



# Zee Entertainment Enterprises Limited

## CONFERENCE CALL

May 21, 2015, 14:30 HRS IST

**Moderator:** Ladies and gentlemen good day and welcome to Zee Entertainment Enterprises Limited Q4 FY-15 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 the conference, please signal an operator by pressing “\*” and then “0” on your touchtone telephone. 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:** 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 FOURTH 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](http://www.zeetelevision.com).

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

We will start with a brief statement from Mr. Goenka on the fourth 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.

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**Punit Goenka:**

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 fourth 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 6.70 billion, recording a growth of 15.0% yoy. For the full financial year the advertising revenues grew from Rs. 23.80 billion to 26.60 billion. Advertising growth on the non-sports part of the business is in high teens.

The total subscription revenues for the quarter were Rs 5.11 billion. During the current quarter, domestic subscription revenues stood at Rs 4.18 billion, while international subscription revenues were Rs 0.93 billion. For the full financial year the subscription revenue stood at Rs. 17.93 billion with domestic subscription revenue being Rs 14.24 billion and international subscription revenue being Rs. 3.69 billion. Though the reported domestic subscription revenue reflects a growth of 8%, like-to-like growth is in low teens. 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 mid-single digit in rupee terms.

On the cost front, programming & operating cost in the quarter was Rs 6.20 billion. Total costs incurred by the Company in this quarter were Rs 10.76 billion. For the full financial year programming & operating cost incurred was Rs. 21.39 billion. Total costs incurred by the company in the financial year were Rs. 36.30 billion

During the quarter, the Company's operating profit (EBITDA) was Rs 2.71 billion. The operating (EBITDA) margin for the quarter was 20.1%. For the full financial year the Company's operating profit (EBITDA) was Rs. 12.54 billion representing a margin of 25.7%. Profit After Tax (PAT) for the quarter stood at Rs 2.32 billion. PAT margin for the quarter stood at 17.2%. For the full financial year the PAT stood at Rs. 9.76 billion representing a margin of 20.0%

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As of March 31, 2015, the Company has a gross debt of Rs 23 million and Cash & Cash Equivalents of Rs 20.48 Billion.

I would now like to cover the Business Performance.

During the quarter, Zee TV recorded a relative share of 18.2% among the top 6 Hindi GECs. The market share was even better in the Prime Time band, where Zee TV recorded a relative share of 21.0%. Zee TV was the No.3 channel in the genre during the quarter. 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, Jamai Raja and Qubool Hai. New shows launched during the quarter were Hello Pratibha, Maharakshak Devi, Servicewali Bahu and DID Super Moms 2. Shows planned for launch or already launched in Q1FY16 are Fear Files, Tumhi Ho Bandhu Sakha Tumhi and Dance India Dance 5.

ZEE's Hindi Movie Cluster led the genre with a relative share of 32.9%. The key properties on Zee Cinema during the quarter were Lage Raho, Shanivaar Ki Raat and Cinema Hall. This quarter saw the premieres of Happy New Year on Zee Cinema. &pictures saw the premieres of SkyFall and LunchBox.

During the quarter, Zee Marathi extended its lead as No.1 channel in its genre. The channel recorded a relative share of 54.5% amongst all Marathi GECs. The channel delivered a weekly average of 8 shows among top 10 shows

Zee Bangla is one of the leading players in the Bangla GEC genre. During the quarter, the channel increased its relative share to 36.6%. The channel leads the non-fiction genre with 75% market share. The channel was the slot leader in 7 out of 14 prime time bands during the quarter

During the quarter, Zee Telugu increased its relative channel share to 22.8%. Overall, the channel has become a close no. 3 in Telugu GEC space.

Zee Kannada recorded a relative share to 14.2% during the quarter while Zee Tamil recorded a relative share of 5.9% during the quarter.

The key properties on our Sports network during the quarter included telecast of South Africa vs West Indies cricket series, UEFA Champions League, UEFA Europa League, WWE Raw and Specials, MotoGP among others. The sports business

revenues in the fourth quarter of FY2015 were Rs 1,680 million, while costs incurred in this quarter were Rs 1,437 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 continues its dominance amongst South Asian networks. Zee TV HD and Zee Bollywood HD were launched on additional platforms.
- Lamhe and Zing currently rank among the top 10 South Asian Channels in UK.
- Zee TV Middle East's locally produced drama series Parwaaz recorded the highest program ratings ever recorded among South Asians during the month of January 2015.
- Zee TV and Zee Cinema continued to be the Number 1 South Asian channels in their respective genres in the UAE.
- Within a month of its launch Zee World became the second best performing GEC amongst its target audience in South Africa.
- 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. The newly launched channel Zee Hiburan in Indonesia has been received well and is expected to gain popularity in the coming months

This quarter, our performance has been satisfactory. As expected, advertising spends increased during the quarter backed by consistent performance of our channels. We also witnessed a sustainable growth in our subscription revenues in this period and with the implementation of digitization in Phase III and IV we expect to see our subscription revenues grow further in the future.

Our latest addition to the portfolio, &tv saw the best ever launch for a Hindi GEC channel. Following its successful launch the channel has continued to deliver and entertain audiences. We aim to better this performance in the future with new and innovative programming. We have also taken the channel to select international territories as well.

