?

Punit Goenka As you are aware we ourselves are going to launch a channel very soon into the market for the same reason as you mentioned and in my several media interactions in the past I have always said that fragmentation due to digitization is going to be order of the day so as a strategy, we have chosen to fragment the market rather than getting fragmented. While fragmentation is happening we rather lead the fragmentation hence retaining or growing our market share from the current position.

Nitin Mohta Thanks Punit. And if I could just tie that in with what does it really mean for a margin band perspective, till what level of margin compression you are okay as long as it gives you growth in the longer term?

Mihir Modi So what we are talking about is two timeframes, one is the short-term timeframe and the other one is a more of a three to five year timeframe. Let me try to address both. So in the longer term time frame, we believe that our margins would be slightly north of 30% on a sustainable basis barring the spikes that would come in the short-term because of the newer

launches etc. Having said that, even in the short-term we would want to be conscious of how low can we take the margins. We believe from the current 28% margin that we are operating on for the last nine months and what we have guided is a 24% to 26% range for the full year, taking it down 5 to 7 points for any annual period is a reasonable range that we would drop to. I think dropping it below that is not on the cards at this stage.

Nitin Mohta

Sir just a clarification, when you say 5 to 7 basis points that means from the current 28% you are okay if for a brief period it falls down to 23% to 25%?

Mihir Modi

Let me clarify, the current year guidance is 24% to 26% range. What I am talking about is conceptual, that if in the future, in the next two-three years if we have to launch another big property, then this is the ballpark bottom figure that we have in mind to which the margins can be taken to.

Moderator

Thank you. We will take our next question from Parag Gupta of Morgan Stanley. Please go ahead.

Parag Gupta

Firstly, we have seen some flashes that you are likely to expand your prime bands on Saturday. So if you could just maybe broadly talk about how you are looking at original programming costs and your timeslots going forward? And the second question was on Sports losses. So far for nine months your Sports losses have been lower than what the earlier guidance was. So are you looking at revising down your losses for the year and what would be your guidance for next year?

Punit Goenka

So on the first part Parag, we have already programmed, and I am assuming you are referring to the flagship channel here Zee TV?

Parag Gupta

That's right.

Punit Goenka

We have already programmed the weekend now from 7pm to 10pm with originals and we intend to populate another hour at 10pm, so we will take it from 7pm to 11pm on the weekend. This will take our original hours per week to roughly about 34 from its current 31 odd levels that we are at. We are planning to program even pre-prime at 6.30pm and potentially even late-prime 11pm during the coming fiscal. So with all this in mind we are looking at around 15% to 16% kind of a growth in cost of programming,

factoring in inflation plus the additional hours that are going to be programmed.

Parag Gupta So this would not include the cost emanating from your new channel launch right? Because that would be in addition to that and would come across in content cost and in selling cost?

Punit Goenka Absolutely.

Mihir Modi Yes. So on the Sports losses I think we have seen three quarters now and it is indeed correct to assume that compared to a kind of equivalent previous year loss we will make a lesser loss, we expect it to be kind of around a little higher than what we have clocked so far in the nine months.

Parag Gupta So what you have done so far in nine months is about 50 crores of loss, so what are you saying is for the fourth quarter the number would be, we could probably take a similar run rate in the fourth quarter as well?

Mihir Modi It is difficult to say that specifically but yes it will be lesser than what we had guided earlier for sure.

Parag Gupta And how about FY16?

Mihir Modi Well, our endeavor has been to kind of keep a check on the losses in this business, the sport broadcasting business is event based and therefore if certain kind of event come in, it may have an impact on the loss profile.

Punit Goenka Also Parag, we are in the midst of our budgeting cycle so we are not giving our guidance for FY16 as of now, we will come back to you when we close the fourth quarter.

Parag Gupta Okay. But just a follow-up on that, would it be fair to say that you would have more India related cricketing series in FY16 relative to what you had in FY15?

Punit Goenka That's correct.

Moderator Thank you. Our next question is from Amit Kumar of Espirito Santo Securities. Please go ahead.

