



Zee Entertainment Enterprises Limited

CONFERENCE CALL

January 15, 2016

Moderator: Good day ladies and gentlemen and welcome to Zee Entertainment Enterprises Limited Q3 FY16 Earnings Conference Call. As a reminder all participant 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 this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Anuradha Walawalkar. Thank you and over to you, ma'am.

Anuradha Walawalkar: Thank you Malika. 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 2016 and to share with you the outlook of the management of Zee Entertainment Enterprises.

We do hope that you have had the chance to go through our earnings release and the results, both of which have been uploaded on our corporate website. To discuss the results and performance, joining me today is Mr. Mihir Modi – Chief Finance and Strategy Officer.

We will start with a brief statement from Mr. Modi 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. Modi to address the audience.

Mihir Modi: Thank you, Anuradha. 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 2016.

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 9.42 billion, recording a growth of 26.8% yoy. The total subscription revenues for the quarter were Rs 5.22 billion. During the current quarter, domestic subscription revenues stood at Rs 4.12 billion, while international subscription revenues were Rs 1.03 billion.

On the cost front, programming & operating cost in the quarter was Rs 7.02 billion. Total costs incurred by the Company in this quarter were Rs 11.65 billion.

During the quarter, the Company's EBITDA was Rs 4.30 billion. The EBITDA margin for the quarter was 27.0%. Profit After Tax for the quarter stood at Rs 2.74 billion. PAT margin for the quarter stood at 17.2%.

As of December 31, 2015, the Company has a gross debt of Rs 22 million and Cash & Cash Equivalents of Rs 18.34 Billion.

I would now like to cover the Business Performance.

During the quarter, Zee TV was ranked third amongst the Hindi General Entertainment Channels. The channel delivered a weekly average of 12 shows among top 50 shows during the quarter led by the top rated shows like Kumkum Bhagya, Jamai Raja and Tashan E Ishq.

Our latest addition to the Hindi GEC bouquet, &tv continues its upward growth trajectory. The channel launched 4 new shows in the quarter which helped the channel boost its ratings in the month of December.

ZEE's FTA Channel Zee Anmol further strengthened its number 1 position in the FTA GEC category. It also became the number 1 channel in the overall Hindi GEC market for a period of two weeks and has cemented its place as the number 2 Hindi GEC channel during the quarter.

ZEE's Hindi Movie Cluster – Zee Cinema, &pictures, Zee Classic and Zee Action, continued to lead the genre with the highest viewership share. This quarter saw the world television premieres of Dil Dhadakne Do, NH10 and Happy Ending.

During the quarter, Zee Marathi continued its lead as the number 1 channel in its genre. The channel was the slot leader in all the 9 prime time slots.

Zee Bangla is the number 2 player in the Bangla GEC genre. The channel continued its strong lead in the non-fiction genre. The channel was the slot leader in 5 prime time bands during the quarter.

During the quarter, Zee Telugu continued to be the number 1 channel in the urban Telugu GEC market and number 3 in the overall market. The channel maintains a strong leadership position in the fiction genre and prime time slots in the urban market.

Zee Kannada maintained the number 2 ranking among the urban Kannada GEC genre during the quarter.

The key properties on our Sports channels bouquet during the quarter included telecast of UEFA Champions League, Pakistan vs England cricket series, Sri Lanka vs West Indies cricket series, WTA Finals and ATP Finals among others. The forthcoming quarter would see the telecast of events like South Africa vs Australia cricket series, UEFA Champions League round of 16, I League and Eurasia Cup. The sports business revenues in the third quarter of FY2016 were Rs 1.9 Bn, while costs incurred in this quarter were Rs 2.1 Bn.

ZEE's International business continues to perform strongly driven by global demand for our products. ZEE intends to continue to grow this business and ensure timely and appropriate investments to capitalize on this opportunity.