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This quarter we also launched two international channels, Zee World, our first dubbed and subtitled English GEC offering in the international market, in South Africa and Zee Hiburan, a localized GEC with content dubbed or subtitled in Bahasa in Indonesia.

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. Our first question is from Abneesh Roy of Edelweiss. Please go ahead.

**Abneesh Roy:** My first question is on '&tv'. The cost in non-sports part of business has gone up by around 200 crores quarter-on-quarter. Is most of this cost because of &tv and if yes, how much will it be sustainable cost because marketing cost will be extremely high in this quarter? And sir, &tv's initial ratings versus now it has kind of plateaued so what's the plan there. Also, could you elaborate on any plans for taking &tv to other languages in terms of GECs over the longer-term.

**Punit Goenka:** Okay. Abneesh, you are referring to year-on-year or quarter-on-quarter for the numbers?

**Abneesh Roy:** Quarter-on-quarter because I think that is a bit more relevant form near-term costing.

**Punit Goenka:** Yes, a large part of that is &tv related and significant piece of that would also be one-time launch expenses that have come in the month of Feb and March. I do not think that is the kind of number you should expect going forward in the following quarters to come. On &tv ratings part, we have the ratings for the first four weeks till when TAM was operating. Currently we do not have ratings which are comparable to the launch rating. If you look at the household ratings that BARC is putting it is definitely gone up and with the slew of new content that is expected from June itself with "The Voice" and other shows launching, I expect the numbers will continue to grow as they have in the recent past. What did I miss out?

**Abneesh Roy:** Any plans for &tv in other regional GECs and from a longer-term perspective obviously.

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**Punit Goenka:** Well obviously given that “&” has been successful both in the movie space and the GEC space it would be logical to extend to other genres as well but we do not have any plans as of now to talk about. As and when they are developed we will be sharing them with you.

**Abneesh Roy:** Punit, one follow-up on the BARC data. If you see in the Hindi GEC space Zee TV is now at a consistent number four in BARC rankings versus the consistent number 2 or number 3 in TAM, while in the regional spaces we have seen some gains in BARC versus TAM. So on an overall basis will it start impacting your growth rate because the flagship channel has kind of slipped in the initial ratings of BARC?

**Punit Goenka:** I would not be too concerned. It is a very initial period. Only four weeks of data is available. That also is on a household level. As you all know household level data is not used for transacting in our field; that is not the currency. As and when the individual data will start to come out, it will be a more realistic picture that one will have to look at. Similarly, even on the regions where we have gained the same logic will apply. So as of now there is no transaction happening on the basis of the BARC data.

**Abneesh Roy:** My second question is on the domestic subscription revenue, quarter-on-quarter there is a very good jump of (+20%) and in the cable company results which have come out, we have seen content cost go out sharply for that company so is this largely the RIO kind of impact so will it continue or is there any one-off in the domestic subscription this time? And sir, if you see in FY-15, in a very tough environment, with the TRAI new regulation you have managed low-teens growth in domestic subscription. So will FY-16 be better with the Q4 trend and Phase-III-Phase-IV digitization? Are you looking at a higher growth in FY-16?

**Punit Goenka:** There is a one-time catch-up revenue in Q4 on subscription because there were delays in a lot of deals being concluded since MediaPro got disbanded and we set-up our own distribution network. So, there is some amount of catch-up revenue in that. In terms of growth levels, being an optimist, I would always expect the year to be better. But it still depends on how Phase-III-& Phase-IV pan out. Still early days for us to comment us to what the numbers will be subscription for the current fiscal.

**Abneesh Roy:** Is there a large impact from the catch-up deals or the RIO thing is not significant?

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- Punit Goenka:** RIO is not implemented by Zee yet Abneesh.
- Abneesh Roy:** No, but there is some ripple-off effect because of Star or that is not there?
- Punit Goenka:** So when we have not implemented RIO scheme, how will there be any ripple effect? It is only the catch-up revenue that is there because the deal got executed towards the end of the year. Mihir, any comments on that?
- Mihir Modi:** Yes, so indeed if you see after nine months of growth in the subscription line, we had said we were high single-digit to low double-digit but now we have moved a little to low-teens. So you can do the math. To that extent there is an element of catch-up revenue. Like Punit said, given the transition from MediaPro to our own distribution there were these delays. In case of subscription as a business there is lumpiness but this time it was a little more in this quarter because of the reasons mentioned.
- Abneesh Roy:** And any follow-up on the RIO? On the earlier call we were also kind of planning so, what is the status on Zee's RIO?
- Punit Goenka:** Work in progress, Abneesh.
- Moderator:** Thank you. We will take our next question from Vikash Mantri of ICICI Securities. Please go ahead.
- Vikash Mantri:** First question on the &tv side. Is it possible to quantify the kind of investment that we expect for on an annual basis in terms of EBITDA losses or alternatively also quantify the one-off impact that could have happened because of launch expense in this quarter?
- Mihir Modi:** Let me put it differently. Total investment on &tv would be similar to any mainstream GEC. Of course we may do it better than what we expect and what the market would have spent. We had also mentioned that typically a channel of this size would take away about Rs. 1,000 crore till it starts giving the money back. That is the peak investment. So that is a good market indicator. Again, we would definitely attempt to do it faster and better than that and the large part of that indicator would be that, typically channel in this genre of this size would breakeven in three to five years and we would hope to stick to the near end of that spectrum. So this would give you an indicator of what it would look like. Having said that, if

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you notice our base business, which is our existing channels, we continue to improve on margins. So to that extent, part or full of &tv margin compression will be off-set.