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- Amit Kumar** Just to begin with, I am just trying to understand the non-Sports advertising revenue growth for this quarter a little better. In the previous quarter, we had just reported a low-teens kind of number here and that is despite the fact that we have just launched our new channel & Pictures and Zee Anmol in the base quarter in the late Q2 FY14. Despite the fact that those channels would be in the base in Q3, we are seeing a significantly improved ad growth in this particular quarter. So from Q2 to Q3 what is it that has driven this kind of an improvement? Is it more macro led, in that sense I mean categories like e-commerce, etc., is it something which the company has done? Just wanted to get a sense on that.
- Mihir Modi** So I will put it to three points in that - I think one point is that in the base numbers. Indeed the last year's channel launches had some numbers but by definition those would be small. Second point is we have another new channel Zindagi which we launched this fiscal which is sitting in this. And the last point is what you refer to is indeed correct that the macro factors are affecting the industry growth and as we mentioned the industry television ad spends are about in mid-teens. So all these three comments would hopefully explain the growth that we have had, which is between mid-to-high teens.
- Punit Goenka** And the fact that we have grown market share for our network, so that itself will result in better performance.
- Amit Kumar** I know it is a slightly evolved calculation but I am looking at the network market share except for Zee Marathi there doesn't seem to be very significant changes out there across the channels.
- Punit Goenka** When you look at an all India base it will not reflect, but when you go down to channel level growth the disproportionate revenue that we would have taken in places like Marathi, in Bangla, in Telugu will all add up. The cinema cluster will add up to better monetization due to improvement in their own market share. But if you club the whole thing together it is very difficult to calculate.
- Amit Kumar** See eventually all of these factors were there in Q2 also, Q2 we had a bit of a miss in that sense and Q3 is sort of making it up. So just wanted to understand. Sir, on the domestic subscription front, could you just confirm that this sort of catch-up revenue that you have in this particular quarter,

a significant amount of that would be because of this Hathway dispute which got ruled in your favor by TDSAT?

Mihir Modi Not really, I think these are as a normal part of the process of how we do the contracts. There is some lumpiness through the year in our deal and in the numbers we report that. This is an effect of that and not attributable to any one contract.

Amit Kumar Okay. Sir, my final point is on the Sports business. To the best of my understanding, next fiscal year West Indies series was the only primary India series which was there and given the fact, given the sort of dispute between BCCI and West Indies Cricket Board that series seemingly seems to have been scrapped. So what India cricket, have there been any changes in terms of the ICC Tour Program and if you could just highlight what India cricket would be carried by Ten Sports Network next year?

Punit Goenka It is precisely the one that you are referring to, the West Indies tour. It is not ruled out that it will not happen, it may still happen because two boards are still in dialog as we speak. There is possibility of some more India cricket to come but it is still premature to talk about it on this call. As and when that gets done we will let you know.

Moderator Thank you. We will take our next question from Sanjay Chawla of JM Financials. Please go ahead.

Sanjay Chawla My first question is on your ad revenue growth. In the second and third quarter this year FY15 has our international ad revenue growth been higher or lower than what you reported on an overall basis in terms of YoY growth rate? Secondly, could you give us your program inventory and receivable levels on the balance sheet at the end of the third quarter? And also just minor question, you mentioned brand makeover cost, has this been also a significant factor in your higher selling and other expenses this quarter on a sequential basis?

Mihir Modi So Sanjay we do not give the international split on ad revenue by numbers. It has been steady and there has not been significant movement in that.

Sanjay Chawla Mihir, my question was more qualitatively on the growth profile, I mean has it grown higher or lower than the average growth that you have reported?

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- Mihir Modi** I am afraid we do not give that split, but like I mentioned our domestic ad revenue has been growing between mid-to-high teens and that would help you do a back calculation. I will take the third question before the second, indeed there is this small amount of that Zee TV makeover expenses which are sitting in the selling line item so that's correct. On the second question which is program inventory and receivable - there has been some increase partially because of Zindagi inventory that we have blocked for the future and then there have been some normal acquisitions of movies, etc., in that line item. On the receivable side, I think it is tightly under control except that there are some linkages to the subscription revenue lumpiness to the contract that we signed in Q3, the receivables will appear on the balance sheet because the collections have happened and are happening in the few weeks after the close of the calendar year or after 31st December.
- Sanjay Chawla** On the program inventory you said there has been an increase, you are referring to sequential increase right?
- Mihir Modi** It is a normal business operational change.
- Moderator** Thank you. Our next question is from Srinivas Seshadri of CIMB. Please go ahead.
- Srinivas Seshadri** My first question is pertaining to just following - on the operating expense in the non-Sports which kind of look like teen numbers. On a reported basis it is up by close to 22% year-on-year and if I kind of add up whatever changes in the accounting it has happened it looks like it is maybe in the high-20s or early-30s. So Mihir, if you can kind of throw some more light on what would be pertaining to those one-off like impairments and what would be the other kind of a major line items which could have contributed to such kind of an increase on a YoY basis?
- Mihir Modi** Sure. So I think three or four elements that I can point to which are causing that. Number one is on a YoY basis there is a Zindagi placement cost and some spends relating to that which are sitting in there, then there is a small amount of Zee TV refurbishing or makeover cost that is sitting in there. The operating spends line also has in particular in Q3, the CSR expenses which are mandated by the Companies Act now, so that is another element which is sitting in there alongwith the festive season growth due to change in the mix of programming