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
- In Europe, &tv created local content for airing
- In Africas, the distribution of the newly launched channel of the network, Zee Magic, was ramped up
- In UAE, Zee TV was the number one channel and Zee Cinema was the number 2 channel among South Asian expats in their respective genres
- In Thailand, added new distribution network for better accessibility of Zee Nung & Zee TV APAC channels

The third quarter of fiscal 2016 performance has witnessed steady growth and is in line with our robust performance in the previous few quarters. The growth trajectory for the advertisement market has been on the upswing. The subscription market has also witnessed steady growth. The addition of rural data in BARC in the quarter demonstrated the strength of our network in the hinterlands of the country.

ZEE will continue to offer quality entertainment to audiences both home and abroad across various consumption platforms. We strongly believe that revenue monetization on both advertisement and subscription front is going to be driven by providing excellent quality content. We aim to further enhance our offerings across platforms going forward

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 and gentleman, we will now begin the question and answer session. The first question is from the line of Sachin Salgaonkar of Bank of America. Please go ahead.

Sachin Salgaonkar: I have three questions, first question, Mihir; clearly there was no India-Pakistan series in 3Q, so how should we look about for your EBITDA margin guidance for the full year and equivalently your sports loss guidance?

Mihir Modi: Our EBITDA margin guidance for the full year remains at the same level which we had said that it may be a 50 to 100 bps dilution versus full year of 2015. We will stick to that. From a sports perspective also we would stick to what we had said last call that while we had guided a 100 crores loss it will be lower than that.

Sachin Salgaonkar: So despite India-Pakistan series you do expect losses to increase in 4Q?

Mihir Modi: There will be some impact which will bring us in line with our guidance.

Anuradha Walawalkar: Sachin, for some of our syndication series also, for example, this time when we have done a West Indies series, there is cost associated with that as well. So though India-Pakistan will swing it substantially, other boards also have a cost associated with them as well.

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- Sachin Salgaonkar:** Secondly, wanted to get an update on digitization on the ground. Clearly December 31st has passed and obviously a related question is how should we look at your subscription revenue growth from a longer term perspective because of that?
- Mihir Modi:** On the digitization side while from the government's perspective the deadline was maintained but there have been some court cases or rather court stays in some of the markets such as Andhra Pradesh, Maharashtra, Assam, Orissa, etc., but we understand that the Ministry is going to deal with it. It is going to take it up legally and we don't believe that this will have any long-term impact on the overall digitization process. I think the government is absolutely keen to get this going and I would consider these as a part of the dust settling process or normal hurdles which typically come in the way of a project of this scale.
- Sachin Salgaonkar:** We did see a subscription growth especially in the domestic accelerate a bit in 3Q, that momentum could be maintained going forward, right?
- Mihir Modi:** While the underlying answer is yes, but for 3Q in particular, our domestic subscription growth was north of 20%. That included catch-up items. As you are aware this revenue stream has catch-up in Q3 and Q4 of most years so that's to be factored in but the traction is building up and it's on path to what we were planning.
- Sachin Salgaonkar:** My last question is generally on the ad growth for industry. 2015 calendar year was a good growth with around 13-14% on a YOY growth. How could we look at going into 2016 in general for industry?
- Mihir Modi:** I think it's very difficult to accurately predict. You know one major agency had re-forecasted the growth estimate for 2015 significantly. So while I would not hazard a very specific number there, I would certainly say that the visibility that we have over the next 2-3 quarters seems quite optimistic.
- Sachin Salgaonkar:** And ZEE will continue to grow at a rate much higher than industry?
- Mihir Modi:** Well, I think last many quarters we have succeeded in doing that and our effort will be to continue to do that.
- Moderator:** The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.
- Abneesh Roy:** My first question is on the very strong performance of Zee Anmol and other FTA channels. One is, what is your strategy, because focusing too much on Zee Anmol

could have negative ramifications for your mainline channel. Second is, do you expect Anmol's current revenue to kind of double in the next two years given the very strong ratings because earlier it was kind of neglected in the media plan. So could you discuss the FTA part in general for the industry and where do you see the revenues in 2-3 years from this channel?