**Vikash Mantri:** That was largely because of the lumpy subscription revenue Mihir. Because had that not been the case then your margins would have been materially down.

**Mihir Modi:** Well, that is a quarter issue. If you look at full year margin, in FY-14 we were 27%, full year FY-15 we are 25.7%.

**Punit Goenka:** And Vikash, I can tell you that we have done our working that our margins should be in the same range even for the current fiscal.

**Vikash Mantri:** That is helpful Punit. Punit, second thing on the sport side now, we have turned positive in this quarter but can you help us guide for the next year in terms of how our sports business should look like and any incremental investments? There is also certain news we heard about a domestic league which is most likely to come to you as a broadcaster. So any color on what is the thought process behind overall sports not only necessarily cricket.

**Mihir Modi:** Yes, let me take the first question first, so if you see over the last few years the losses on the sport business have been on the decline. Of course it depends on the properties that are taking place in a particular period that decides how big or small the loss would be. Next year there is a fair amount of India cricket happening and therefore we expect that the losses would be around a Rs. 100 crore kind of range. Having said that, I think the larger point here is that over the years through an efficient way of working and optimal selection of properties we have been reducing the losses and that effort continues and therefore, the sports loss is definitely under control.

**Punit Goenka:** On the domestic league Vikash, I think it is still very early days. It is something that the Essel Group is attempting and has nothing to do with ZEEL as of now. So it is very difficult for me to comment on that but if you want to just reflect on history when similar thing was done by Essel under the brand of ICL it did not have any impact on ZEEL financially. It was purely a pass-through. So that is something that you should consider. But again, I am repeating that it is still early days for us to comment anything on it.

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- Vikash Mantri:** On the other issue, which is the TRAI thing. The 27.5% increase has been struck down by the Courts now. While I know that none of our deals happen on RIO and therefore, it does not impact us. But we had possibly talked about very optimistically about this development across the last one and half years as a measure to help us negotiate when we are talking to the DTH operators or the MSOs. Does it change things materially for us going forward?
- Punit Goenka:** Well if it upheld yes it will change things materially because that is 27.5% of growth that will disappear but as you may be aware because we are in Courts on that matter and the verdict should be out on 1<sup>st</sup> of July.
- Vikash Mantri:** The status is that the Supreme Court has struck down.
- Punit Goenka:** No, Supreme Court has not stuck down they have not issued a stay to us on the matter. We have taken it to Supreme Court as broadcasters and the hearing is slated for 1st of July. That is the fact.
- Vikash Mantri:** So as per the Court statement saying that the amount which you have collected should be put in an escrow account. Is there any amount that we have also had to particularly outline for this 15% hike?
- Punit Goenka:** We have challenged that order, right. So where is the question of us putting anything in escrow?
- Vikash Mantri:** Okay, fair enough.
- Moderator:** Thank you. Our next question is from Suresh Mahadevan of UBS Global Asset Management. Please go ahead.
- Suresh Mahadevan:** Just wanted to clarify, I represent UBS not the asset management side but UBS AG. So a couple of quick questions from me, one is, clearly, I think on digitization you may have started seeing some benefits but just wanted to get your sense how it is proceeding, particularly Phase-III-and Phase-IV. Clearly it seems to me in some of the big cities of Phase-I-and Phase-II, the MSOs are collecting probably close to Rs 100. So are you are getting your fair share in terms of the new negotiation, how is that going? Just wanted to some color and how you see the Phase-III-and Phase-IV kind of development, that is question number one. The second question is related to advertising and clearly the data point in India seem to be, at least looking at the

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corporate results, that the expectations are probably a little ahead of reality. So how are you seeing it from an advertising perspective? More so, the outlook I think which I am interested in, which is an important part of your business, that will be part two, the second question. In the first question, I also want to understand clearly you have content and carriage so how is that mix is going and how is the the movement in the net number. And how should we think about it in a fully digitized India, maybe in two years' time or something? Thank you.

**Punit Goenka:**

Thanks Suresh. So on Phase-III currently the deadline is set as 31st December, 2015. We do know that some of the MSOs have started voluntary seeding of boxes as we speak. The DTH companies have been doing it ever since their existence. So, there is some part of Phase-III that is already digitized, and the cable part will have to be digitized by 31st December. While we have to take some learning from Phase-I-Phase-II, there will be some slips on that but nothing that will be back breaking. I think within three months to six months it will catch-up and therefore we will get digitized. The only other issue in Phase-III is going to be that it is a lower APRU market compared to Phase-I and Phase-II. So the price points are yet to be discovered so these are the two basic ambiguities that remain which I am sure as an industry we will solve for jointly just as we did in Phase-I and Phase-II. As far as carriage and subscription is concerned, I do expect that carriage will continue to come down on a per unit basis but will carriage go away forever I do not think so. Because you will still pay for preferential placements in terms of LCN numbers, etc., plus marketing on those platforms, etc., will continue. Okay, on the advertising outlook our view is that it will definitely be better than last year. We are expecting low teens kind of numbers as has been put out by most of the third party agencies as to what we are expecting for the financial year '16. So, that is the current outlook we are working on.