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- Srinivas Seshadri** So I will probably get some bit quantification offline on this. The second question is on Zindagi, Punit you mentioned that given that the TAM ratings don't appear to show the ground popularity you had commissioned your own surveys and you were going to advertisers on that, so maybe if you can give some color on like what according to you is a kind of a prime-time share of Zindagi and how have your efforts kind of progressed in terms of monetizing that from advertisers?
- Punit Goenka** The efforts have really paid off. In fact if you look at the channel you will find that month-on-month advertising is increasing and this is despite the fact that we have stuck to our rates, we are not lowering the pricing just to fill inventory. And brands and advertisers are coming back again and again because they have seen the result of marketing on Zindagi. So I think it has created a lot of buzz on the ground and is yielding the results that we wanted.
- Srinivas Seshadri** Any quantification in terms of what you think is actually the on the ground viewership share.
- Punit Goenka** I would not like to get into what I think.
- Moderator** Thank you. Next question is from Rohit Dokania of IDFC Securities. Please go ahead.
- Rohit Dokania** One would be on other income, is there an element of one-off and how much is that if possible?
- Mihir Modi** Sure. So we have had interest on some tax refunds that we got that is driving the one-off in the other income line.
- Rohit Dokania** So a normalized run rate would be 50-55 crores or if you could also throw some light on that?
- Mihir Modi** Significant part of the other income is the income there.
- Kanwaljeet Singh** Rohit, the other volatile element in that other income line is FOREX fluctuation gain or loss. So depending on the dollar movement we get profits sometimes and sometimes we get loss. So this quarter we had a significant amount of profit coming in from that line item also.

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Rohit Dokania	Okay. And the second question would be for Punit, so now that we are very close to the launch of the new channel, Punit is it possible to quantify in terms of how much of expenditure we are looking at, I am not talking at what kind of losses would be incur but in terms of expenditure that probably the next fiscal which will be the peak expenditure cycle that we would be looking at for the channel?
Punit Goenka	We do not give out those details for competitive reasons but we have maintained that it will be in line with any other GEC plus the launch expenses. So I think you can easily do the working and know what exactly it will cost us but we don't give out the numbers for competitive reasons.
Moderator	Thank you. Next question is from Dheeresh Pathak of Goldman Sachs. Please go ahead.
Dheeresh Pathak	For nine months I wanted to know the like-to-like subscription revenue growth for domestic and international?
Mihir Modi	So for like to like, nine month domestic is at high single-digit and international is say low double-digit in rupee terms.
Dheeresh Pathak	Okay. And the ex-sports ad revenue growth for nine months?
Punit Goenka	High-teens.
Dheeresh Pathak	Okay. So ex-sports, the EBITDA growth for nine months is not there it is almost flat, now that would be mainly because of the investments in the new channels this year?
Punit Goenka	Yes, it would be for new investments that have gone in.
Moderator	Thank you. Our next question is from Surendra Goel of Citigroup. Please go ahead.
Surendra Goel	Mihir, could you share the balance sheet details number on inventory as well as debtor?
Mihir Modi	We don't obviously publish the balance sheet for consumption at the end of nine months.