Mihir Modi:

The FTA thinking for the industry as a whole is work-in-progress. I think one thing we are certainly clear about is that now we are able to accurately measure what the rural part of the country or the rural audiences are watching. And that improvement in quality of the ratings or the viewership should certainly help the broadcast business and the advertisers equally. So to answer your question, yes, we would look to monetize the rural audiences which are now clearly measurable under the BARC rating system. How it would pan out versus various channels, is something to be seen because Zee Anmol is just one of the channels which has benefited. Of course, it has benefited significantly more than most other channels but it's not just a Zee Anmol question for us. I think it is a question of monetizing the rural audiences across and that's the way we look at it. So the answer is, yes, we should be looking to monetize this audience base that we now have visibility into. Specifically I think we will be able to kind of talk about it as we go further, as the industry kind of settles down, as the agencies and the advertisers settle down on how to deal with this new information.

Abneesh Roy:

Two follow-ups on this, we have had some level of data on Zee Anmol and other FTA, a few weeks of data, so what is the initial response of the ad agencies and advertisers towards this? Are they still saying that we need to see more sustainability of data or are they questioning the overall economic propensity of that audience? What is the response of those?

Mihir Modi:

I think all of it and a few more, so both of what you are saying is clearly the thought process that people have. People are looking at how they want to allocate their funds on that one. People are also looking at, like you said, how much they want to spend there. They are looking at whether some part of it was already factored into their plans but there was no visibility. I think the moot point here is that BARC has not become a trading currency yet and therefore by the time that becomes which we expect in about 3-4 months from now, we should get clarity on a whole lot of these issues.

Abneesh Roy:

My second question is that &TV will not be there in the base going ahead, Q4 there will be partial effect of &TV compared to last year. And if you see in the Hindi GECs

there is a churn in the top 3 ratings. So Star is now very close to your ratings at least this week and Colors is now reasonably ahead. So in that context and with Colors Kannada also becoming strong Number 1 on an overall basis - what would be your new growth drivers? Clearly 25-30% ad growth is not sustainable I understand that but what are you doing incrementally to get more growth because you are facing these churn in ratings in some of the genres, you are gaining also in some genres but overall with &TV being there in the base how do you see growth panning out and what are you doing about it?

Mihir Modi:

Even if we remove &TV from the Q3 advertising revenue numbers our domestic ad revenue has grown ahead of market in Q3. Therefore our underlying business continues to be strong, that is point one. Point two is that there are pockets where some competitors are becoming stronger there are pockets where our offerings are also becoming stronger. So for example, Zee TV, the flagship channel, has been improving over the last few weeks starting from December, &TV by itself will continue the growth trajectory. So even while the base effect may go away I think we will certainly see growth in the channel revenues. And then we continue to have our strongholds in the form of Marathi or in the Bangla market. So I think we are not unduly concerned about competition, competition has always been there and the pressures in certain pockets have always been there but we have our strengths in the form of improving Zee TV building, &TV traction, Marathi being a strong Number 1, Hindi cinema cluster doing fabulously well. These will continue to be the drivers as they have been over the last few quarters.

Abneesh Roy:

One small question on Zindagi, in your entire comments you have not really spoken on Zindagi. You are now experimenting with fresh content on that channel but could you talk about where do you see the viewership rating because that continues to be on the lower side and normally how we see ZEE is that its extremely focused on the returns for any channel, so in that context with fresh content also coming into Zindagi, where does the entire viability of the channel stand from a one year perspective?

Mihir Modi:

First, I think Zindagi is not a rating channel and it is a perception channel and will continue to be so. So I think the perception of Zindagi continues to be very good in premium segment and that is certainly an asset for us. Having said that, I completely agree that we will need to make it economically viable, and at this stage we have been tracking quite okay. About the next one year or so, we are in the middle of our

planning process as you know, and when we are ready to talk about fiscal 2017 we will cover that as well.

Moderator: The next question is from the line of Vikash Mantri from ICICI Securities. Please go ahead.

Vikash Mantri: On the digitization front, Mihir, have we stopped the analog transmission or we still continue to do that?

Mihir Modi: The way typically a transition of this sort works and has, as we saw particularly in Phase-1 and 2 of digitization, is that the deals happen over a period of time. So even as a part of the plan, given particularly more so that Phase-3 is spread over more than 1,000 small towns, so the geographical spread is quite wide, the transition would certainly be in phases. Having said that, we have another small variable that has come in, which is the stay that High Courts of some of the states have brought about and therefore we have not been able to or chosen to completely switch off the analog yet. But the plan is to get there.