**Suresh Mahadevan:**

Yes. Quick follow-up on the content and carriage or subscription as you call it. I mean are you able to get your fair share. I mean clearly it is not a usual habit for LCOs to pay a lot of money to MSOs and then them passing on. I mean what has been your experience at least in Phase-I and Phase-II markets. Are you able to extract much-much better deal? Is it variable or fixed. I mean any color will help without divulging I suppose very strategic information

**Punit Goenka:**

I would not use the word extract I would say we have been able to command a fair share for our content that we believe we should be paid for and we have paid

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carriage to an extent that we think is fair from our side to the cable operator for the shelf space. So I do believe in the Phase-I and Phase-II definitely the content owners are getting a fair share of what they deserve. Words like extract etc., have little negative effect.

**Suresh Mahadevan:** Yes, I understand using that. What I meant was basically till now content is almost given free in an analog world and we are able to now extract some value but I suppose command from value is better word.

**Moderator:** Thank you. Next question is from Rajeev Sharma of HSBC. Please go ahead.

**Rajeev Sharma:** Just a couple of questions from my side. So how much would be the actual impact of &tv launch which was launched in early March this year of this fiscal so, what is the total impact in the EBITDA for this quarter? And what is getting into this expense category called "others"? And what do you think about this whole Star TV pushing Hotstar and how do you see it? And I understand you have some Ditto TV but it has never seen that kind of publicity and push from your side, is that worrying you or you have a plan for that? That is it from my side.

**Mihir Modi:** I will take the first question I think it is if you first see the nine months of EBITDA margin of FY-15 we were at close to say 27% EBITDA margin and Q4 is down to 20% so, I guess a large part of that barring some choices that we made in Q4 for our existing channel would be largely relating to &tv. The other expenses are predominantly admin expenses.

**Rajeev Sharma:** They are admin expenses?

**Mihir Modi:** Yes.

**Rajeev Sharma:** So there is a sharp increase in admin expenses. Is that because of &tv? It has gone up 143 crores to 202 crores for the year which is 20% increase.

**Mihir Modi:** Correct, I think it is combination of CSR that fits in the admin expense and some changes in the provisioning that have been factored in that have come into the admin line as well.

**Rajeev Sharma:** Okay. And I missed out this but have you provided for the redeemable preference shares dividend in this year's number or it will come next year?

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- Mihir Modi:** No, we paid out last year and provided for it. So it is provided as required in this year's numbers as well.
- Rajeev Sharma:** It is already booked for this year?
- Mihir Modi:** Yes.
- Rajeev Sharma:** Okay. And on the Hotstar thing?
- Punit Goenka:** Yes, on the Hotstar thing, we have been doing Ditto over two years now. As I have stated in some of the other calls and you may not be there Rajeev, we currently have 15 million subscribers on Ditto TV and we have over a 1 million paid subscribers on Ditto TV unlike Hotstar which is only free service. So we do not believe that we have given away premium content for free and hence we have been charging for the premium part of our content and the proof of the pudding is that there are a million subscribers who are actually paying us for it. As far as the push is concerned, I guess World Cup was as good a time for them to launch it and that does not concern me. At the end of the day, Hotstar is only Star content whereas Ditto is all content other than Star.
- Rajeev Sharma:** You know Live Darshan Aarti and all that was more prevalent and popular and people were paying for those services that are not really content-content. It might have changed over the last few quarters, is that the case?
- Punit Goenka:** Absolutely, maybe the initial period is what you are referring to. Most of our revenue is coming from content consumption and not from any Live Darshan. I mean I am sure Aarti and all are being consumed and it is not a bad thing but other content is also being paid for.
- Rajeev Sharma:** Okay. And just one last thing, on the EBITDA side for the next year we do not see major pressures coming in from this new launch we believe that we will still be able to have some steady run-rate on the EBITDA growth despite &tv. Because it is just one month which has been booked there but there will be four big quarters which the FY-16 will see.
- Punit Goenka:** We are very confident that we will be in this range.

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- Moderator:** Thank you. Our next question is from Rohit Dokania of IDFC Securities. Please go ahead.
- Rohit Dokania:** Just two questions from my side. One would be pertaining to domestic subscription revenue so in the annual number is there a one-off or the annual numbers are pretty much fine?
- Mihir Modi:** It is lumpiness and some one-off in the annual number as well. I think you can safely assume it representative number to be low teens growth.
- Rohit Dokania:** Okay. This you are talking for fiscal '15?
- Mihir Modi:** Fiscal '15, that is correct, Yes.
- Rohit Dokania:** Okay, perfect. Punit, in the past you have hinted at cost increases in the ex-sports expenditure side. So just want to understand, is it possible to give us some kind of indication as to be what could be the increase in the ex-sports expenditure in '16 versus '15. I believe in '15 it is gone up by 22% I was just wondering what kind of increase could be there in FY-16 versus FY-15 in the ex-sports expenditure?
- Punit Goenka:** Yes, so the expenditure will go up but as I mentioned to you that we have added a full-fledge GEC to the bouquet. So that will have disproportionate growth on cost side. But we are pretty confident that revenue on our existing portfolio and revenue on the new portfolio will offset a lot of that investment and therefore while we would like to grow the EBITDA margin this year but we will be in that range give or take (+/-) 50 to 100 basis points.
- Rohit Dokania:** Sure. So is it possible to put a number to the cost increase Punit, if that is possible?
- Punit Goenka:** No, it is very difficult.
- Moderator:** Thank you. Our next question is from Nitin Mohta of Macquarie. Please go ahead.
- Nitin Mohta:** So Punit, the question which I had was again falling on the margin and the &tv discussion that you had been having. Just wanted to understand when you are referring that will be ballpark in the same range is that the Consol margin of 26% of is it the Ex-Sports margins of 30% how should we think about being in the same range?