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- Surendra Goel** And secondly you mentioned some subscription related provisions, can you share the amount and also what is the accounting policy here and could this continue to be a challenge going forward?
- Mihir Modi** We obviously can't share the specific number but the accounting policy is that we keep the provisioning to a bare minimum control percentage. In fact even our revenue booking is on a highly conservative basis and the revenue is netted-off in case there are upfront risky receivables to start with.
- Moderator** Thank you. Our next question is from Yogesh Kirve of B&K Securities. Please go ahead.
- Yogesh Kirve** Sir, we understand one of our subsidiaries is going to focus more on the film production and distribution, so can you tell us about how many number of films or the kind of investment we would typically handle during a year?
- Punit Goenka** We are looking at anywhere about 3 to 4 films in the small to mid category range in the Hindi segment, around 4 films in the Marathi segment and 2 films in the Bangla segment in the coming fiscal.
- Yogesh Kirve** Okay, that was helpful. Sir secondly, our market share in our flagship Zee TV has come off by some points in the third quarter while the market shares are increased in the regional channels so is the management still confident about outperforming the industry growth for ad revenues in the next few quarters?
- Punit Goenka** Yes, we are still confident of that.
- Yogesh Kirve** Okay. So finally if I may, any comment on the effective tax rate why it was lower in 3Q?
- Mihir Modi** The tax rate depends on which legal entity is earning how much profits. I think the full year tax rate will be stable at 33%.
- Moderator** Thank you. The next question is from Jai Doshi of Kotak Securities. Please go ahead.
- Jai Doshi** Punit, can you give us some updates on BARC?

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- Punit Goenka** Yes, BARC is on track for implementation in the current calendar year, early part of the current calendar year, we should be rolling it out very soon with the entire panel of 22,000 homes to start with.
- Jai Doshi** Right. So can we expect that maybe by middle of fiscal 2016 advertisers or industry would largely start following BARC?
- Punit Goenka** That will be a very safe assumption.
- Jai Doshi** Okay sir, thank you. And see we have been growing at close to 20% for non-Sports ad revenue for quite a few quarters, last quarter was one quarter where our growth was a bit lower. Now this quarter you mentioned mid to high teens and I think last year we had Chennai Express telecast, so if I were to adjust underlying momentum seems to be again close to 20% for us. So do you think this can sustain even on the high base that we will have for the coming one or two quarters based on the visibility that you may have?
- Punit Goenka** It is a function of performance and market share right, so as long as we perform on the market share front we should be able to maintain or at least beat the industry numbers. Whether it will be 20 or it will be lesser that I cannot comment.
- Mihir Modi** Just to kind of add to what Punit said, it is a function of the mix of properties that we have, function of how the industry is doing and our market share amongst other things. So depending on how that pans out the numbers will pan out. Having said that, yes, our endeavor would be to beat industry growth.
- Jai Doshi** Right. So is the flagship channel also growing at a similar rate or maybe the growth for flagship channel would be a little lower between industry and our company average?
- Mihir Modi** Obviously for competitive reasons we do not disclose these details by channel, but our channels overall are doing well.
- Moderator** Thank you. Next question is from Sandeep Gupta of Ambit Capital. Please go ahead.

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- Sandeep Gupta** I was just running through the programming and the operating cost for the current quarter and on a quarter-on-quarter basis there seems to be a big jump out there, can you please help us understand why this jump is on account of?
- Mihir Modi** Sure, I think I just mentioned it a little earlier, there are three or four drivers of that. First, it was year-on-year explanation that I gave but more or less it also applies to quarter-on-quarter which is some provisions relating to subscription, I am talking about all the operating expenses together. There is an element of CSR spend that we have. Of course on a year-on-year basis there is an element of Zindagi's placement cost that we have, there is an element of Zee TV makeover cost that we have. So all of these contribute to that jump quarter-on-quarter.
- Sandeep Gupta** Sir, most of these line items would be forming part of the other expenses is what I understand. With specific request if we can get some understanding on the particular operating cost that you have mentioned, is there some increase in the additional programming cost, some bigger event that we might have done during the quarter which has led to this increase. How do we read into this?
- Mihir Modi** So I think the particular line item of programming and operating cost on a year-on-year basis and on a quarter-on-quarter basis has certain impairments and write offs as a part of our balance sheet clean up.
- Sandeep Gupta** Okay, that you have mentioned earlier sir but that amount is low is what I understand. So is there any big large event which might have happened during the quarter, some big live events or basically do we need to read this along with the increase in the other sales and services. Is there some cost pertaining to that because like you mentioned it is neutral from the profitability perspective?
- Mihir Modi** So let me clarify that, that is partly on the Sports side. So the impairments partly are sitting in admin & other expenses, which is the small part that I referred to. In the programming line it is sizable, that is point one. Point two, in the programming on the Sports side there is indeed an additional spend which is the comment that I made relating to the other sales and service line being bottom line neutral. So those two would be significant from a programming and operating cost line item plus there is cost relating

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to Zee Music company, there will be cost relating to Zindagi which are some of our newer businesses.