Vikash Mantri: Even in the markets where there is no stay it will be a phased switch off?

Mihir Modi: No, we have switched off the signal in the markets where we haven't done deals as yet and there is no court stay. That would be the case for not just us but for all broadcasters.

Vikash Mantri: Can you help me with the lower Other Income and also the idea to redeem the preference shares in advance?

Anuradha Walawalkar: The redemption in the preference shares is not the bonus issue that we had done; this is in context of the DMCL merger that had happened a few quarters back. In that connection the consideration that was given in the form of preferential shares has been redeemed, it's not the bonus issue.

Vikash Mantri: On the lower Other Income this quarter?

Mihir Modi: I think two minor things have happened - one is, since a part of our Balance Sheet US Dollar denominated numbers are net receivables, between 30th September to 31st December the Rupee appreciated by a few paisa and that resulted in a Forex loss; two there was some small profit from Sale of Treasury investments, etc., last year Q3 and therefore the delta looks adverse. These two drivers essentially explain the delta.

Vikash Mantri: On the Sports front, Mihir, while we have done well in the first 9 months of the year and our loss numbers are low. Is this a situation that we want to be in because it clearly looks like more of a situation of no activity which is helping us with better numbers. Whenever we seem to have higher activity in cricket the situation will not last. Also we haven't seen really much action from you as compared to the other broadcasters in terms of building other big properties in non-cricket sports. So can you help me with a 2-3 year view on what do we intend to do or are we going to just keep battling the cricket portfolio?

Mihir Modi: You are absolutely right. I think it is a balance between the need of the viewer where we need to have series and events in our sports offering, at the same time we need to balance it out with the profitability, or the losses that we need to keep under check. Having said that, I think the way we are thinking about this is that we would hope that with the digitization progressing in Phase-3, the subscription monetization should certainly improve over 3-4 year timeframe. The subscription monetization is improving. Digitization is enabling some tiering of content at the MSO level and at the cable level which would help in monetization on the subscription side and that is one big change that would make the dynamics a little different and will let us take a call that today we are unable to take because of our P&L constraints. So this is indeed, unfortunately, a moving discussion and evaluation that we keep on doing regarding what we want to do with the sports. Spending the kind of money that is being spent by some competitors is not a strategy we would want to adopt at this stage.

Moderator: Next question is from the line of Rajeev Sharma from HSBC. Please go ahead.

Rajeev Sharma: If you could help us understand what would your ad growth be if it was not for &TV like-to-like on a YoY basis? And similarly for subscription revenues if we take away the lumpiness, then what's the like-to-like growth on a YOY basis for subscription? Your content cost this quarter or the programming cost has gone up sharply by 16% sequentially, so can you give some color there? And what are your 2 year plans with Ditto and OTT, if you can just help us understand. And one last question, I was reading somewhere that the FTA ad market is about 500 crores. I am just trying to understand, Zee Anmol makes some money already. What kind of market expansion in the FTA space do you see? And if you could give just some ballpark numbers say 20%, 30% that is possible with acceptance of BARC ratings? And what is the current market share Anmol would have tentatively and how the BARC ratings will help? Just trying to understand what's the incremental upside possible?

Mihir Modi: Let's take it one by one. Starting with the domestic ad revenue, so 27% is the total consolidated ad revenue for growth for the quarter. Clearly the domestic ad revenue has grown faster than that. Even if we remove &TV out of it, it would have grown ahead of market. The market in Q3 has grown about 14-15% and we are ahead of that growth rate for our domestic ad revenue. On the subscription side this quarter growth is not representative of the full-year growth because there is catch up revenue sitting in there like it happens in Q3 and Q4 of most years. I think the 9 months number would be a reasonable growth to indicate the underlying traction. I would say full-year growth would be double digit.

On the content side, that was your third question, there have been two movies as a part of our production business and that is sitting in the content cost. On the domestic broadcast side, content of all our channels, has pretty much grown in line with inflation.