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- Punit Goenka:** Consol margin of the company.
- Nitin Mohta:** Sure. And the follow-up to that was your earlier commentary about low-teen advertising growth. So given that a backdrop and the fact that we are going to ramp-up investments I was just trying to understand are there going to be some cost cuts that we will see that will help you maintain margins and fund the investments towards &tv or we are making in some amount of optimism either on advertising growth or on subscription growth?
- Punit Goenka:** Nitin, the low-teen number for advertising is for the industry. There is no question for us to grow at that number. We would obviously have to grow at much higher click to that just as we have done in the current year. So there is no question of cutting back cost right now. We are in investment mode so investments are being made at the full throttle and revenue will also be driven very aggressively on both the advertising and subscription.
- Nitin Hota:** I understood. Sir would it be fair to say that the industry probably would grow at low teen for advertising and Zee as always would outpace the industry by a decent number.
- Punit Goenka:** Our endeavor and our confidence says that we will.
- Moderator:** Thank you. Our next question is from Miten Lathia of HDFC Mutual Fund. Please go ahead.
- Miten Lathia:** Two questions, first, you mentioned that you have just been able to close the subscription deals for last year in the last quarter. I wanted to understand, if that would preclude us from adopting RIO structure anytime in FY-16, that is one. And secondly, for the last two quarters, Q3 and Q4 the other revenue stream which is syndication etc., has been fairly strong. If you could sort of give us some idea what that includes, that will be useful.
- Punit Goenka:** To the first part Miten, of all our deals, some got concluded in the third quarter, fourth quarter but all those deals are valid only till 31<sup>st</sup> March, 2015. This is on the cable side. So there is nothing that precludes us from launching an RIO scheme this year. As I said, it is work in progress and with time we will come back to all of you with what we have planned. Can you repeat the second part?

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- Mihir Modi:** Yes, I will take the second question. So on the last two quarters Q3 and Q4 of this fiscal the other income is a combination of, like we had also mentioned during last call, some opportunistic sports syndication and some deals relating to Zee Music Company that we have launched this fiscal.
- Miten Lathia:** Sure. Opportunistic sports syndication would be recurring source of new revenue stream that you have discovered or is it something that...
- Mihir Modi:** No, to the sports one was one-time, some window we got to build some content and syndicate it at the same time. Large part of that was also bottom-line neutral and one-time.
- Moderator:** Thank you. Our next question is from Amit Kumar of Investec. Please go ahead.
- Amit Kumar:** Just a couple of points on my side on this Ditto TV, I am also a little bit piqued. A million paying subscribers what kind of realization would they be generating on a monthly basis and again what is the split across domestic and international subscribers here?
- Punit Goenka:** This is largely domestic subscribers only a handful few thousands are in international market. Our average realization is about Rs. 40 per subscribers per month. It is combination of where you can buy from a daily pack to weekly to a monthly, quarterly, and annual pack.
- Amit Kumar:** So almost about 50 crores of incremental revenues coming in from this product already?
- Punit Goenka:** Well yes.
- Amit Kumar:** About a 1 million so about 4 crores a month about almost just about 50 crores annually, okay, got it. My second point, a very small query on the tax rate, the overall tax rate for the last two quarters has been in the region of 24%-25% and on a full year basis at just about 30% so what is it going to be in the next year and how is this sort of accounting happening because at least our initial sense was the tax benefits on account of DNA parent company acquisition would be routed through the balance sheet. So just wanted a clarity on this.

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- Mihir Modi:** Absolutely right and we provided the split in the release. That the base remains a 33%-34% and what is separately carved out is the excess provision which has reverses related to the DMCL merger that we did. So if you focus on the base rate that is consistent. Depending on the legal obligation that we are required to take in terms of timing of the tax benefit from the merger it would fluctuate but like we said we have shown it separately.
- Amit Kumar:** So for next quarter what kind of rate should we assume?
- Mihir Modi:** It should be the same.
- Amit Kumar:** Around 30% for the full year.
- Mihir Modi:** 33%-34%.
- Amit Kumar:** All right, got it. Just two small points on the balance sheet, one is that I have seen the levels of cash and equivalents, essentially the short-term deposits, on consolidated basis are almost 740 crores. I know the overall cash element is even significantly larger. But large product the cash would be use to sort of satisfy the preference share payments over the next seven years so why is there so much of cash on the current side. This could very well be invested in instruments to generate higher returns.
- Mihir Modi:** I hear you answer the point as well. You are saying we have generated cash which will be used to pay on.
- Amit Kumar:** What I am saying is that a lot of that is essentially present in either your current account or very short-term deposits so why not actually increase the term of those deposits which helps you sort of earn better returns as well.
- Mihir Modi:** So you are right but unfortunately the balance sheet shows it as on the end of the fiscal year the last day and a whole lot of collection in fact this year even higher than normal happened on the last day given also the context of linking up with the subscription lumpiness. So settlement happened and therefore the balance sheet shows that but I can assure you we are very efficient and how we deploy our funds for treasury income.