Moderator Thank you. Next question is from Kunal Vora of BNP Paribas. Please go ahead.

Kunal Vora First is on the Sports revenue, it seems high considering that you did not really have any India cricket. What is driving this very strong Sports revenue? Also, the costs have increased, so is there some set off there? Also on strong domestic subscription revenue growth, what is driving it? Is it higher contribution from DTH or any color DTH versus cable how the two segments are doing? And how is the Phase-III coming up, any sense which you can provide on that? Thank you.

Mihir Modi I will take the first one first, so the Sports revenues essentially are as we had mentioned earlier on the call is the other sales and services which is spiking it up. It is a lot of non-live initiatives that we have taken particularly in this quarter and it is an opportunistic move of being able to syndicate that along with our normal syndication of the cricket in Sri Lanka, Pakistan, Australia, etc. that we had in the quarter. So that is driving the Sports top line up. Just to repeat, it is by and large bottom line neutral.

Punit Goenka The second one - I think the ratio is pretty much evenly divided between cable and satellite. I think we have seen healthy growth coming on cable because we have been able to do a lot more contracts with higher yields going forward for the current fiscal. So the growth has come more from cables than from DTH. And on Phase-III I think there is a task force that is working on it along with TRAI and the Government, we are yet to see a clear visibility as to where it stands in terms of numbers and we are only in the beginning of the year and the deadline is December of the current year so I think it will take some time before we get color of it.

Moderator Thank you. Ladies and Gentlemen, we will be taking our last two questions now. Our next question is from Vikash Mantri of ICICI Securities. Please go ahead.

Vikash Mantri Just two questions, one is, given the digitization of at least in Phase-I Phase-II cities, in the cost of the new channel will we still incur substantial placement fee cum carriage cost and I am looking at it both from

perspective of Zee and also do I need to build in higher carriage fee revenues for the distribution entities, from that perspective. Second question is, we have at least seen some activity in the last quarter with Star RIO coming in and eventually we have been told the distribution had to jack up their collections from the LCOs and also we have seen Hathway increasing their package prices. So as an initiative do we really see this moving the table for everybody in terms of ARPU and Zee's thought on going on the same route or what is the way forward?

Punit Goenka

Yes, Vikash. Firstly on the placement cost with digitization, what is substantial one should think about it. It will definitely be less than if a new channel was launched in the analog mode, it will be significantly less than that but it will still be a substantial number because you will end up paying for better placement or should I say neighborhoods in the digital environment. Plus, analog still contributes 50% of the market so hence we will have to pay carriage there as well. So while it will be less if we launched it in an analog mode but it will still be significant. Second part on the RIO thing, as you rightly said some operators have really worked on jacking up the ARPUs, it is still playing out as I see it. We are definitely evaluating the pros and cons on the route that Star has taken or a similar route that we should be taking. I think you will be hearing from us probably in the next 30 to 45 days as to what we intend to do on that model. But I do believe that it is something that can move the needle if the industry comes together.

Moderator

Thank you. We will take our next question from Ankit Kedia of Centrum Broking. Please go ahead.

Ankit Kedia

Sir my question was on syndication revenues which have seen a significant jump, is it as you said non-live Sports events because of which we got our incremental revenue, so do we have some catalogue library of non-Sports which we can amortize on annuity basis or this is a one-time revenue which we have booked?

Mihir Modi

This is indeed a one-time revenue that we have booked.

Moderator

Thank you. Ladies and Gentlemen, that was our last question. I now hand the floor back to Mr. Kanwaljeet Singh for closing comments.



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Kanwaljeet Singh Thank you Inba. 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 fiscal 2015 or even earlier on a one-on-one basis. Thank you and have a great evening.

Moderator Thank you. On behalf of Zee Entertainment Enterprises Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.