Rajeev Sharma: Some color on the Zee Anmol FTA ad pie and OTT strategy?

Mihir Modi: Like I mentioned earlier in response to Abneesh for his question, the FTA market in the context of BARC rural rating is being evaluated by broadcasters, agencies, advertisers alike. And while we are very clear that the visibility that one has on the rural viewership should be monetized and that should be a win-win for advertisers and broadcasters both, I think the modalities to start with are evolving across the industry and so is the case with us. So quantifying would be a little difficult at this stage, but directionally we should attempt to monetize it.

Rajeev Sharma: And your OTT investments and strategy going ahead?

Mihir Modi: I think we have done particularly well on the monetized OTT part of our business. We are one of the few OTT platform in the country who would have been able to monetize their content very well through subscription. Of course, like I said that for the next year or so the specific tactics and the strategies are being evolved right now. We're planning for the next year and we will be able to talk about it once we are through that.

Rajeev Sharma: You are not worried about this long list of players in the OTT space already? Do you think it can have an impact on your urban ad pie or cannibalize some traction and GRPs?

- Mihir Modi:** My view at this stage on OTT is that the new players in this space will certainly pose a stiff competition to each other but in the short term they may not pose a very large threat to the broadcast business given the infrastructure constraint, given the availability of 4G enabled handset for example. There are various constraints for it to start affecting the broadcast business in the short term.
- Moderator:** Thank you. The next question is from the line of Aditya Soman from Goldman Sachs. Please go ahead.
- Aditya Soman:** On ad budgets for FMCG companies - they are the biggest drivers for ad revenues for you in general and they have benefited for most of the year from a very benign sort of cost environment. Do you expect the ad budget environment to change next year once this cost environment goes into the base?
- Mihir Modi:** Like I mentioned earlier on this that to estimate for the next full year in this environment as you rightly say is not very easy. We have visibility of another 3-6 months, say about two quarters or so, and it looks good. I think the matter with FMCGs spending is that when they had the input cost benefit they were spending more despite rural demand being slow to spur the demand. The point is that if they are doing well they will spend and that this is based on historic observations that we have had over the years and when the rural demand slows down, they have to spend to activate that. So directionally FMCG is going to spend at a certain threshold level and next two quarters look quite okay and comfortable on that front.
- Aditya Soman:** In terms of your ad rates in the past couple of years you have had sectors like e-commerce increasing the ad rates, we have seen the telecoms get a lot more aggressive again on advertising. Would it be fair to say that the overall share of FMCG is reducing or does it remain the same because of the benefits that they are getting from the commodity prospect?
- Mihir Modi:** The sheer size of the FMCG ad spending is so large that from a mix perspective it still continues to dominate in a very big way, although from quarter to quarter it may marginally move 1%-2%. While the other sectors have seen a fair bit of increase and decrease across each other, FMCG continues to dominate.
- Moderator:** Thank you. Our next question is from Bijal Shah from IIFL. Please go ahead.

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Bijal Shah: My question is on your subscription revenue, these nine months if I look at the growth is almost 15% and that is much better than early double-digit growth which you were talking about, if I understood you correctly this growth is possible for the full year, so can you clarify that next quarter also we can see around 15% growth? Secondly what is happening in Phase-3 market, have you started signing up deals or based on those deals what kind of subscription revenue growth we can expect in FY 17?

Mihir Modi: Let me answer the second one first, Phase-3 market discussions are clearly on but signing would take certainly longer, even for our regular deals signing of deals gets stretched by 3-6 months, sometimes a little longer. While the commercial negotiations are actively on, signing will certainly take time.

Now regarding the subscription revenue part of your question, growth is also a function of the previous year same quarter, what we are guiding is a double-digit growth for the year, the quarter on quarter will clearly depend on if there was a lot of catch-up revenue in Q4 last year. If yes, then clearly the growth in Q4 this year may not be at that level. So I would factor in that when I do my math.

Bijal Shah: For FY 17 if you can give us some idea?

Mihir Modi: Not yet in a position to do that because we are in the middle of our planning and as soon as we have clarity on what plans we have frozen we will talk about it.