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- Amit Kumar:** Thanks for the clarification on that. Final point, your loans and advances again have gone up quite substantially from last year so just wanted to get a sense on what is the this increase in loans and advances on account of?
- Mihir Modi:** So these are essentially the deployment the funds that are lying in the short-term loan and advances are in the nature of ICDs that have been in place. So it is a treasury operation deployment.
- Moderator:** Thank you. Our next question is from Srinivas Sheshadri of Antique. Please go ahead.
- Srinivas Sheshadri:** My first question is more on BARC. So Punit, we currently have a kind of a part sample ratings which are coming out for more than LC1 market. Just wanted to understand, once we do the overall universe what would be attribution or percentage universe contribution which will be coming from LC1 markets. I have a bit of confusion here because one of the things are just that it could be close to 100 million out of 155 million universe while the meter seem to be more similar to the number of urban meters so is it going to be two-third or 50% in terms of the LC1 contribution to overall ratings?
- Punit Goenka:** So the way to look at it is that BARC does not split it by markets it is urban versus rural BARC does not have a classification of LC1 and then rural. So LC1 onwards is considered completely rural. From my memory I am telling you but you will find it on the BARC website the total rural representation is 43% of the market and urban is 57%. Again Srinivas, I am talking from memory please verify it on the BARC website that will help you.
- Srinivas Sheshadri:** Okay. But you are not saying in terms of meter but the actual market or universe definition.
- Punit Goenka:** Meters are not known to people, right. I mean today it will be starting with 20,000 but mid way through the year how would you know how many meters are there.
- Srinivas Sheshadri:** Sure. So what you are talking about is probably an end state in terms of rural versus urban universe?

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- Punit Goenka:** Right. This percentage we can only change is the number of TV households change in what proportion they keep changing year-on-year that is how the percentage will move in terms of its distribution.
- Srinivas Sheshadri:** Understood. The second question is on the programming investments, I do understand you do not want to give a very quantitative flavor. But just want to understand since we have done a decent bit of investment in channels like Zee TV, Zee Marathi, etc., so apart from &tv is there significant opportunity or headroom to populate more content or higher cost kind of content in the existing network, how are you thinking about it? Where are the opportunities on the big channels in your network?
- Punit Goenka:** So the two big areas that we see where there is clear opportunity for us is Zee TV and Zee Tamil apart from that strengthening of Kannada and further strengthening in Telugu. These are the four areas I would say on the current portfolio where we want to strengthen. Also on our niche portfolio whether it is our English language, we have already done it through populating with better and higher quality content, more recent content and that is what has resulted in Zee Café almost #1 for almost half the year last year. So from that perspective these are the opportunities for us which have already been factored into our plans for the current fiscal and the year going forward.
- Srinivas Sheshadri:** Okay. But on an overall basis there will still be a lot of action in terms of populating and program content other network.
- Punit Goenka:** Absolutely our business is nothing else but content.
- Srinivas Sheshadri:** Yes, sure, fine. And just small point on Ditto TV, I do read that it has been transferred to a subsidiary. Just wanted to understand the rationale. Are you potentially looking at any kind of monetization or what is the logic behind to.....
- Punit Goenka:** No, there is no monetization. It is simply that putting in a separate entity will give it its own management and thrust that they can drive it themselves rather than at corporate level where it may at times lose the importance or the priority that it deserves. That is the only objective.
- Moderator:** Thank you. Our next question is from Vivekanand Subbaraman of HDFC Securities. Please go ahead.

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**Vivekanand Subbaraman:** Specific to the investments that you are making in content. Can you help us understand the programming hours that you want to step up in &tv and Zee TV, that is one and secondly, in respect to the industry ad revenue growth of mid-teens or low-teens that you are guiding, in that is there any expectation of rejig in the genres where spending will happen given that the household data is now fairly different from what it used be in TAM so these are my two questions, thanks.

**Punit Goenka:** On the first part, which is quantum of number of hours, off hand I can tell you let's say on the flagship we want to take it up to anything 35 hours – 35 hours of content per week.

**Vivekanand Subbaram:** Okay. Which is currently 30 hours, is it?

**Punit Goenka:** No, we are already at 35 so there maybe an addition of an hour or two more hours in a week at best on Zee TV. The other I cannot remember offline but offline the team may take it up.

**Vivekanand Subbaram:** Sure. And specifically, with respect to &tv you are currently at around 21.5 to 22 hours.

**Punit Goenka:** Currently at 22 hours our next burst of programming happens in June itself we will be evaluating post that but we factored in already that will also go up to about 30 hours by the end of this fiscal.

**Vivekanand Subbaram:** Yes, on the industry ad spends will there be a rejig in ad spending. For instance, will certain genres see greater amount of spend considering that the household data focus of BARC is very different than the TAM data. So will that also influence ad spends in that direction in respect to the genre where spending will happen or do they not have any link?

**Punit Goenka:** Let me just step back once Vivekanand. Household data is in absence of individual data is of no comparison because household data only represents that this television channel is on in this house for this duration of time, but who is actually consuming it? You cannot tell that from this data. Only when you map the individual data against the household data so one house versus another house you can tell that in this house I am influencing three individual where in other house I maybe influencing only one individual that is how those two get linked and get married for better monetization. Are you clear what I am trying to say?

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**Vivekanand Subbaram:** Yes, makes sense.

**Punit Goenka:** So the way the transactions happen will change but it will happen over a period of time it will not just change overnight. The whole purpose of doing household data and individual data from BARC was that that we have far more accurate far more robust data for us to use for monetization.

**Moderator:** Thank you. Our next question is from Yogesh Kirve of B&K Securities. Please go ahead.

**Yogesh Kirve:** Sir with respect of FY-15 is it possible to quantify the overall losses from the new business the way we use to do in the earlier year?

**Mihir Modi:** Like I mentioned earlier in the call Yogesh, our full year margin is 25.7% whereas the last quarter was 20% and the nine months before that was 27% so I think should help you kind of back calculate the impact of the &tv loss.

**Yogesh Kirve:** Not essentially that is being to &tv but the overall losses from all the new business has taken together so that possible to talk in those terms sir?

**Mihir Modi:** We will not be able to pull out that specifically and share it with you.

**Yogesh Kirve:** That is fine. My second question is regarding what we are reading about India's Cricket tour of Pakistan hitting a rough weather. So one, whether Zee had acquired right to factoring in this particular series in that case what is our position or is there any fall back strategy?

**Punit Goenka:** This is part of the Pakistan rights that we have acquired but there is not much that we can do about it. It is between the Pakistan Cricket Board and the BCCI and ICC to resolve this matter. Of course, if they were to take a decision that goes against TEN we will look at our legal strategy as to what recourse we have as per our contract.

**Yogesh Kirve:** Sir would we be flexible enough to get into a syndication sort of arrangement in case to limit our losses or exposure?

**Punit Goenka:** I did not understand that syndication for what?

**Yogesh Kirve:** Syndication for right for this particular series to someone else.

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- Punit Goenka:** No, if the series happen it will be on network. If for other parts of the world where do not run our own network we will syndicate it but if it happens it will happen on our network.
- Moderator:** Thank you. Our next question is from Mithun Soni of GEECEE Investment. Please go ahead.
- Mithun Soni:** I have two questions. One, with respect to the launch cost for &tv almost all of it has come in this quarter or is there some spill over going to be in the Q1 also?
- Punit Goenka:** The launch expense for the channel has already come into this quarter. Now any launch expense that comes in will relate to any property that is being launched and not the channel.
- Mithun Soni:** Okay. So there were some initial in the properties like the Shah Rukh property and those reality shows which we had launched all of that would have been factored in this quarter itself?
- Punit Goenka:** So whatever is gone on air in that quarter is factored into this quarter.
- Mithun Soni:** Okay. My second question was with respect to the subscription income. With MediaPro getting dissolved was there any case where earlier the net revenue was coming to us from MediaPro. So is there some additional cost which is now sitting on our books. Is there something like gross to net factor which has come in this quarter?
- Mihir Modi:** The impact of that is not significant. Yes, theoretically counting wise, that is how it happened but the impact on the financials is negligible it is hardly anything that will move the needle.
- Mithun Soni:** Okay. So lastly, if you can help us, since you are saying that 25% odd margins is what you are indicating. So are you looking that as a normalized number starting from the first quarter or you expect it to gradually move up from here? How do you expect the trajectory to be?
- Mihir Modi:** I think indeed it will move up because in a sense it will start from last quarter's excluding the launch expense numbers. Last quarter we were at 20%. Excluding the onetime launch expense it would be a little higher. So it will start a little lower than

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the 25-26% and as &tv picks-up also some of the further margin improvement on the existing business kick-in it will kick-in through the year.

**Mithun Soni:** Okay. And then one last question. How is the advertising inventory in &tv going on like and how many programming hours we are doing over there right now for &tv?

**Mihir Modi:** We are doing 22 hours/week original programming. How the inventory moves is really a strategic call between how much we want to fill versus how we want to maintain the rate.

**Mithun Soni:** So currently how are we like positioning the pricing for &tv and if you can share some flavor on that?

**Mihir Modi:** We are satisfied with how we are doing it. Obviously we cannot go into the details of how we are pricing it but we are having an optimal mix of keeping the price at a certain level and then looking at the fill rate.

**Mithun Soni:** So you expect the monetization of it to improve from Q2 primarily?

**Mihir Modi:** It should certainly, it should.

**Moderator:** Thank you. Our next question is from Jai Doshi of Kotak Securities. Please go ahead.

**Jai Doshi:** My first question is on &tv. If I remember correctly for the first four weeks TAM released the data for, the reach of channel was almost half what it is for other GECs. So what is your assessment? Is there a gap in distribution somewhere or maybe it takes time for a new channel and you think you would need marketing publicity in the current year?