Moderator: Thank you. Our next question is from the line of Jay Doshi from Kotak Securities. Please go ahead.

Jay Doshi: How do you rate the progress of &TV when you look at the numbers and EBITDA level losses on a sequential basis is it improving or stabilized at a certain level?

Mihir Modi: There are two ways to look at the progress – one, on the viewership side, we are satisfied with the traction that it has taken but our aspiration is to take it even further. On the EBITDA side it is not as straightforward a question because it is also a balance between the investments that we want to do and the traction that topline is building. So to that extent EBITDA number may not necessarily sequentially improve if we choose to invest more.

Jay Doshi: As of now how should we look at &TV from next year perspective – higher investments or stable investments, and probably gradual decline in losses, or similar losses as what you would be probably be seeing this year?

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- Mihir Modi:** I think next year like I have been saying related to other matters as well we are not yet in a position to comment on it because of our planning being underway but certainly the intent and objective will be to build traction on &TV in terms of viewership and then the other part will flow out of it.
- Jay Doshi:** When I look at advertising and publicity expense from FY 14 to the current run rate at which we are going it will probably be 80-85% increase in FY 16 over a two-year period so how should we look at it from a 2-3 year perspective, will it sort of stabilize and probably increase in line with your other expenses or your advertising and publicity will tend to be more like a percentage of revenues? This is more from FY 17-18 perspective; I understand that there are lot of marketing costs.
- Anuradha Walawalkar:** The marketing costs to certain extent are also related to the launches that we're having, the period that you are referring to saw the launch of almost four channels and that is the reason that the run rate for marketing seems to have increased. If big scale channel launches do not happen in '17-18 then marketing will continue to grow at inflationary rate.
- Jay Doshi:** I understand that some dialogues and negotiations and discussions are going on with distributors for Phase-3 content agreement but simultaneously TRAI is also working on tariff order based on TDSAT judgment that came in sometime back. If TRAI were to come up with the tariff order then would you have to go through this entire process of contracts, agreements again?
- Mihir Modi:** Lot of these things are it is very-very variable Government regulations or TRAI regulations for one, also the digitization process itself has too many variables in it. There are too many variables such as whether by the time TRAI comes up with the tariff order we have signed the contracts or not and if they have been signed whether they are in compliance or not and to what extent they are in compliance etc. So it is difficult to react what would happen but I guess we will go with the flow.
- Moderator:** Thank you. Our next question is from Rohit Dokania of IDFC Securities. Please go ahead.
- Rohit Dokania:** If you can just talk about the number of hours of programming that you would have increased on YoY basis across your driver channels?

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Anuradha Walawalkar: On Zee TV at this time we were at around 28 hours last year and now we are at around 34 hours. So, Zee TV has increased programming hours as compared to last year. &TV was not there so that is an addition of 22 hours as compared to the previous year and on the regional front it more or less remains similar, probably half an hour addition on Bangla and Marathi.

Rohit Dokania: Do you think further increase in there in flagship Zee TV?

Mihir Modi: We will be tactical. We are far from some of the other channels like Star Plus for sure which operates at more than 40 hours but that does not mean wethey will certainly follow them ~~on~~-by increasing the number of hours. I think that the decision on that will be based on the viewership available at across different time slots during the day and the monetization opportunities.

Rohit Dokania: Lastly if you can just confirm this - I would assume that on network basis our volume would have probably gone up because of the fresh hours of programming by 8-9% so the rest of the growth is largely rates driven?

Mihir Modi: Hours does not necessarily mean the volume in ad revenues would increase, it has to be a viewership-backed hours increase. So I would not say that the volume has increased and that is driving the growth. It is the viewership share which has driven the rates upwards and that is the way we look at it because in terms of the total secondage that we sell that has been pretty much constant except &TV that we added.

Moderator: Thank you. Our next question is from Amit Kumar from Investec Securities. Please go ahead.

Amit Kumar: A question on Sports, little bit surprised that losses in this particular quarter, given the fact that you have also opened up a slot for your WWE property on Zee Cinema Prime Time. I just wanted to get a sense of how you track Sports Financials. Between entertainment and sports how do you compensate Zee Cinema for the opportunity because either it is a Saturday or Sunday Prime Time slot?