**Mihir Modi:** I think it is a combination of all of this. Given that it is a new channel, clearly people take time to tune in and therefore, your reach will clearly be lower than channel which have been in business for decade or two decades, so that factor definitely plays a role. From an availability slash distribution perspective, I think there are a few gaps which we continue to fill. I mean like any new channel you cannot start with a 100% satisfaction so that will also contribute to the reach. Last, in terms of marketing yes, we will continue, like Punit mentioned earlier, to spend on the launch of new property to market which of course it will not be of the magnitude of

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a channel launch-marketing but a normal new property launch-marketing will continue.

**Jai Doshi:** Right. And my second question is on BARC. Now is there a timeline by when you expect the next 10,000 boxes to be seeded? And based on your understanding of trends of Zee TV under TAM in different markets do you think your market share will improve when we look at overall sample with 20,000 meters. What is your reading of the pecking order right now and how do you think things will change?

**Mihir Modi:** Firstly, I guess we wish we knew but having said that, clearly the current data which is based on household level reporting is definitely not representative of the currency that we should be using in this business which is the individual level data. So first is to get the individual level data and then react to where we are or not. Like I said we wish we knew how we would fair but one thing is sure BARC will give us more granular data as the boxes increase. Talking about the number of boxes we do not have a specific timeline that we have been given by BARC but clearly their objective is to get to 20,000 as quickly as possible so it should be in months or quarters definitely not year.

**Jai Doshi:** Right. And they will release individual data at some point of time, is that right?

**Mihir Modi:** Absolutely, that should be sooner rather than later.

**Moderator:** Our next question is from Sandeep Gupta of Ambit Capital. Please go ahead.

**Sandeep Gupta:** Two questions from my side one on the regional GEC space, how is the competitive intensity shaping up now that the other large broadcasters are also focusing on that genre. So any comments on that side as to how do we see that part of the business which has contributed significantly to our market share in the advertising growth rate. So any color if you can share from that perspective as to how do we look and intend to grow that particular piece?

**Mihir Modi:** Sure, I think on the regional space there is indeed competition. It is a sizeable market which attracts newer players or competitors into that space so the competitive intensity remain high given that those markets are indeed of a significant size. Having said that we continue to do very-very well in the Marathi language. We have improved our performance in Telugu and Kannada. So we

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continue to sustain and improve our shares in these markets and Tamil is also picking up slowly but surely.

**Sandeep Gupta:** Thanks Mihir on that. And secondly, on the sports piece of the business, if I look at this quarter we have reported EBITDA profits on this piece if you can throw some color because if I was running through the Q3 conference call transcript you know we were expecting a similar kind of EBITDA level losses out here so anything new which has happened out here given syndication you have mentioning neutral to the profitability.

**Mihir Modi:** Yes. So some part of this is subscription lumpiness that sports also benefited from and the rest of it is property related so net-net that is what drove the fluctuation across the quarter and the sports business as well.

**Sandeep Gupta:** Okay. And how sustainable do you think this subscription revenue growth can be or was it only catch-up and hence, we think it from an annual number perspective and look it from that perspective please?

**Mihir Modi:** I think there are a couple of variables that we go into. One is clearly the digitization impact which may not come in the next 12 months to the extent that we would have liked if there were no delay but the preparedness towards that will definitely play a role in that and the second one is the RIO strategy that we have been working on so that would also play a role in how that pans out. I think it will be an attempt to maintain the growth rate at similar levels as this year but we will see RIO could be disruptive, digitization impact may not necessarily come in the fourth quarter of this fiscal though the sunset is end of December. So those factors will play a role in how it does but the endeavor will be to kind of keep it at current year level.

**Moderator:** Thank you. We will take our last question from Sapna Kamath of Siddhesh Capital. Please go ahead.

**Dhaval Shah:** Hello this is Dhaval Shah, here. Sir, I have a question on &tv, you mentioned that it will take around three years to five years for the channel to breakeven. So what sort of advertisement and subscription revenues are you looking for that would make us near to some breakeven level?

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- Mihir Modi:** Okay. The way to look at this is that a typical GEC we have a certain cost structure which of course would differ across in terms of efficiency of spend but you will have a good ballpark of that and that is the number we need to reach on the revenue line.
- Dhaval Shah:** Okay. So approximately if we were supposed to make P&L just for this channel since it is big investments you are making so what sort of number would you have in mind to reach on an advertisement side? Any broad numbers just to understand...
- Mihir Modi:** If I can request you what we can do you can take this offline with my team.
- Dhaval Shah:** Sure, sir. And sir, secondly on digitization, are you seeing for Phase-I and Phase-II, has the MSO started with proper billing, like our mobile bills. Has it started in that way in many pockets?
- Mihir Modi:** Partially it has started.
- Moderator:** Thank you. I now hand the floor back to Ms. Anuradha Walawalkar for closing comments. Over to you, ma'am.
- Anuradha Walawalkar:** Ladies and Gentlemen, thank you again for joining us. We hope to have the transcript of the call on our website soon. We look forward to speak to you again at the end of first quarter fiscal 2016 or even earlier on a one-on-one basis. Thank you and have a great evening.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Zee Entertainment Enterprises Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.