Mihir Modi: The internal allocation of what the monetization in Zee Cinema etc. is, that we do not disclose in detail. Clearly there is some kind of monetization that we're getting. The Sports loss is not very substantial given that we have properties, cricket properties in particular the West Indies series that we had and the Pakistan series. It is pretty much

under control as far as we are concerned and from a full year perspective it is in line with how we had estimated and guided.

Amit Kumar: Just a follow-up on an earlier question for the last two years there doesn't seem to be any India Cricket on your channel. Is there anything planned for FY17 if you could just give us some color on that?

Mihir Modi: FY17 does have cricket series by some of our boards, there is India-Zimbabwe that is happening, there is India-West Indies that is happening. Pakistan-West Indies is also on the cards. So we do have India Cricket and cricket in general coming up next fiscal.

Amit Kumar: At the beginning of the year if I remember correctly company reported cash and equivalent upwards of Rs. 20 billion. Now in 9 months against a profit of about 760 crores our cash and equivalents has actually come down by about Rs. 2 billion. So I understand you would have paid a dividend and some bit of dividend on the preference share as well. If you could just quantify that and broadly tell us where the remaining cash investments have gone into?

Mihir Modi: I think yes, there is dividend payout, not just our equity dividend but also dividend on our redeemable preference share that we have. And then there is also an element of seasonality involved, so typically March end your working capital goes down as your receivables go down. So there is an element of seasonality built in there as well.

Moderator: Next question is from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

Vivekanand Subbaraman: Specifically on ad growth, can you highlight how some of the well performing sectors of H1 have done? Something like an e-commerce or an auto - What are the kinds of growth rates that these sectors would have clocked and how much would they contribute to the total ad pie that we earn? And the second question is on the international markets, now that we are giving more data and there is more granularity, what would be some of strategic decisions that the management is looking at in the next couple of years? Would we look to launch new channels or will it be Indian content in international markets?

Mihir Modi: Let me take the advertising market in India first. I think FMCG has been growing at a very healthy pace given that it dominates the mix of advertisers on TV in such a big way. It clearly is growing very close to the average. But there are a few other sectors

like Internet particularly on the back of e-commerce but even other website businesses have grown very high. Consumer Durables has grown in teens as well. Telecom and Auto while they have grown they haven't fired in a big way yet and that's an opportunity waiting to happen.

On the international strategy clearly we have started implementing our strategy or thinking on offering our content to local audiences in various territories. On the back of that thinking and strategy we have now channels which are either dubbed, sub-titled, repurposed for consumption by audiences in Thailand, in Malaysia, of course we had it in Middle East for a few years now, we launched in Africa an English and a French-speaking channel for the South African English and Francophonic markets respectively. So that strategy will continue to unfold as we refine it even further and take more steps on the international front.

Vivekanand Subbaraman: Just a follow up on the international business. So would you say that our growth is likely to be driven by advertising and syndication more than the subscription part?

Mihir Modi: It is difficult to say that. I think initially, say if I take an example of our English-language channel in South Africa, for them this is a new content and therefore initially the subscription pull will clearly be lower and the eyeball spread much wider if we follow that strategy. So initially yes, subscription pull would be lower and therefore ad mix would be higher. In the longer run we will see what direction it takes but clearly there has to be monetization of our content is the strategy and thinking.

Moderator: Next question is from the line of Vikash Mantri from ICICI Securities. Please go ahead.

Vikash Mantri: Just on the resolution to look for an investor in IWPL, can you help us with what is this that we are trying to do? Do we need a strategic investor for money or that we want them to run this business because we also want to reduce our stake less than 51%?

Mihir Modi: The way the Internet businesses are shaping up it requires a lot of investment and therefore a call was taken between the current IWPL partners to get extra cash infused into the system through a third-party to support the growth plans that the company has. We believe that in this business it's okay to go below the strategic and the management inputs and the expertise does remain with us.



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Moderator: Ladies and gentlemen, that was the last question. On behalf of Zee Entertainment that concludes this conference call. Thank you for joining us and you may now disconnect your lines